

FY2018 First Quarter Results

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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.

FY2018 Q1: Executive Summary

- Established strong brands globally
- Organic net sales grew double-digit for the fourth consecutive quarter
- Net sales and operating income hit record highs

Net sales: ¥263.8 Bn YoY change in local currency: +12.8% YoY change: +13.5% +18% YoY excluding the impact of Zotos transfer, etc.

- Japan business maintained double-digit growth (like-for-like: +18%)
- Cross-border marketing contributed to sales growth (China +27% / TR +50% / Inbound sales + over 40%)
- Prestige brands were the major driver for global growth (+18%)
- Cosmetics brands grew significantly in Japan, China and Asia Pacific (+23%)

Operating income: ¥47.1 Bn YoY change: +95.3% YoY change: +¥23.0 Bn OPM 17.9%

- Significant improvement of cost structure driven by growth of brands

Net income attributable to owners of parent:

¥28.9 Bn YoY change: +106.2% YoY change: +¥14.9 Bn

Accelerating initiatives to rebuild the supply network

Summary of FY2018 Q1 Results

(Billion yen)	FY2018		FY2017		YoY Change	YoY Change %	YoY Change in Local Currency %
		% of Net Sales		% of Net Sales			
Net Sales	263.8	100	232.5	100	+31.3	+13.5	+12.8
Cost of Sales	54.9	20.8	54.5	23.4	+0.5	+0.9	
SG&A	161.7	61.3	153.9	66.2	+7.8	+5.1	
Operating Income	47.1	17.9	24.1	10.4	+23.0	+95.3	
Ordinary Income	47.2	17.9	23.9	10.3	+ 23.3	+97.7	
Extraordinary Income/Loss (net)	0.2	0.1	-0.4	-0.2	+0.6	—	
Net Income Attributable to Owners of Parent	28.9	10.9	14.0	6.0	+14.9	+106.2	

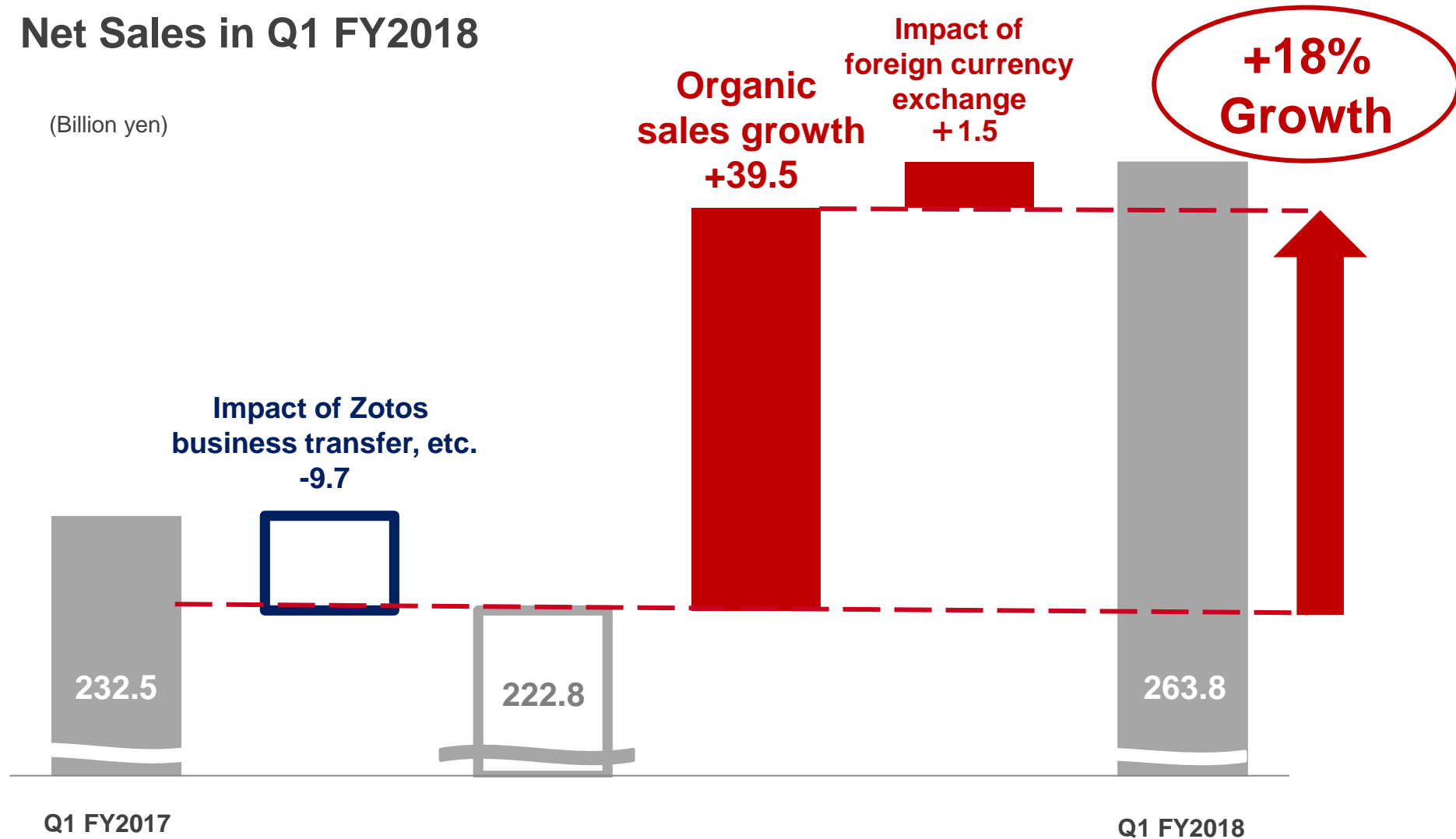
Exchange rates: USD 1 = JPY 108.3(-4.7%), EUR 1 = JPY133.2(+10.0%), CNY 1 = JPY17.1(+ 2.9%)

*1. The “+” and “-” symbols in YoY Change indicate increase and decrease in amount, respectively.

Further Acceleration of Growth Momentum: Organic Growth +18%

Net Sales in Q1 FY2018

(Billion yen)



Achieving Continuous Growth in Japan, China, Asia Pacific and Travel Retail

Q1 Results of Sales by Reportable Segment

(Billion yen)	FY2018		FY2017		YoY Change	YoY Change %	YoY Change in Local Currency %	YoY Change in Local Currency % (like-for-like ^{*2})
		% of Net Sales		% of Net Sales				
Japan	118.7	45.0	101.4	43.6	+17.3	+17.0	+17.0	+18
China	45.6	17.3	35.5	15.3	+10.2	+28.7	+27.2	+27
Asia Pacific	17.1	6.5	14.7	6.3	+2.4	+16.1	+13.2	+13
Americas	28.2	10.7	29.6	12.7	-1.4	-4.8	-1.1	+4
EMEA	25.1	9.5	22.4	9.7	+2.6	+11.7	+3.1	+7
Travel Retail	21.4	8.1	15.1	6.5	+6.3	+41.9	+44.3	+50
Professional	4.8	1.8	10.8	4.6	-5.9	-55.0	-55.4	+4
Other	2.9	1.1	3.1	1.3	-0.1	-4.0	-4.0	+7
Total	263.8	100	232.5	100	+31.3	+13.5	+12.8	+18

*1. See Supplemental Data 3 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

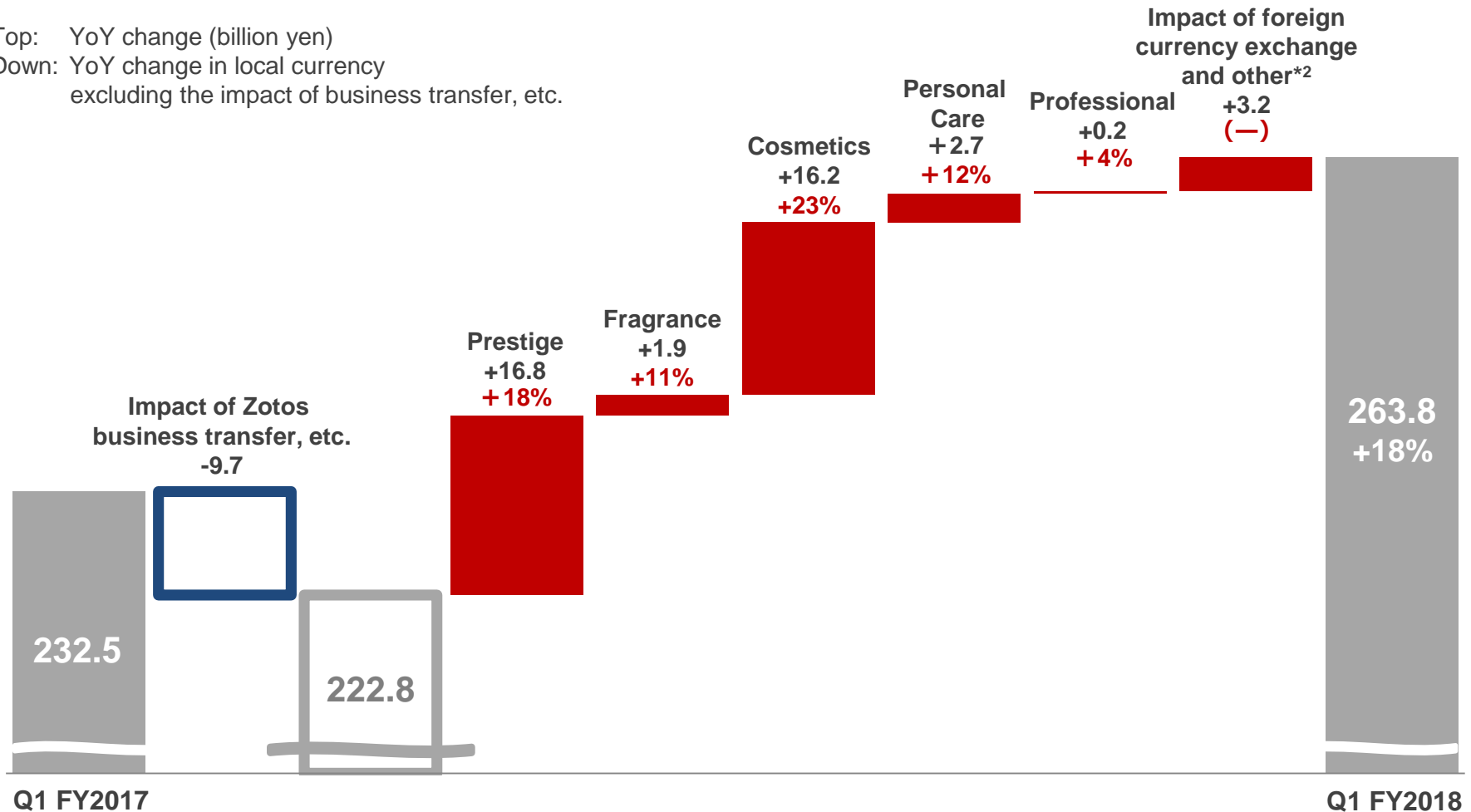
*2. YoY Change in Local Currency % (like-for-like) is the year-on-year change on a local currency basis excluding the impact of business transfer, etc. the previous year.

Growth in All Divisions, Driven by Prestige and Cosmetics Brands

YoY breakdown of change in net sales by brands

Top: YoY change (billion yen)

Down: YoY change in local currency
excluding the impact of business transfer, etc.



*1. The YoY change, and YoY change in local currency terms for each business were calculated based on the exchange rate estimated at the beginning of the fiscal year.

*2. "Impact of foreign currency exchange and other" includes impact of foreign currency exchange +1.5 billion as well as "Other" business and the difference between the assumed rates and the actual rates.

Globally Improved Profitability

Q1 Results of Operating Income by Reportable Segment

(Billion yen)	FY2018		FY2017		YoY Change	YoY Change %
		Operating Profitability %		Operating Profitability %		
Japan	31.8	24.8	20.0	18.3	+11.8	+59.0
China	14.8	32.4	6.6	18.6	+8.2	+124.8
Asia Pacific	3.2	18.4	3.3	21.6	-0.0	-1.0
Americas	-4.6	-13.0	-4.1	-12.4	-0.5	—
EMEA	-1.3	-4.5	-3.4	-14.2	+2.1	—
Travel Retail	5.4	25.4	4.8	31.7	+0.7	+13.7
Professional	0.1	2.0	0.4	4.1	-0.3	-78.2
Other	-0.9	-3.5	-2.2	-10.9	+1.3	—
Subtotal	48.6	15.7	25.4	9.6	+23.2	+91.6
Adjustments	-1.4	—	-1.2	—	-0.2	—
Total	47.1	17.9	24.1	10.4	+23.0	+95.3

*1. Operating Profitability is calculated using net sales including intersegment transactions.

*2. See Supplemental Data 3 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Japan: +18% Organic Sales Growth, Operating Profitability Breaks Ground at Over 20%

(Billion yen)	FY2018		FY2017		YoY Change	YoY Change %
	Q1	% of Net Sales	Q1	% of Net Sales		
Prestige/ Specialty Store*1	43.3	36.5	37.7	37.1	+5.7	+15.1
Cosmetics	55.4	46.7	45.7	45.1	+9.7	+21.1
Personal Care	14.4	12.1	12.6	12.4	+1.8	+14.3
Others*2	5.6	4.7	5.4	5.4	+0.1	+2.2
Sales	118.7	100	101.4	100	+17.3	+17.0

YoY change excluding the impact of business transfer in FY2017 was +18%.

	(Billion yen)	FY2018 Q1	FY2017 Q1	YoY Change	YoY Change %
	Operating Income	31.8	20.0	+11.8	+59.0
	Operating Profitability %	24.8	18.3	+6.5pt	
	Income Before Amortization of Goodwill, etc.	31.9	20.1	+11.8	+58.9
	Operating Profitability %	24.9	18.4	+6.5pt	

*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. Operating Profitability is calculated using net sales including intersegment transactions.

Store Sales: +19% Growth with Largely Increased Share

- Japanese market:

Cosmetics market growth +2-3% (Shiseido estimate)

- Shiseido:

YoY change in store sales +19%

- Growth in sales to Japanese consumers: + over 10% YoY
- Inbound sales: + over 40% YoY
- Established strong brands through “selection and concentration”

Securing market penetration through core items and basic skincare products

Reaching the younger generation with new brand lines/series

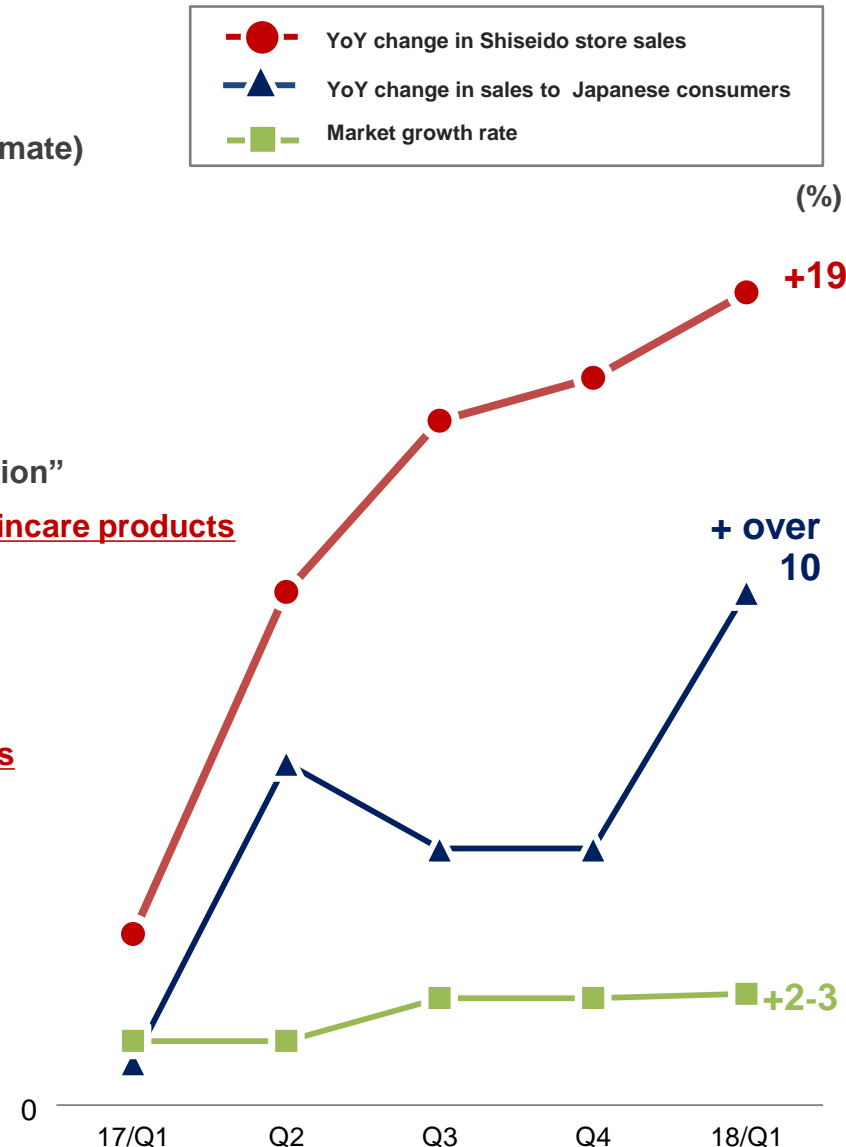
- ELIXIR: + over 70% YoY
- SHISEIDO: + over 40% YoY

Establishing brands with highly differentiated quality products

- MAQuillAGE: base makeup maintained top share
- ANESSA: + over 80% YoY

Creating new market

- Test marketing of β version of Optune



China: +27.2% Growth in Sales, Significant Increase in Operating Profitability

(Billion yen)	FY2018 Q1	FY2017 Q1	YoY Change	YoY Change %	YoY Change in Local Currency %
Sales	45.6	35.5	+10.2	+28.7	+27.2

(Billion yen)	FY2018 Q1	FY2017 Q1	YoY Change	YoY Change %
Operating Income	14.8	6.6	+8.2	+124.8
Operating Profitability %	32.4	18.6	+13.8pt	
Income Before Amortization of Goodwill, etc.	14.9	6.7	+8.2	+122.9
Operating Profitability %	32.6	18.8	+13.8pt	

- **Prestige brands drove growth**
 - Brisk sales of *Clé de Peau Beauté*, *SHISEIDO*, *IPSA* and *NARS*
- **Cosmetics business performed strongly**
 - Robust sales of *AUPRES*, high growth in *ANESSA* and *ELIXIR*
- **E-commerce sales remained strong**

*1. See Supplemental Data 3 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. Operating Profitability is calculated using net sales including intersegment transactions.

Asia Pacific: +13.2% Growth in Sales, Maintaining Double-Digit Operating Profitability

(Billion yen)	FY2018 Q1	FY2017 Q1	YoY Change	YoY Change %	YoY Change in Local Currency %
Sales	17.1	14.7	+2.4	+16.1	+13.2

(Billion yen)	FY2018 Q1	FY2017 Q1	YoY Change	YoY Change %
Operating Income	3.2	3.3	-0.0	-1.0
Operating Profitability %	18.4	21.6	-3.2pt	
Income Before Amortization of Goodwill, etc.	3.2	3.3	-0.0	-1.0
Operating Profitability %	18.5	21.7	-3.2pt	

- **Prestige brands continued to perform strongly**
 - Brisk sales of *SHISEIDO*, *Clé de Peau Beauté* and *NARS*
- **Cosmetics and Personal Care: *ANESSA* and *SENKA* recorded high growth**
- **South Korea and Thailand were top performers**
- **Taiwan outpaced market growth**

*1. See Supplemental Data 3 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. Operating Profitability is calculated using net sales including intersegment transactions.

Americas: +4% Organic Sales Growth, Sales and Operating Income: Progress on Track

(Billion yen)	FY2018 Q1	FY2017 Q1	YoY Change	YoY Change %	YoY Change in Local Currency %
Sales	28.2	29.6	-1.4	-4.8	-1.1

YoY change excluding the impact of business transfer in FY2017 was +4%.

(Billion yen)	FY2018 Q1	FY2017 Q1	YoY Change	YoY Change %
Operating Income	-4.6	-4.1	-0.5	—
Operating Profitability %	-13.0	-12.4	-0.6pt	
Income Before Amortization of Goodwill, etc.	-3.3	-1.8	-1.5	—
Operating Profitability %	-9.3	-5.6	-3.7pt	

*1. See Supplemental Data 3 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. Operating Profitability is calculated using net sales including intersegment transactions.

Americas

- **NARS performing strongly**
 - Presence in specialty stores increased
- **Dolce&Gabbana posting strong results**
 - “*Light Blue*” turned in a solid performance
 - New “*Dolce Garden*” made a strong start
- **Reform of *bareMinerals* progressing as planned**
 - Total brand sales were below last year
 - Closure of unprofitable boutiques is under way
 - E-commerce sales were strong due to reinforced digital marketing
- **Strengthening investment in brands**
 - Increase of marketing investment in the Americas market
 - Reinforced investment in Centers of Excellence and brands



EMEA: +7% Organic Sales Growth, Improvement of Operating Profitability

(Billion yen)	FY2018 Q1	FY2017 Q1	YoY Change	YoY Change %	YoY Change in Local Currency %
Sales	25.1	22.4	+2.6	+11.7	+3.1

YoY change excluding the impact of business transfer in FY2017 was +7%.

(Billion yen)	FY2018 Q1	FY2017 Q1	YoY Change	YoY Change %
Operating Income	-1.3	-3.4	+2.1	—
Operating Profitability %	-4.5	-14.2	+9.7pt	
Income Before Amortization of Goodwill, etc.	-0.8	-3.0	+2.2	—
Operating Profitability %	-2.9	-12.5	+9.6pt	

- **Dolce&Gabbana**
 - New “*Dolce Garden*” made a strong start
 - Growth paced up, especially in France, the UK and the Middle East
- **NARS** achieved significant growth of sales
- **SHISEIDO** performed well in skincare category
 - Sales of “*WASO*” and “*Essential Energy*” were robust

*1. See Supplemental Data 3 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. Operating Profitability is calculated using net sales including intersegment transactions.

Travel Retail:

Outstanding Growth in Sales and Continued High Profitability

(Billion yen)	FY2018 Q1	FY2017 Q1	YoY Change	YoY Change %	YoY Change in Local Currency %
Sales	21.4	15.1	+6.3	+41.9	+44.3

YoY change excluding the impact of business transfer in FY2017 was +50%.

(Billion yen)	FY2018 Q1	FY2017 Q1	YoY Change	YoY Change %
Operating Income	5.4	4.8	+0.7	+13.7
Operating Profitability %	25.4	31.7	-6.3pt	
Income Before Amortization of Goodwill, etc.	5.4	4.8	+0.7	+13.7
Operating Profitability %	25.4	31.7	-6.3pt	

● Cosmetics

- *Clé de Peau Beauté, SHISEIDO, NARS and ANESSA* maintained high growth

● Fragrance

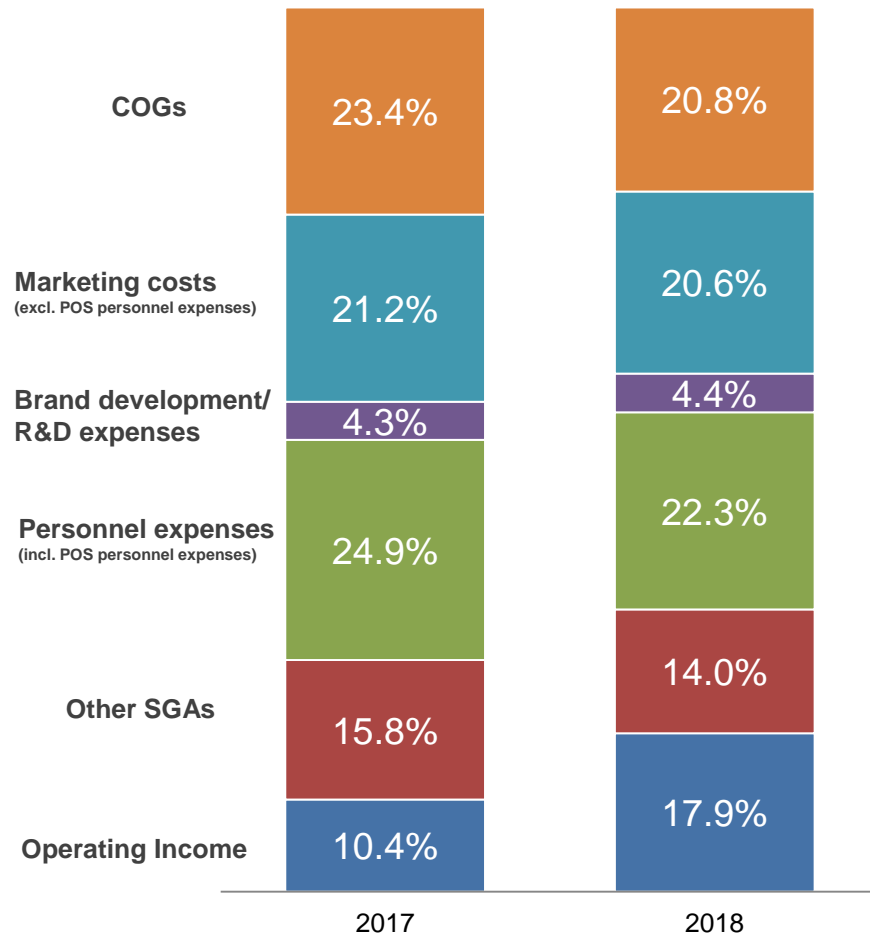
- *Dolce&Gabbana* performed strongly

*1. See Supplemental Data 3 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. Operating Profitability is calculated using net sales including intersegment transactions.

Towards an Ideal Cost Structure

Cost Structure in FY2018 Q1



- Expanding top-line growth
- COGs
 - Top-line growth in core brands
 - Significant growth in prestige brands
- Marketing investment
 - Enhancement of marketing ROI driven by increased brand equity
- Personnel expenses/Other SGAs
 - Decreasing the ratio of personnel expenses and other SGAs to sales by strict cost management

Enhancing earning power
Improving operating profitability

Aiming for Further Challenges and Greater Heights

- Further strengthening of brand portfolio

Expanding sales and enhancing profitability by increasing brand equity

➤ *SHISEIDO, Clé de Peau Beauté, ELIXIR, NARS, Dolce&Gabbana, ANESSA, IPSA*

- Promoting the development of global management structure

Function × Region	Sales Company	Regional HQ	Brand Holder	Center of Excellence	Manufacture
Japan	○	○	○		
China	○	○	○		○
Asia Pacific	○	○			○
Americas	○	○	○	○	○
EMEA	○	○	○	○	○
Travel Retail	○	○			

Transform Shiseido into a more competitive and energetic organization



Towards globally competitive profitability

SHISEIDO

Supplemental Data 1:

Decrease in Fixed Cost Ratio Due to Higher Sales Towards an Ideal Cost Structure

(Billion yen)	FY2018 Q1			YoY Change %	YoY Change	YoY Change Excluding Impact of Foreign Currency Exchange
		% of Net Sales	Change in % of Net Sales			
SG&A	161.7	61.3	-4.9	+5.1	+7.8	+6.8
Marketing Costs	82.5	31.3	-1.7	+7.6	+5.9	+5.1
Brand Development Cost and R&D Expenses	11.7	4.4	+0.1	+16.2	+1.6	+1.4
Personnel Expenses	30.5	11.6	-1.5	-0.1	-0.0	-0.1
Other Expenses	37.0	14.0	-1.8	+1.0	+0.4	+0.4

*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 2: Consolidated Balance Sheets

(Billion yen)	As of Mar. 31, 2018	Change from Dec. 31, 2017
Total Current Assets	493.2	-33.0
Cash, Time Deposits and Short-Term Investments in Securities	134.7	-39.8
Notes & Accounts Receivable	176.4	+14.3
Inventories	130.5	+0.5
Total Fixed Assets	413.3	-9.8
Property, Plant and Equipment	156.7	-1.9
Intangible Assets	164.6	-4.0
Investments and Other Assets	92.0	-3.9
Total Assets	906.5	-42.9

(Billion yen)	As of Mar. 31, 2018	Change from Dec. 31, 2017
Total Liabilities	449.7	-53.9
Notes & Accounts Payable and Other Payables	127.7	-19.2
Accrued Income Taxes	11.2	-13.8
Accrued Bonuses for Employees	16.7	-8.3
Interest-Bearing Debt	81.2	-0.2
Long-term Payables	56.9	-2.4
Total Net Assets	456.9	+11.0
Shareholders' Equity	429.3	+23.1
Accumulated Other Comprehensive Income	3.7	-13.7
Non-Controlling Interests	23.0	+1.5
Total Liabilities and Net Assets	906.5	-42.9

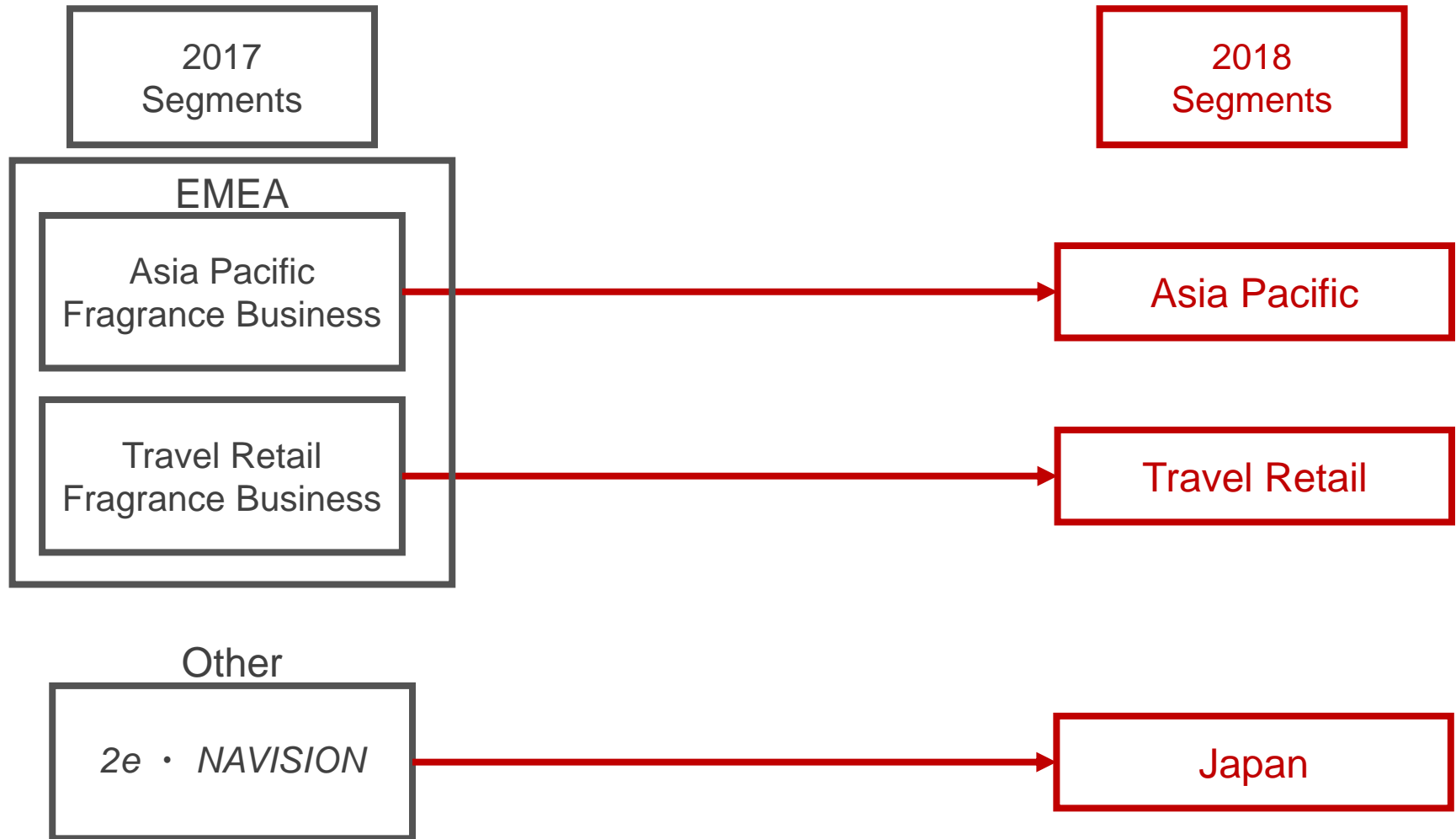
Exchange Rates:

Mar. 31, 2018: USD 1= JPY 106.3; EUR 1 = JPY 130.6; CNY 1 = JPY 16.9
Dec. 31, 2017: USD 1= JPY 113.1; EUR 1 = JPY 135.0; CNY 1 = JPY 17.3

Debt-to-equity ratio 0.19

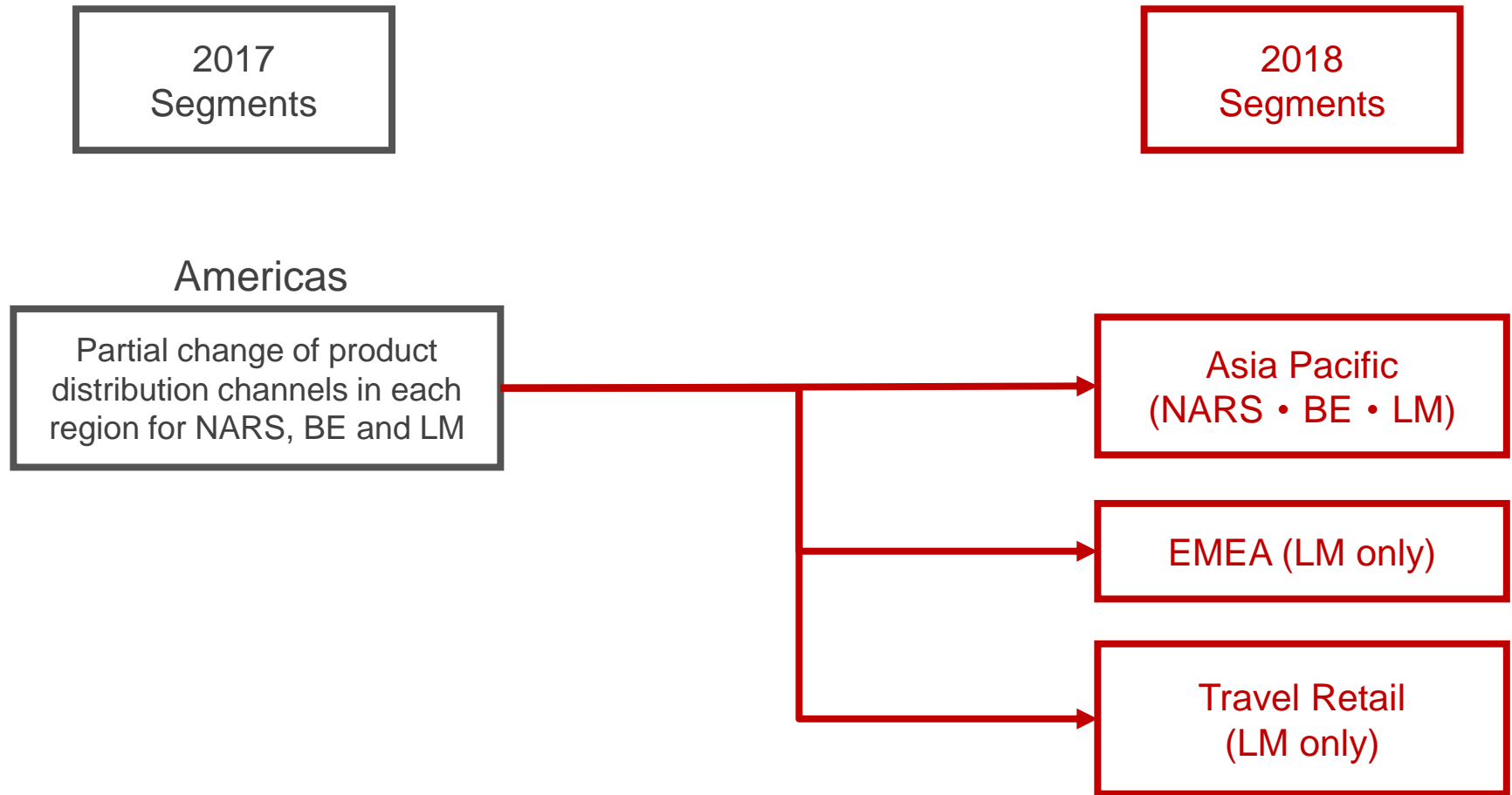
* Main line items only

Supplemental Data 3-1: Main Constituents of Old and New Reportable Segments



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 Others business, are now included in the Japan business.

Supplemental Data 3-2: 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*