SHISEIDO

(Translation)

August 8, 2018

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, 2018, Dividend of Surplus (Interim) and Year-End Dividend Forecast (Dividend Increase)

Shiseido Company, Limited ("the Company") hereby announces that it has revised the consolidated forecast for the fiscal year ending December 31, 2018 previously announced on March 5, 2018 in light of the Company's latest financial results.

Furthermore, the Company has resolved at the Board of Directors Meeting held today to distribute dividends of surplus (interim) with the record date of June 30, 2018 and to revise the year-end dividend forecast for the fiscal year ending December 31, 2018. Details are presented as follows.

1. Revised Forecast for Consolidated Results for the Fiscal Year Ending December 31, 2018 (from January 1 to December 31, 2018)

(Millions of yen unless otherwise stated)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net earnings per share (yen)
Previous forecast (A)	1,033,000	90,000	90,000	54,000	135.15
Revised forecast (B)	1,090,000	110,000	110,000	67,000	167.72
Change (B-A)	57,000	20,000	20,000	13,000	
Percentage change	5.5	22.2	22.2	24.1	
(Reference) Results for the previous period (ended December 31, 2017)	1,005,062	80,437	80,327	22,749	56.95

2. Reasons for the Revision of Consolidated Financial Result Forecast

Fiscal year ending December 31, 2018 is the first year of the Company's new three-year plan, which is Phase 2 of VISION 2020, its medium-to-long-term strategy. The Company is working to accomplish the new strategy to accelerate growth. To speed up sales growth, it is accelerating digitalization, developing new businesses, and generating new value through innovation as it continues substantial marketing investment with a focus on prestige brands. Moreover, the Company believes that people are the source of all value creation and is actively investing in them.

In the first half of the current fiscal year, net sales benefitted from the selection and concentration of businesses and brands and increased investment in key brands. When converted into Japanese yen, consolidated net sales reached 532.6 billion yen, 12.8% higher than the previous year.

As marketing investment was proactively increased, strong sales of the highly profitable prestige brands and other products in the Japan, China, Travel Retail and other businesses contributed substantially to profit growth. Operating income rose to 71.1 billion yen, an increase of 105.1% year on year, and net income attributable to owners of parent reached 47.7 billion yen, an increase of 153.5% year on year.

In light of these favorable results, the Company has decided to revise its consolidated financial result forecast as outlined above.

The Company is also resolved to tackle product supply issues resulting from strong demand for products made in Japan. It will take efforts to increase production and supply capacity in order to further expand sales with a focus on prestige brands, improve COGs, and boost the effectiveness of marketing investment. Through these efforts, the Company will aim at an operating income of 10 to 15 billion yen higher than the revised forecast.

3. Interim Dividends for the Fiscal Year Ending December 31, 2018

	Resolution	Most recent dividend forecast (announced on March 5, 2018)	Results for the previous period (ended December 31, 2017)
Record date	June 30, 2018	June 30, 2018	June 30, 2017
Dividend per share	20 yen	15 yen	12.50 yen
Total dividend amount	7,986 million yen	-	4,993 million yen
Effective date	September 4, 2018	-	September 5, 2017
Source of dividend	Retained earnings	-	Retained earnings

4. Revised Year-End Dividend Forecast for the Fiscal Year Ending December 31, 2018

	Annual dividends per share (yen)		
	End of first half	Year-end	Full year
Previous forecast (announced on March 5, 2018)	15	15	30
Revised forecast	―	20	40
Results for the current period	20	―	―
Results for the previous period (ended December 31, 2017)	12.50	15	27.50

5. Reasons for the Revision of Interim Dividends and Year-end Dividend Forecast

The Company’s shareholder return policy targets total returns, comprising direct returns to shareholders through dividends and medium-to-long-term share price gains. Based on this approach, its basic policy is to focus on strategic investment for sustainable growth, thus aiming for maximization of corporate value, and at the same time to enhance capital efficiency exceeding capital costs, with a view to increasing dividends and share price over the medium-to-long term.

Upon determining dividends, the Company aims to achieve long-term, stable and continuous enhancement of returns with emphasis given to consolidated business results and free cash flow, and sets the minimum level of Dividend on Equity (DOE) of 2.5% as an indicator that reflects its capital policy.

Based on the Company's results for the first half announced today and the upward revision of the consolidated forecast for the full fiscal year, the Company now expects to achieve the initial goals set in VISION 2020-, of 100 billion yen in operating income and an operating margin of 10%, two years ahead of schedule. After taking this into account, the Company has decided to increase its interim dividend by 5 yen per share, from the previous forecast of 15 yen to 20 yen per share. It has also resolved to increase its year-end dividend forecast by 5 yen, to 20 yen per share. As a result, the Company plans to pay a full-year dividend of 40 yen per share, an increase of 12.50 yen from the previous fiscal year and double the initial goal when work on VISION 2020 first began.

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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