August 5, 2009
Shiseido Co., Ltd.

Q&A for the First Quarter of the Fiscal Year Ending March 31, 2010 (Summary)

First Quarter Results

Q) Monthly sales of domestic subsidiary were down 1% on a year-on-year basis in June, which was better compared with the trend in April and May. Isn't in-store stock increasing?

A) Partly owing to inventory adjustment on the sales channel side, shipments in April and May were weak compared with store sales. In June, this was evened out. In-store stock decreased from the end of the previous fiscal year (ended March 2009) both in value terms and in inventory ratio.

Q) Why did operating income fall 10 billion yen year on year?

A) Operating income fell 10 billion yen because marginal income declined around 20 billion yen as a result of a decreased net sales and a higher cost of sales ratio and half of this decline was offset by a reduction in SG&A expenses of around 10 billion yen. The reduction in SG&A expenses consists of a reduction of around 4 billion in domestic operations centering on personnel costs and general expenses and a reduction of around 6 billion yen in overseas operations largely due to exchange rates.

Q) Why did the cost of sales ratio increase. What do you foresee as the future trend in the cost of sales ratio?

A) The increase is mainly attributable to a higher fixed ratio associated with decreased sales in Japan. The rise in raw material costs is also still having a slight impact. As regards raw material costs, we expect the effect of lower purchase unit prices will gradually be felt moving forward.

Q) Operating income fell 4 billion yen short of your initial prediction. How much of this is attributable to domestic operations and how much to overseas operations?

A) Around 3 billion yen is attributable to domestic operations and around 1 billion yen is attributable to overseas operations.

Q) You posted an impairment loss on the business assets of domestic sales subsidiary under extraordinary losses. Please specify what kind of assets?

A) We recognized an impairment loss on fixed assets (land, buildings, fixtures, store fittings,

etc.) in certain sales areas of our domestic subsidiary. This does not include product inventory and merchandise inventory.

Q) Inventories increased by almost 10% from the end of the previous fiscal year (ended March 2009) . Why was that?

A) Roughly a third of the increase of around 6 billion yen is attributable to domestic operations and around two thirds is attributable to overseas operations. Around half of the increase overseas is attributable to foreign exchange rate differences (※). Another contributing factor is that we procured stock of new products for launch in autumn in Japan and we procured stock of new Aupres products and Maquillage products for launch in the second half in China and other overseas markets.

※The accounting period of overseas subsidiaries of the Shiseido Group runs from January to December. As a result, the exchange rate used to convert foreign currency into yen on the balance sheet as at June 30, 2009 is the daily exchange rate on March 31, 2009（1US$=98.26 yen) , and the rate used at the end of the previous fiscal year (ended March 31, 2009) is the daily exchange rate on December 31, 2008（1US$=91.01 yen) .

First Half and Full Year Forecasts

Q) Are you not going to revise your forecast for domestic sales in the second half?

A) In our latest forecast we expect sales to be in line with our initial prediction.

Q) You forecast that over the full year other income will be 1 billion higher than initially predicted. Are you expecting other income to be more than initially predicted in the second half as well?

A) In our latest full-year forecast, we have added the amount by which other income exceeded our initial prediction in the first quarter, and we expect that, over the remaining nine months, other income will be zero as initially predicted.

Q) In your initial prediction, you forecast that over the full year domestic marketing costs would decrease by 7.5 billion year on year. What is your forecast for the first half?

A) In our initial prediction we estimated that first-half domestic marketing costs would be more or less the same as the year-ago level and in our latest forecast we expect that they will decrease by around 1 billion yen. Last year, in the second half marketing costs swelled due to the launch of new lines. Therefore, compared with the previous year, this year marketing costs will decrease primarily in the second half.