

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

First Half Results

Q) Why did domestic marketing costs decline?

- A) Until last year, we were incurring costs to introduce new brands/lines, and also to conduct seasonal campaigns. The outlays associated with the introduction of new brands/lines came to an end in the first half of the current year, and so these costs declined.

Second Half and Full Year Forecasts

Q) It is reported that store sales are turning upward at key stores in the GMS channel. Do you expect this momentum to continue into the second half? What are the accomplishments of the Diamond Sales System?

- A) Market conditions will remain severe until the end of the current year, so I don't think that it will be easy to sustain this momentum. As for the Diamond Sales System, we will, for example, add a sales counter for senior customers to around 400 stores as a way of creating a next-generation sales counter, and this will enable us to focus on the development of existing products such as deLuxe. The number of regular users of Revital Granas, which was launched in October 2008, has been steadily increasing, and this has been helping us to establish a solid relationship with customers. We want to retain the current momentum as much as possible, with core tasks of rolling out attractive sales counters for self-selection cosmetics and providing customers with quality services for counseling cosmetics.

Q) Domestic sales in the second half are expected to rise 1.8% year on year. How confident are you of achieving this figure?

- A) I understand that some may think that 1.8% is too high, but we began this year with the situation that in-store stock was lower than it was at the end of September 2008. This means that we will in effect aim to achieve sales in line with the level of the previous year in the second half, excluding inventory adjustment. Sales fell over the last year because of the very large effect of the economic recession in the fourth quarter. So we are determined to achieve 1.8% growth to make up for the decline in the fourth quarter.

Other Matters

Q) How do you plan to optimize counseling for customers and the sales system to respond to structural changes in the cosmetic market?

A) Although we need to carefully analyze the way in which the market evolves in the future, it is hard to see demand for counseling disappearing in the near future. However, it is probably necessary to examine our response and whether the current system is appropriate, if we assume that demand for low-priced, self-selection cosmetics is increasing going forward. In any case, we believe that it is necessary to consider our response by reading changes over the long-term.

Q) What is your prospect for achieving the targets set in the medium-term plan (three-year plan beginning in fiscal 2008)?

A) Our concept has not changed from the one we had at the outset of the current fiscal year. I think that business conditions will remain harsh for the time being, given the challenges and uncertainties that are still associated with the global economy. It is hard to see any sudden improvement in the operating environment in 2010, and we expect to face tough conditions during this Three Year Plan. We aim to achieve operating margin of 10%, our numerical target, at the earliest point in the next three years.

Q) Will you be labeling your products in the masstige domain with the Shiseido brand name? How about in Japan?

A) Our basic policy is to use the name “Shiseido” only for products that come under the global brand “Shiseido” in overseas markets, and not in Japan. Based on this policy, our basic principle is not to use the name in the masstige domain. However, we believe that it is necessary to review this from a broad perspective in the Japanese market, given its past history.

About “masstige business”, please click [here](#) to see CEO’s presentation of “New Three Year Plan.”