

April 28, 2010
Shiseido Co., Ltd.

Q&A for the Results for the Year Ended March 31, 2010 (Summary)

<Domestic Business>

Q) You have forecast that the growth rate of the sales in the Domestic Cosmetics segment will be 1.3% higher for FY2010. Do you see sales picking up in the second half? And do you see the high-end counseling cosmetics improving because department store sales have begun to recover?

A) According to the statistics from the Ministry of Economy, Trade and Industry, the cosmetics market has not yet recovered, and our expectation is that the situation will continue for the first half and will start to recover from the second half. As the most recent statistics shows that the deflationary trend seems to have eased and department sales have bottomed out, it looks like the tide has changed slightly.

Q) Was there a difference in the trend of shipping and over-the-counter sales in the fourth quarter? If the growth in shipping exceeded that of over-the-counter sales, is the FY2010 earnings forecast based on the premise that sales in the first quarter are kept low?

A) We assume that this is a question about inventory at stores. In the fourth quarter, there had been shipments in February and March that were necessary to boost the sales in FY2010, which is currently ongoing. Because the inventory level as of the end of March is 98, with 100 representing the level of September 2008, the highest ever, it is not a serious concern. However, shipping in April can decrease on a year-to-year basis.

Q) How will Shiseido, which excels in mid-range products, be responding to the progressive polarization of the domestic market?

A) The price of cosmetic products in Japan is relatively high compared to that in other countries. However, we think that it will level off to global benchmarks as the shift toward low-end products, which began from after the Lehman crisis, continues. On the other hand, it is unlikely that the market for mid-range products will suddenly become hollowed out. Given that the deflationary trend has eased, we expect that the excessive shift to lower prices will be brought under control. Nevertheless, we are aware of the need for low-end products in Japan and will work on them with masstige strategy in tandem with mid-range product marketing for Asia.

Q) How do you divide the projected growth rate of sales in the Domestic Cosmetics segment, 1.3% for FY2010, into the first half and second half?

A) We see it rising 0.6% in the first half and 2.0% in the second half.

<China Business>

Q) What is the reason for the increased sales forecast in China in FY2010 compared with FY2009? Although you explained previously that the sales would continue to grow until Expo 2010 Shanghai, how do you see sales in the next fiscal year and beyond?

A) There will perhaps be some rebound after Expo 2010 Shanghai but the economy is unlikely to enter a recession immediately after the event, and the market is rather likely to remain steady. The reasons are as follows: (1) Given that the impact of the Lehman crisis has not been as strong as it has been in the Europe and United States and the Chinese government has implemented an economic stimulus package, sales grew at double digits in the fourth quarter and are doing well in the first quarter as well, and (2) Shiseido will enter new business areas in FY2010, including a pharmacy channel and a professional business, following department and specialty stores. Among the most important elements is the fact that cosmetic population continues to increase, expanding the market base.

<About Bare Escentuals >

Q) Is Bare Escentuals going to pursue a market expansion strategy instead of a market niche strategy? In that case, won't it be difficult for Bare Escentuals to maintain its profit margin at 25%? Moreover, isn't the increased competition with leading manufacturers going to make it even harder for you to keep it?

A) Starting with TV shopping such as QVC, Bare Escentuals has been pushing forward with a balanced sales channel portfolio with over-the-counter sales and will continue to enhance its presence in North America. Meanwhile, it will pursue synergies through "Cooperation Promotion Project" for future growth, by exploiting the high growth synergy potential between Shiseido and Bare Escentuals, which are complementary in terms of geography, product and business model. Shifting marketing to the over-the-counter market will increase the denominator. It may become difficult to keep the current profit margins but profits are likely to remain high.

Q) It was explained that the medium-term return targets would change from a "total return ratio of 60%" to a "dividend payout ratio of 40%." But given that positive cash

flow is expected from Bare Escentuals, don't you think it may have been unnecessary to change targets to repay debts? And is it the case that dividends will be calculated based on a dividend ratio of 40% even if goodwill amortization will be abandoned with the accounting convergence sought in the IFRS implementation and Bare Escentuals' profits are added?

A) We would like to keep the interest-bearing debt on invested capital at around 35%. Shiseido will continue to make active investments to achieve the sale and profit growth called for in our three-year plan from the next fiscal year. To that end, we would like to create a favorable environment for capital-raising, including maintenance of appropriate credit ratings. In consideration of dividend stability, we will continue to pay ¥50 per dividend. When the situation changes, for instance due to the IFRS implementation, it will be discussed at the time of the changes.

Q. What about web sales of Bare Escentuals in Japan?

A) We are looking into it as part of the "Cooperation Promotion Project" but in Japan we would like to give priority to department store sales.

<Other>

Q. We recognize that the company has become leaner after you reduced costs. Can we expect that the profit margin on net sales will increase?

A) Our basic stance is to actively expand business operations for the three-year plan of the next fiscal year. By stepping up spending on marketing, we will maintain marketing cost to at around 23% of net sales. The reason for the drop to 22.7% in FY2009 is that we were able to reduce costs by refining our focus. We enhanced the content of TV commercials, etc., used web and mobile channels, and tied up with other companies in other fields. Since we have started to see the effect of all these efforts, we will bolster our marketing spend and shift toward growth investment in FY2010. For the entire company, we will reduce costs where appropriate to make the company even leaner.