



Results for First Three Quarters and Full-Year Outlook for Fiscal Year Ending March 2011

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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.

- I will be describing our results for the first three quarters of the year ending March 2011 as well as our full-year forecast.

Overview of Results for First Three Quarters of Year Ending March 2011

(Incl. Bare Escentuals) (Billion yen)

	Result	YoY % Change	Local Currency	Difference from Previous Year
Net Sales	487.0	+4.8%	+7.0%	+22.3
Domestic	287.1	-4.9%	-	-14.7
Overseas	199.9	+22.7%	+29.0%	+37.0
Operating Income	25.4	-22.3%	-	-7.3
Ordinary Income	25.4	-24.1%	-	-8.1
Extraordinary Gain/Loss	-3.1	*(-3.3)	-	+0.1
Net Income	9.0	-62.0%	-	-14.7

• Overseas Sales Ratio 41.0% (+6.0pp)
• Operating Profit Margin 5.2% (-1.8pp)
• Exchange Rates US\$: ¥89.6 (-6%) Euro: ¥117.8 (-9%) RMB: ¥13.2 (-5%)

* The figure in parentheses is the result for the previous fiscal year.

- This slide shows a summary of the statement of income. We acquired Bare Escentuals in March. We are showing results including those of Bare Escentuals for a little less than seven months.
- Consolidated net sales for the first three quarters rose 4.8% year on year, to 487 billion yen. Overseas sales increased 29.0% in local currency terms, attributable to strong sales of existing brands aided by a moderate economic recovery in Europe and the United States and the continued expansion of the markets of China and emerging countries as well as the addition of sales of Bare Escentuals. Despite a strong yen, overseas sales increased 22.7% in yen terms. Domestic sales declined 4.9% as a result of weak sales of mid-priced products and inventory adjustments at retailers.
- Operating income declined 22.3% year on year, to 25.4 billion yen, reflecting the negative effects of the acquisition of Bare Escentuals, including one-time charges, of 5 billion yen, falls in margins associated with declines in domestic sales, and a strong yen.
- In extraordinary items, there was a reversal of a loss on valuation of financial stocks posted in the second quarter with a recovery in the stock markets. However, tax expenses were reduced by 5 billion yen for special factors in the previous fiscal year, and there was a negative effect of tax effect accounting in this fiscal year. For these reasons, net income fell 62.0%, to 9 billion yen.
- Let me now describe results excluding those of Bare Escentuals.

Overview of Results for First Three Quarters of Year Ending March 2011

(Excl. Bare Escentuals)

(Billion yen)

	Result	YoY % Change	Local Currency	Difference from Previous Year
Net Sales	457.1	-1.6%	+0.6%	-7.5
Domestic	285.6	-5.4%	—	-16.2
Overseas	171.5	+5.3%	+11.6%	+8.7
Operating Income	30.3	-7.1%	—	-2.3
Ordinary Income	30.3	-9.5%	—	-3.2
Extraordinary Gain/Loss	-1.9	*(-3.3)	—	+1.4
Net Income	13.5	-43.0%	—	-10.2

•Overseas Sales Ratio 37.5% (+2.5pp)
 •Operating Profit Margin 6.6% (-0.4pp)

* The figure in parentheses is the result for the previous fiscal year.

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- This page shows net sales and income, excluding those of Bare Escentuals. Although overseas sales rose 11.6% year on year, domestic sales fell, which produced a decline in income at every level.

Effect of Consolidation of Bare Escentuals

(Billion yen)

	Result for First Three Quarters	Note
Net Sales	+29.8	Full-year forecast: Will grow more than 5% year on year (plan) in real terms (in the twelve months).
Operating Income	-5.0	
Bare's Operating Income	7.1	Full-year forecast: Will exceed the plan.
Inventory Market Valuation	-7.1	Only for this fiscal year (for six months after the acquisition)
Amortization of Sales Rights	-2.3	The amortization will continue next year and thereafter.
Amortization of Goodwill	-2.7	Accounting under the Japanese accounting standards The amortization might be discontinued from FY2012.

(Note) The first three quarters is from March 8 (date of acquisition) to September 30.

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- This page shows the effects of the consolidation of Bare Escentuals.
- Net sales rose 29.8 billion yen as a result of the consolidation. Although operating income of Bare Escentuals itself added 7.1 billion yen, the total effect of the consolidation on operating income was minus 5 billion yen, reflecting an increase in the cost of sales associated with inventory market valuation, the amortization of sales rights, and the amortization of goodwill.
- Since the fourth quarter has ended overseas, please let me introduce annual results of Bare Escentuals. Sales exceeded the planned year-on-year increase of 5%, and income also exceeded the plan.

Domestic Cosmetics Sales: by Division

SHISEIDO

(Billion yen)

	Result	YoY % Change
Cosmetics	229.7	-6.4%
Counseling	136.0	-8.3%
Self-selection	61.3	-0.9%
Toiletries	32.3	-8.3%
Healthcare	11.3	+3.3%
Others	28.3	-0.3%
Total	269.2	-5.4%

(Note) "Domestic professional" has been moved to "professional" in "Global Business" from this term. The year-on-year changes have been calculated after reclassifying the results of the previous year.

- With limited recovery in consumer confidence, the over-the-counter cosmetics market remained sluggish (estimated to be -1% to -2% from October through December).
- Over-the-counter sales of the Company from October through December are estimated to be -4% to -5%.

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- I will be describing sales by business segment.
- Domestic Cosmetics sales declined 5.4% year on year.
- We estimate growth in the domestic cosmetics market in the third quarter was minus 1% to minus 2%, lower than the estimation for the first half (0% to minus 1%), given the anemic recovery in consumer confidence. Our estimation of April-December market growth is 0% to minus 1%. We consider the domestic cosmetics market remains sluggish.
- Over-the-counter sales slipped 4-5% in the third quarter, and negative growth expanded from minus 1% to minus 2% in the first half, with the attenuation of the positive effect of seasonal items due to the extremely hot summer. The cumulative result for nine months declined 2-3% year on year, about 2 percentage points lower than the growth in the domestic cosmetics market.
- Shipments in three categories in the third quarter, including toiletries, fell 7.0% year on year and year-to-date nine months shipments fell 6.4% year on year. These are in lower level than that of over-the-counter sales. Distribution inventory shrank, reflecting over-the-counter sales in excess of shipments.
- Looking at shipments by product, products that sold well continued to polarize into high-end and low-end products. Positive signs emerged in the third quarter in the self-selection and toiletries categories with SENKA, which was launched in September, and existing lines such as INTEGRATE and MACHERIE were growing. However, overall results were affected by weak results in mid-priced counseling products.

Global Business Sales: by Division

SHISEIDO

(Jan. to Sep. 2010)

(Billion yen)

	Result	YoY % Change	Local Currency
Cosmetics	180.4	+26.4%	+32.6%
Professional	30.3	+2.0%	+6.8%
Total	210.7	+22.2%	+28.2%

(Note) "Domestic professional" has been moved to "professional" in "Global Business" from this term. The year-on-year changes have been calculated after reclassifying the results of the previous year.

YoY change in local currency excluding Bare Escentuals: +10.9%

[Reference] (Billion yen)

Sales by Geographic Segment	Result	YoY % Change	Local Currency
Americas	63.6	+84.4%	+91.4%
Europe	55.7	+8.1%	+17.4%
Asia/Oceania	80.5	+4.9%	+8.8%
Total	199.9	+22.7%	+29.0%

YoY change in local currency excluding Bare Escentuals: +17.3%

The overseas cosmetics markets recovered. The Company posted strong growth in each geographic segment.

- > New lines of the global brand SHISEIDO and NARS contributed to growth in the Americas.
- > Solid fragrance sales and sales growth in Russia contributed to growth in Europe.
- > Sales grew steadily in the Asia and Oceania region, especially in China and the masstige market.

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- This page shows results in the Global Business segment.
- Global Business sales, which are sales from January through September, rose 22.2% year on year in yen and 28.2% in local currencies. Sales excluding Bare Escentuals sales increased a significant 10.9% in local currency terms.
- In the third quarter from July, Global Business sales rose 34.4% year on year in local currency terms. Sales achieved double-digit growth in all areas, the Americas, Europe, and Asia and Oceania.
- Looking at sales by geographic segment, sales in the Americas increased a whopping 91.4% in local currency terms and led the growth of the Global Business. Sales of Bare Escentuals were added, and the main lines of the global brand SHISEIDO sold well. The makeup brand of NARS rose close to 40% in the third quarter.
- Sales in Europe rose 17.4% in local currency terms, reflecting a sharp increase in sales in Russia with the rapid increase of the number of retail stores from 300 at the end of 2009 to 900 at the end of 2010. Solid fragrance sales and included sales at recently consolidated subsidiaries in Greece and Switzerland also contributed.
- Sales in Asia and Oceania climbed steadily, up 8.8% in local currency terms. Sales in China, the leading market in Asia, posted double-digit sales growth as results at both department stores and specialty stores were robust. Strong demand in the masstige business in Taiwan also made a contribution.
- The fourth quarter has already ended overseas. Overall overseas sales maintained high growth in the entire year.

Results of Cost of Sales / SG&A (First Three Quarters of FY2010)

SHISEIDO

(Billion yen)

	Result	% of Net Sales	% Change (+: improvement)	YoY Change (+: cost increase)
Cost of Sales	124.6	25.6%	-1.0%	+10.5
SG&A	337.1	69.2%	-0.8%	+19.1
Domestic	211.4	73.8%	-2.3%	-5.1
Overseas	125.6	62.7%	+0.0%	+24.2
Advertising & Selling	105.1	21.6%	+1.1%	-0.3
Personnel	119.9	24.6%	-0.7%	+8.8
Others	105.9	21.7%	-0.2%	+5.6
M&A-Related Amortization Expenses	6.2	1.3%	-1.0%	+4.9

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- The sales cost ratio rose 1.0 percentage point from a year ago, to 25.6%. Costs increased 7.1 billion yen due to inventory market valuation associated with the consolidation of Bare Escentuals. Without the effect of inventory market valuation, the sales cost ratio improved 0.5 percentage point, to 24.1%.
- The ratio of selling, general and administrative expenses rose 0.8 of a percentage point, to 69.2%. SG&A expenses rose 19.1 billion yen, including an increase of 19.8 billion yen associated with the consolidation of Bare Escentuals.
- Of SG&A expenses, personnel and amortization costs of intangible assets such as goodwill and sales rights associated with M&A rose. We sought to use marketing costs efficiently and cut costs in domestic operations.

Operating Income by Business Segment

SHISEIDO

(Billion yen)

	Result for First Three Quarters	YoY % Change	Operating Margin	YoY (%) Change
Domestic Cosmetics	25.3	-15.4%	9.4%	-1.1%
Global	-1.3	*(1.4)	-0.6%	-1.4%
Others	1.3	+7.0%	11.3%	+1.0%
Elimination	0	*(0.0)	—	—
Total	25.4	-22.3%	5.2%	-1.8%

* The figure in parentheses is the result for the previous fiscal year.

(Note) "Domestic professional" has been moved from "Domestic Cosmetic Business" to "professional" in "Global Business" from this term. The year-on-year changes have been calculated after reclassifying the results of the previous year.

Operating income in the Global Business excluding Bare Escentuals rose 163.0% year on year. The operating margin was 2.0%, up 1.2 points year on year.

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- This page shows operating income by business segment.
- Operating income in the Domestic Cosmetics business declined 15.4% year on year, to 25.3 billion yen with reductions in costs, especially marketing costs, more than offset by a fall in the margin associated with declining sales.
- An operating loss of 1.3 billion yen was posted in the Global Business. The loss included the effect of a temporary rise in costs of 7.1 billion yen associated with the consolidation of Bare Escentuals. Without this temporary negative effect, operating income in the Global Business quadrupled from the previous year, to 5.8 billion yen. There will be no effect of the Bare Escentuals inventory market valuation from next fiscal year.

Consolidated Balance Sheets

SHISEIDO

(Billion yen)

	Dec. 2010	Mar. 2010	Change	Major Elements		
				Foreign exchange	Bare Escentuals	
Current Assets	324.4	318.2	+6.2	-16.7	+32.7	Cash on hand: 16.7; inventories: 7.4
Property, Plant and Equipment	131.2	132.8	-1.6	-3.1	+5.8	
Intangible Assets	192.9	35.8	+157.1	-2.1	+157.0	Goodwill: 83.9; trademark rights: 37.0; sales rights: 35.2
Investments and Other Assets	110.3	288.6	-178.3	-0.7	-177.4	Investments accounted for as other assets; loans eliminated internally
Total Assets	758.9	775.4	-16.6	-22.6	+18.1	
Interest-Bearing Debt	221.7	214.4	+7.3	-2.4	-	
Deferred Tax Liabilities	31.6	3.4	+28.2	-0.3	+28.6	Tax effects on sales rights
Other Liabilities	178.8	192.4	-13.6	-4.7	+3.8	
Total Liabilities	432.2	410.2	+21.9	-7.4	+32.4	
Net Assets	326.7	365.2	-38.5	-15.2	-14.3	
Liabilities and Net Assets	758.9	775.4	-16.6	-22.6	+18.1	

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- Please look at the balance sheet. Major changes were made from March 2010 because of the effects of exchange rates and the consolidation of Bare Escentuals.
- At the end of March, shares in Bare Escentuals were posted as investment securities, and loans from subsidiaries of the Company to Bare Escentuals were also posted in the balance sheet. In this fiscal year, shares in Bare Escentuals are transferred to goodwill and other assets, and the loans are eliminated in consolidated accounting.
- In liabilities, short-term bridge loans of 100 billion are changed to permanent finance consisting of long-term loans and bonds.

Outlook for Fiscal 2010

SHISEIDO

(Billion yen)

	Forecast	YoY % Change	Local Currency	Difference from Previous Forecast
Net Sales	680.0	+5.6%	+8%	-8.0
Domestic	391.0	-3.9%	—	-8.0
Overseas	289.0	+21.7%	+30%	0
Operating Income	45.0	-10.6%	—	-5.5
Ordinary Income	45.0	-12.6%	—	-5.5
Extraordinary Gain/Loss	-10.5	(-4.7)	—	-2.5
Net Income	18.0	-46.5%	—	-7.0

* The figure in parentheses is the result for the previous fiscal year.

- Overseas sales ratio: 42.5% (+5.6pp)
- Operating profit margin: 6.6% (-1.2pp)
- Exchange Rates: US\$: ¥87.8 Euro: ¥116.4 RMB: ¥13.0
- Dividend: The annual dividend is planned to be ¥50 per share as initially planned.

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- This page shows our full-year forecast. We made a downward revision of net sales, operating income and net income. Net sales will fall 8 billion yen, operating income will fall 5.5 billion yen and net income will fall 7.0 billion yen from each previous forecast.
- Since the fourth quarter has ended overseas, there will be no significant difference between the overseas sales forecast and actual results. The key is the domestic sales forecast. We expect domestic sales will decline 1.0% year on year in the fourth quarter. Based on the assumption that the growth rate of the over-the-counter market is 0% to negative 1%, we expect the growth rate of our over-the-counter sales in the counseling and self-selection categories will be 0% and the growth rate of shipments will be minus 1% factoring the shrink of distribution inventory. Thus we revise the forecasts of net sales and operating income.
- In extraordinary items, we revised the forecast to minus 10.5 billion yen, expecting an extraordinary loss of 7.0 billion yen in the fourth quarter. This extraordinary loss is caused mainly by factoring the effect of change in estimation about the range of asset capitalization of promotional materials, including samples and leaflets. This is meant for uniform accounting in Shiseido Group. We will use these materials in future promotions because they are not obsolete nor deteriorated. In this revision, we assume that an impairment loss in financial stocks posted in the second quarter was reversed in the third quarter in association with a recovery in the stock prices.
- As a result, net income will stand at 18 billion yen, 7 billion yen less than the previous forecast.
- A reversal of deferred tax assets associated with the reduction of the corporate income tax rate in Japan is not taken into consideration in the forecast, because it depends on the timing of the revision. However, we expect a negative effect of about 4 billion yen on net income in case the bill is approved by the end of this fiscal year.
- We will continue to pay an annual dividend of 50 yen per share, as initially planned.

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Initiatives in Fourth Quarter

Revitalization of domestic operations: communicating the Company's technologies to customers properly

High-end products

Innovation in <i>cle de peau BEAUTE</i>	Long-selling products
<p>Brain-skin theory Brilliant Cell Management</p> <p>Launched on Jan. 21</p> 	<p>REVITAL GRANAS Platinum System</p> 
<p>HAKU Melanofocus W (brightening essence)</p> <p>Byakurenka® HA that prevents the formation of melanin</p> <p>To be launched on Feb. 21</p> 	<p>REVITAL GRANAS Caviar (essence for eyes)</p> 

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- Considering the results in the first three quarters, we do not expect to readily achieve the domestic over-the-counter sales forecast of 0% growth in the fourth quarter. Please allow me describe some initiatives we are taking to achieve the target.
- To regain domestic sales, we believe it is important to communicate the superiority of our products to customers. We will properly communicate the technologies included in our products at counters and through the website, and will turn new and existing hit products into competitive long-sellers.
- Among high-end products, which has sold steadily, we will renew the skincare line of *cle de peau BEAUTE*, our most prestigious brand, this month and will launch the renewed HAKU, the brightening essence, next month.
- The platinum system of REVITAL GRANAS, which sold well in the previous fiscal year, and REVITAL GRANAS Caviar, a essence for eyes launched this year, earned very high marks from customers. Our staff, especially our beauty consultants, will make systematic efforts to develop these products.

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Initiatives in Fourth Quarter

Mid-priced products

MAQUILLAGE: 5-year anniversary promotion series

First: November	Second: January	Third: February
Express our appreciation for royal customer: Limited special products	Enhance the promotion to make MAQUILLAGE a long-selling brand	Use Revolutionary technology, "Red permeating powder" to new brightening foundation
<p>Powder Celebration</p> <p>Launched on Nov. 21</p> 	<p>Rouge Enamel Glamour</p> <p>Launched on Jan. 21</p> 	<p>Lighting White Powdery UV</p> <p>To be launched on Feb. 21</p> 

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- Mid-priced products are a challenge for us. We will enhance initiatives to MAQUILLAGE, a representative mega line marked its fifth anniversary.
- Specifically, after the launching of limited loose powder, Powder Celebration, in November, we launched additional new colors for Rouge Enamel Glamour, new type liquid rouge released in July, in January. Rouge Enamel Glamour has been highly valued for its high function, long-lasting but enamel-like glossy finish. We will promote this product focusing on those functions and enhance to put out the information about proper way to use in order to let customer realize its high function certainly.
- We will promote sales of new MAQUILLAGE foundation, which will be launched in February. The foundation uses a revolutionary technology, called red permeating powder. With this technology, this foundation makes up users' skin look fair, bright and transparent. Moreover, with the effect of ingredients for brightening, the continuing use of this foundation bring users brighter bare skin.
- We will use new communication models, Emi Takei, a rising actress with glittering aura, and Ringo Shiina, a musician with allure of cool womanhood. We aim to rebuild sales by manufacturing products that exceed customer expectations and refining the brand value.

Initiatives in Fourth Quarter

SHISEIDO

Low-end products

SENKA: UV Gel Made from Mineral Water

To be launched in mid-Feb.



SEA BREEZE UV Cut & Jelly

To be launched in mid-Mar.



SENKA: Skin Lotion Created from Essence

To be launched in mid-March



- In the low-end category, we will launch a UV gel made from mineral water and a skin lotion created from essence as new lines of SENKA, a strategic brand launched in September for the masstige market in Asia. Additionally, new type sunscreen products which filter out everyday UV rays with pleasant fragrance will be launched from SEA BREEZE. With these products, we expect to make ground on the competition.
- Finally, fiscal 2010 ended overseas in December, and as I said earlier, overall overseas results are expected to exceed the plan without the effects of exchange rates. Fiscal 2011 is already underway. We will step up our efforts to put the Company on a growth track.

This moment. This life. Beautifully.

