

FY2016 First Quarter Results and Outlook

May 13, 2016

Norio Tadakawa

Corporate Officer, CFO
Shiseido Co., Ltd.



SHISEIDO

Please note that the previous year's period for comparison has changed due to the change in fiscal year end.

Fiscal Year		
FY2016	Domestic: Jan.-Dec. 2016	Overseas: Jan.-Dec. 2016
(First Quarter)	(Jan.-Mar. 2016)	(Jan.-Mar. 2016)
FY2015 (Adjusted)¹	Domestic: Jan.-Dec. 2015	Overseas: Jan.-Dec. 2015
(First Quarter)	(Jan.-Mar. 2015)	(Jan.-Mar. 2015)
FY2015	Domestic²: Apr.-Dec. 2015	Overseas: Jan.-Dec. 2015
(First Quarter)	(Apr.-Jun. 2015)	(Jan.-Mar. 2015)

1. The above figures have not been audited by the auditing firm. They are provided as reference for comparison.

2. Excluding some subsidiaries

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.

Summary of FY2016 Q1 Results

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change ¹	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Net Sales	213.3	100%	210.3	100%	+2.9	+1.4%	+4.6%
Cost of Sales	51.0	23.9%	52.0	24.7%	-1.0	-2.0%	
SG&A	140.2	65.7%	145.8	69.3%	-5.6	-3.8%	
Operating Income	22.1	10.4%	12.6	6.0%	+9.5	+75.9%	+84.7%
Ordinary Income	22.0	10.3%	12.3	5.9%	+9.6	+77.9%	
Extraordinary Income/Loss (net)	17.4	8.2%	3.3	1.5%	+14.1	+429.1%	
Quarterly Net Income Attributable to Owners of Parent	27.3	12.8%	2.5	1.2%	+24.8	—	

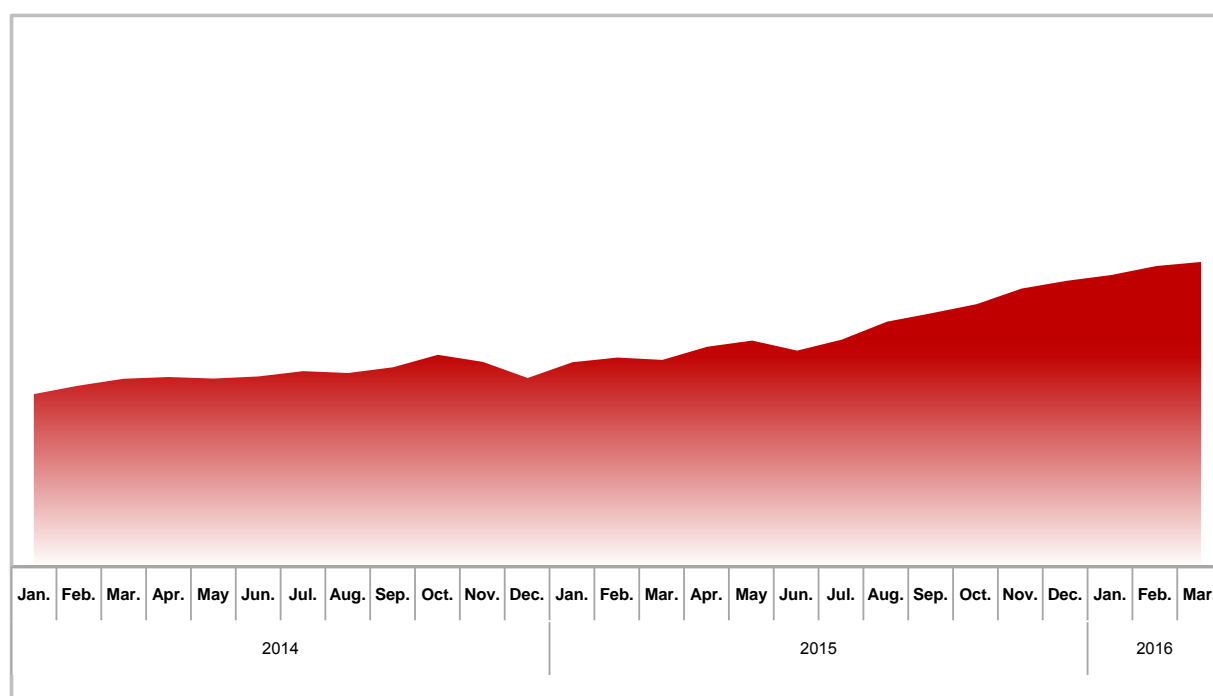
Exchange Rates USD 1 = JPY 115.5 (-3.1%), EUR 1 = JPY 127.2 (-5.2%), CNY 1 = JPY 17.6 (-7.7%)

1. Effective from FY2016, the "+" and "-" symbols are used to indicate increase and decrease in the amount, respectively.
2. Year-on-year change rate of quarterly net income attributable to owners of parent is indicated as "—" because it exceeds 1,000%.

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Continuing Growth Momentum

Changes in 12-Month Moving Total of Consolidated Net Sales

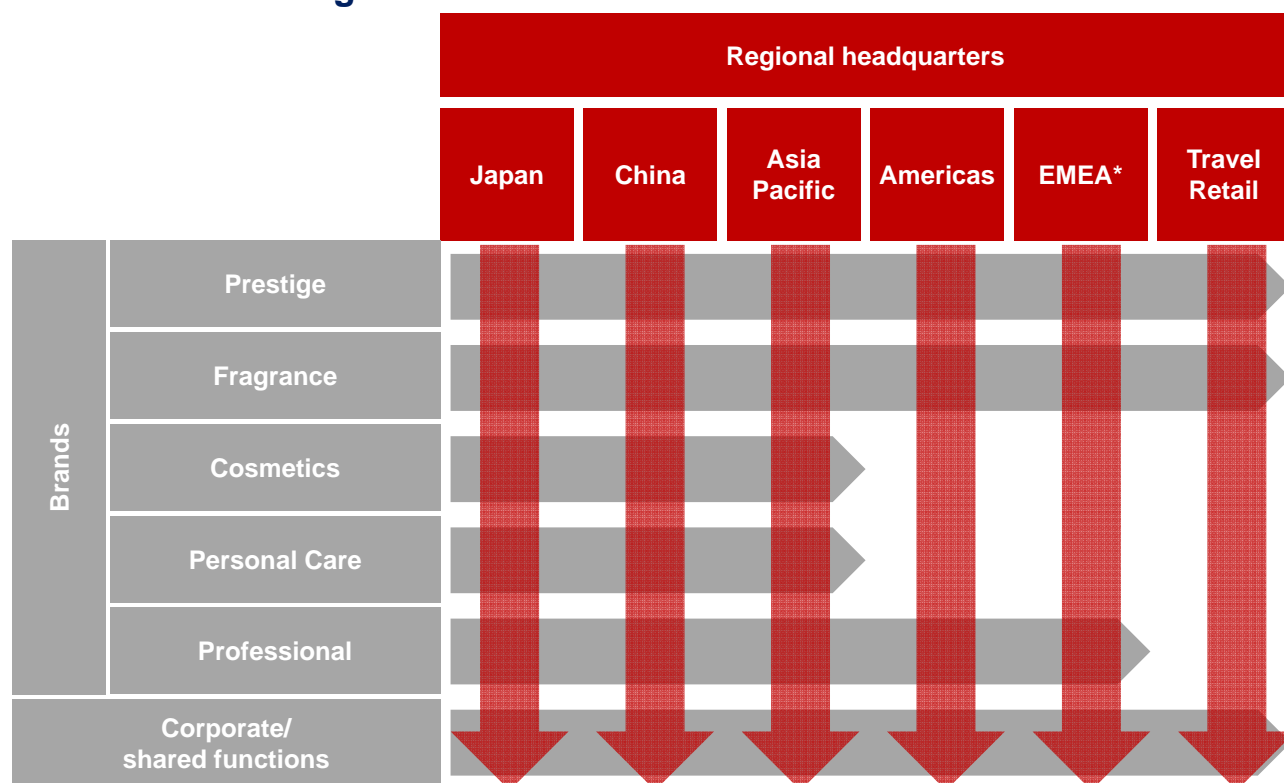


- The figures for the above period were converted based on the exchange rates assumed at the beginning of FY2016.

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Strengthening Accountability

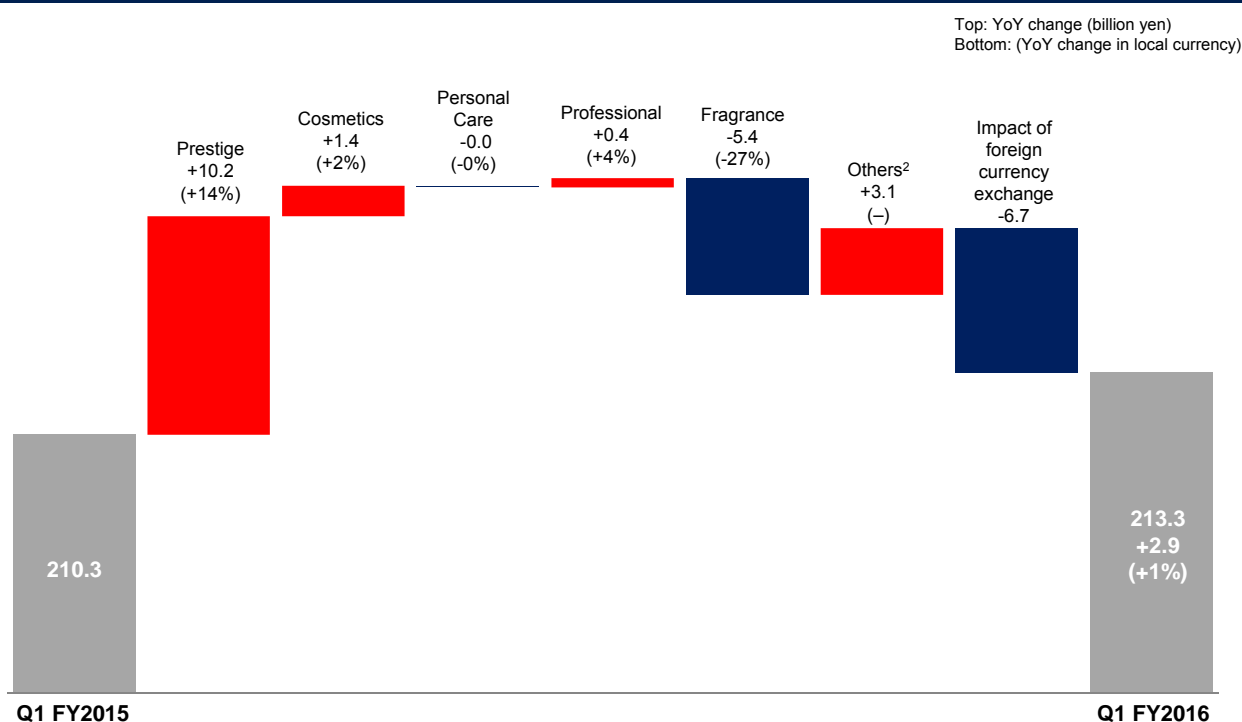
Global Matrix Organization



*EMEA (Europe, the Middle East and Africa)

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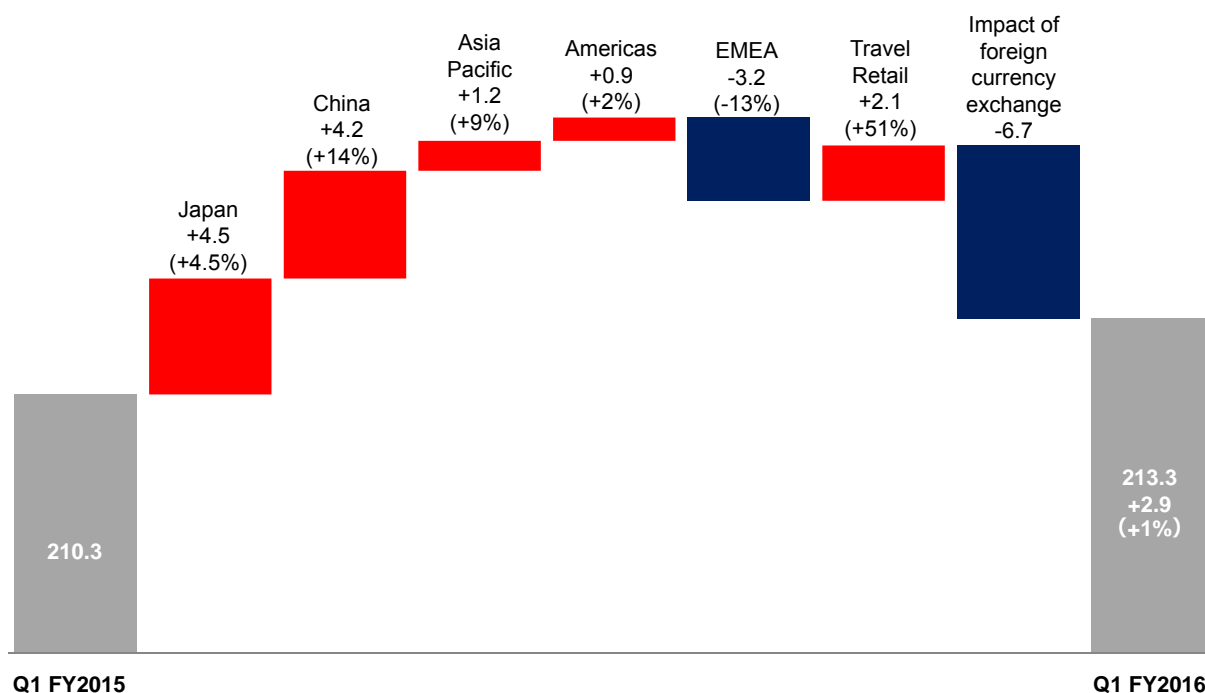
Breakdown for YoY Change in Net Sales by Business



1. Year-on-year change and change in local currency for each business were calculated based on the exchange rates that was assumed at the beginning of the fiscal year.
2. "Others" include changes caused by the difference between assumed rates and actual rates.

Breakdown for YoY Change in Net Sales by Reportable Segment (Region)

Top: YoY change (billion yen)
Bottom: (YoY change in local currency)

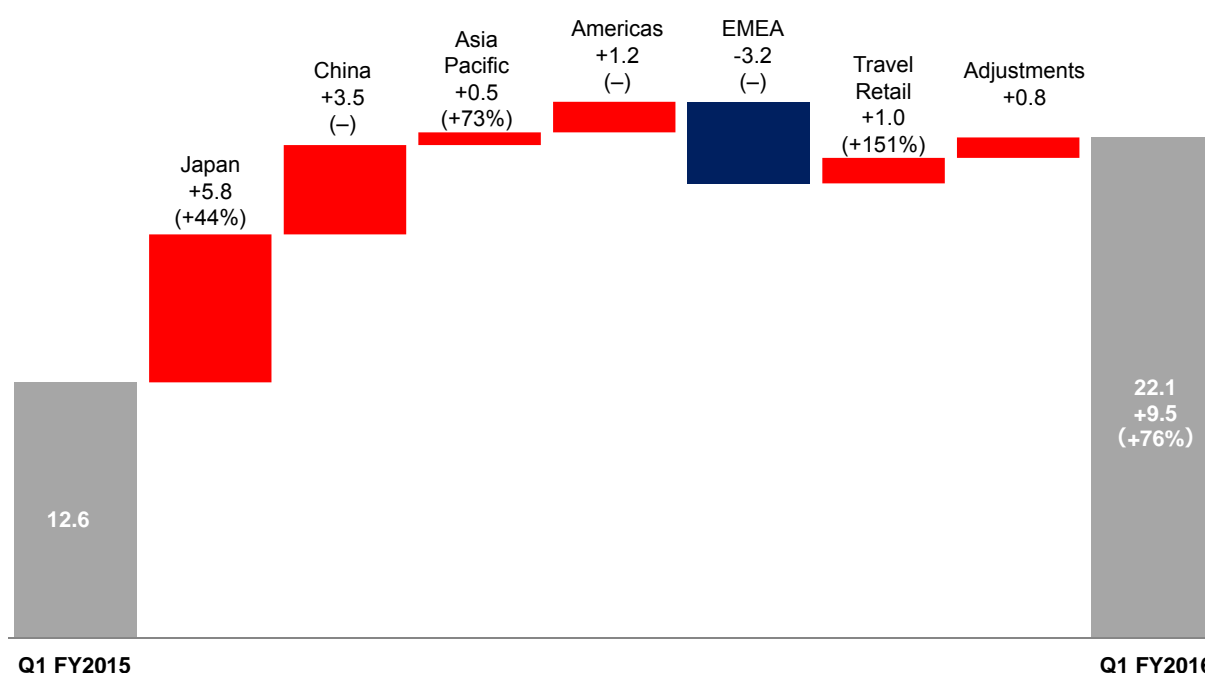


* Year-on-year change and year-on-year change in local currency for each business were calculated based on the actual exchange rates.

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Breakdown for YoY Change in Operating Income by Reportable Segment (Region)

Top: YoY change (billion yen)
Bottom: (YoY change)



1. Year-on-year change rate of operating income in China is indicated as “-” because it exceeds 1,000%.
2. Year-on-year change in operating income in the Americas and EMEA is indicated as “-” because an operating loss was posted in FY2016.

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Japan

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
		% of Net Sales		% of Net Sales		
Prestige ¹	13.2	6.2%	10.1	4.8%	+3.1	+30.8%
Cosmetic Specialty Stores	16.0	7.5%	14.5	6.9%	+1.5	+10.4%
Cosmetics ²	45.2	21.2%	44.8	21.3%	+0.4	+1.0%
Personal Care ²	15.7	7.4%	17.6	8.4%	-1.9	-10.6%
Others ⁴	14.4	6.7%	13.1	6.2%	+1.3	+9.9%
Japan	104.6	49.0%	100.1	47.6%	+4.5	+4.5%

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	18.8	13.1	+5.8	+44.2%
Operating Profitability	16.4%	11.7%	+4.7 pt	
Income before amortization of goodwill etc.	18.9	13.1	+5.8	+44.5%
Operating Profitability	16.5%	11.8%	+4.7 pt	

1. Prestige Business is divided into "Prestige" and "Cosmetic Specialty Stores" in line with the management system of Japan.
2. Three brands, Ag+ (renamed "Ag DEO24" after the renewal), uno, and MA CHÉRIE, were transferred from Cosmetics to Personal Care in the first quarter under review. Results for the previous fiscal year were adjusted based on the classification after the transfer.
3. Results for "Digital" are combined with the results of each business in line with the internal management system. Year-on-year change rate of Digital is +25%.
4. "Others" include THE GINZA, Frontier Science Business, and Shiseido ParLOUR.
5. % of Net Sales indicates percentage to consolidated net sales.
6. Operating profitability is calculated using net sales including intersegment transactions.

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Japan: Strong Showing of Prestige

- **Prestige business**
clé de peau BEAUTÉ and *IPSA* enjoyed an excellent performance
- **Cosmetic Specialty Store business**
clé de peau BEAUTÉ performed well
- **Cosmetics business**
ELIXIR and *ANESSA* recorded strong growth
- **Personal Care business**
Changed distribution routes of *Ag+*, *uno*, and *MA CHÉRIE*, and began to strengthen the marketing of these brands

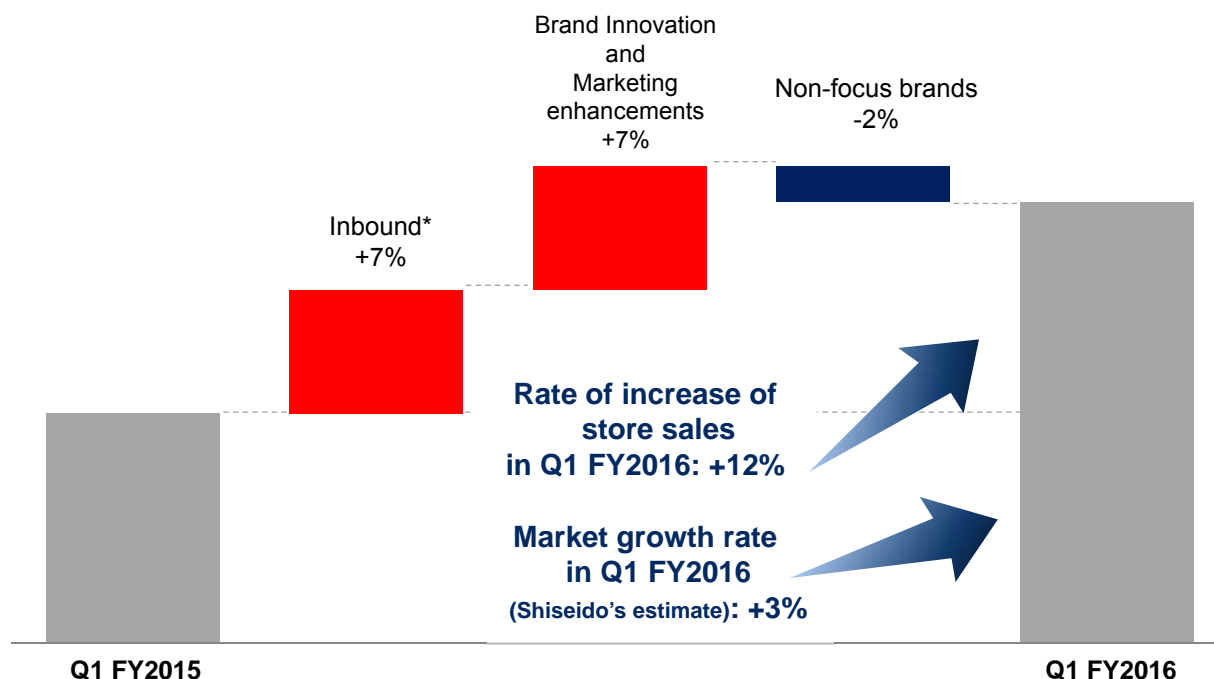


*Ag+ was renamed "Ag DEO24" after the renewal.

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Japan: Continuation of Growth Exceeding the Market Growth

Factors behind the Increase of Store Sales



*Subject business are Prestige, Cosmetic Specialty Store and Cosmetics of Japan Business (excluding the impact of the transfer of 3 brands, Ag+, uno and MA CHÉRIE, to Personal Care).

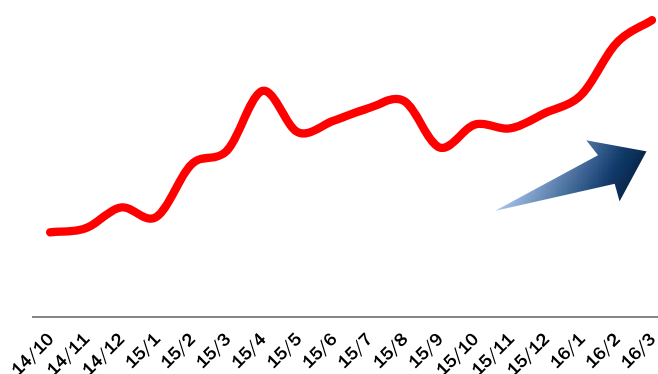
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Japan: Inbound Sales Remaining on an Upward Trend

- **Market**
 - Increase in the number of overseas tourists coming to Japan
 - Demand grows during the Chinese New Year and cherry blossom season
- **Shiseido**
 - Enhanced over-the-counter services at stores and aggressively opened counters at duty-free shops in town



Inbound sales trends at Shiseido (amount)



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China

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
China	31.4	14.8%	29.6	14.1%	+1.8	+6.2%	+14.1%

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
Operating Income	3.7		0.2		+3.5	—
Operating Profitability	11.7%		0.8%		+10.9 pt	
Income before amortization of goodwill etc.	3.8		0.3		+3.5	—
Operating Profitability	12.1%		1.1%		+11.0 pt	

1. Year-on-year change rates of operating income and income before amortization of goodwill etc. are indicated as “—” because they exceed 1,000%.
2. % of Net Sales indicates percentage to consolidated net sales.
3. Operating profitability is calculated using net sales including intersegment transactions.

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China: Prestige, E-commerce Growth

- **SHISEIDO, clé de peau BEAUTÉ, NARS, and IPSA** continued to remain strong
- Rebranding of **AUPRES, URARA, and PURE&MILD** was started
- **E-commerce**
Brisk for all the Prestige, Cosmetics, and Personal Care businesses



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Asia Pacific

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Asia Pacific	12.5	5.9%	12.7	6.0%	-0.2	-1.4%	+9.1%

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	1.3	0.8	+0.5	+72.9%
Operating Profitability	10.4%	5.9%	+4.5 pt	
Income before amortization of goodwill etc.	1.3	0.8	+0.5	+71.0%
Operating Profitability	10.5%	6.1%	+4.4 pt	

- **Region: Strong growth in South Korea, Thailand, and Vietnam**
- **Prestige brands remained brisk**
SHISEIDO, clé de peau BEAUTÉ, and NARS
- **Personal care and cosmetics brands**
Strong sales of SENKA



1. % of Net Sales indicates percentage to consolidated net sales.
2. Operating profitability is calculated using net sales including intersegment transactions.

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Americas

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Americas	37.8	17.7%	38.5	18.3%	-0.6	-1.7%	+2.3%

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	-1.0	-2.2	+1.2	—
Operating Profitability	-2.5%	-5.3%	+2.8 pt	
Income before amortization of goodwill etc.	1.2	0.1	+1.1	—
Operating Profitability	3.0%	0.2%	+2.8 pt	

- **Prestige brands were strong**
SHISEIDO, clé de peau BEAUTÉ, and NARS
- **bareMinerals**
New skincare line performed well while base makeup products struggled



1. Year-on-year change rates of income before amortization of goodwill etc. are indicated as "—" because it exceed 1,000%.
2. % of Net Sales indicates percentage to consolidated net sales.
3. Operating profitability is calculated using net sales including intersegment transactions.

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Transformation of Bare Escentuals Organization

We started a project to thoroughly streamline and strengthen internal organizations

- 75 initiatives have been started by clarifying issues that are specific to each of the 12 work streams across the company
- Relocation of the Headquarters from San Francisco to New York in order to maximize the synergy within the Group (Completion scheduled in April 2017)

Implementing structural reforms to strengthen the brand

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EMEA (Europe, the Middle East and Africa)

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
EMEA	20.8	9.7%	25.2	12.0%	-4.5	-17.8%	-12.7%

* Actual year-on-year change rate of net sales, excluding the effect of *Jean Paul GAULTIER*, is around +7% (from preliminary report).

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
Operating Income	-0.1		3.2		-3.2	—
Operating Profitability	-0.3%		12.1%		-12.4 pt	
Income before amortization of goodwill etc.	-0.1		3.2		-3.2	—
Operating Profitability	-0.3%		12.1%		-12.4 pt	

- Brisk results of the fragrance brand *narciso rodriguez*
Investments in fragrance brands to be boosted further
- *SHISEIDO* continued to remain strong in Italy and Spain

1. % of Net Sales indicates percentage to consolidated net sales.
2. Operating profitability is calculated using net sales including intersegment transactions.



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Travel Retail

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Travel Retail	6.2	2.9%	4.2	2.0%	+1.9	+45.7%	+50.6%

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
Operating Income	1.7		0.7		+1.0	+151.2%
Operating Profitability	27.1%		15.7%		+11.4 pt	
Income before amortization of goodwill etc.	1.7		0.7		+1.0	+151.2%
Operating Profitability	27.1%		15.7%		+11.4 pt	

- Growth continued in Asia
- Growth of sales of Prestige brands and **ANESSA**



1. % of Net Sales indicates percentage to consolidated net sales.
2. Operating profitability is calculated using net sales including intersegment transactions.

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Consolidated Balance Sheets

(Billion yen)	Mar. 31, 2016	Change from Dec. 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange	(Billion yen)	Mar. 31, 2016	Change from Dec. 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Current Assets	420.3	+9.7	+22.8	-13.2	Total Liabilities	385.1	-10.1	-2.9	-7.2
Cash, Time Deposits and Short-term Investments in Securities	127.6	+3.2	+7.1	-3.9	Notes & Accounts Payable and Other Payables	93.8	-5.6	-4.3	-1.3
Notes & Accounts Receivable	130.5	+3.3	+7.3	-3.9	Interest-Bearing Debt	87.7	+1.1	+1.8	-0.8
Inventories	110.0	+4.1	+8.0	-3.9	Liability for Retirement Benefits	81.4	-2.3	-2.1	-0.1
Total Fixed Assets	381.4	-16.4	-3.3	-13.1	Total Net Assets	416.7	+3.3	+22.5	-19.1
Property, Plant and Equipment	136.0	+1.7	+4.5	-2.7	Shareholders' Equity	390.4	+23.4	—	—
Intangible Assets	149.5	-11.9	-2.7	-9.3	Accumulated Other Comprehensive Income	4.7	-20.0	—	—
Investments and Other Assets	95.9	-6.2	-5.1	-1.1	Non-Controlling Interests	20.7	-0.1	—	—
Total Assets	801.8	-6.8	+19.5	-26.3	Total Liabilities and Net Assets	801.8	-6.8	+19.5	-26.3

Note: Main line items only

Exchange Rates

Mar. 31, 2016: USD 1 = JPY 112.7, EUR 1 = JPY 127.6, CNY 1 = JPY 17.4
Dec. 31, 2015: USD 1 = JPY 120.5, EUR 1 = JPY 131.7, CNY 1 = JPY 18.3

Equity Ratio: 49.3%
Interest-Bearing Debt Ratio: 17.4%

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Outlook for the First Half of FY2016

(Billion yen) ¹	FY2016			February Announcement	Difference from the Previous Outlook	
		YoY Change % after Adjustment		YoY Change in Local Currency after Adjustment	Yen	Excl. Impact of Foreign Currency Exchange
			Local Currency			
Net Sales	420.0	+2.3%	+6%	+3%	+3.0	+10.5
Operating Income	16.0	+6.0%			+5.0	
Ordinary Income	16.0	+3.3%			+5.0	
Extraordinary Income	17.5	+236.8%			+9.0	
Net Income Attributable to Owners of Parent	23.5	+333.4%			+10.5	

Exchange Rates USD 1 = JPY 115.5 (-4%), EUR 1 = JPY 127.2 (-5%), CNY 1 = JPY 17.6 (-9%)

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Outlook for the FY2016

(Billion yen)	FY2016			February Announcement	Difference from the Previous Outlook	
		YoY Change % after Adjustment		YoY Change in Local Currency after Adjustment	Yen	Excl. Impact of Foreign Currency Exchange
			Local Currency			
Net Sales	872.0	+1.0%	+4%	+3%	±0.0	+16.0
Operating Income	38.0	-14.3%			±0.0	
Ordinary Income	38.0	-14.1%			±0.0	
Extraordinary Income	15.5	+75.4%			+9.5	
Net Income Attributable to Owners of Parent	34.5	+17.1%			+6.5	

Expected ROE: 8.5%

Exchange Rates: USD 1 = JPY 115.5 (-5%), EUR 1 = JPY 127.2 (-5%), CNY 1 = JPY 17.6 (-8%)

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Future Opportunities and Risks

Opportunities

- Higher marginal income resulting from increase of net sales
- Increased effects of the structural reforms
- Reduction of one-time costs accompanying the reform of organizational structures in EMEA and the Americas

Risks

- Impact of foreign currency exchange attributed to further appreciation of the yen
- Increase of one-time costs accompanying the reform of organizational structures in EMEA and the Americas

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The Shiseido logo is displayed in a large, red, stylized font. It features a distinctive 'S' symbol followed by the word 'HISEIDO' in a bold, sans-serif typeface.

Supplemental Data 1 Q1 Sales by Reportable Segment

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Japan	104.6	49.0%	100.1	47.6%	+4.5	+4.5%	+4.5%
China	31.4	14.8%	29.6	14.1%	+1.8	+6.2%	+14.1%
Asia Pacific	12.5	5.9%	12.7	6.0%	-0.2	-1.4%	+9.1%
Americas	37.8	17.7%	38.5	18.3%	-0.6	-1.7%	+2.3%
EMEA	20.8	9.7%	25.2	12.0%	-4.5	-17.8%	-12.7% ¹
Travel Retail	6.2	2.9%	4.2	2.0%	+1.9	+45.7%	+50.6%
Total	213.3	100%	210.3	100%	+2.9	+1.4%	+4.6%

1. The actual year-on-year change rate of net sales is +7% excluding the effect of the expiration of the license agreement for *Jean Paul GAULTIER*.

2. See Supplemental Data 6 for details of changes in segments.

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Supplemental Data 2 Q1 Results of Operating Income by Reportable Segment

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
		Operating Profitability		Operating Profitability		
Japan	18.8	16.4%	13.1	11.7%	+5.8	+44.2%
China	3.7	11.7%	0.2	0.8%	+3.5	—
Asia Pacific	1.3	10.4%	0.8	5.9%	+0.5	+72.9%
Americas	-1.0	-2.5%	-2.2	-5.3%	+1.2	—
EMEA*	-0.1	-0.3%	3.2	12.1%	-3.2	—
Travel Retail	1.7	27.1%	0.7	15.7%	+1.0	+151.2%
All Regions	24.4	10.8%	15.7	6.9%	+8.7	+55.7%
Adjustments	-2.3	—	-3.1	—	+0.8	—
Total	22.1	10.4%	12.6	6.0%	+9.5	+75.9%

* Year-on-year change rate in China are indicated as “—” because they exceed 1,000%.

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Supplemental Data 3 Q1 Results of SG&A

(Billion yen)	FY2016			YoY Change %	YoY Change	YoY Change Excl. the Impact of Foreign Currency Exchange
		% of Net Sales	Change in %			
SG&A	140.2	65.7%	-3.6%	-3.8%	-5.6	-2.0
Marketing Costs	70.5	33.0%	-2.7%	-6.1%	-4.5	-2.5
Brand Development Cost R&D Expenses	7.8	3.6%	-0.8%	-15.5%	-1.4	-1.4
Personnel Expenses	28.0	13.2%	-0.0%	+0.5%	+0.1	+0.9
Other Expenses	33.9	15.9%	-0.1%	+0.8%	+0.3	+1.1

1. In FY2016, the personnel expenses for BCs were reclassified from Personnel Expenses to Marketing Costs.
2. The "+" and "-" symbols are used to indicate increase and decrease in the amount, respectively.

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Supplemental Data 4 Outlook for the First Half of FY2016

(Billion yen)	FY2016		
		YoY Change % after Adjustment	
			Local Currency
Net Sales	420.0	+2.3%	+6%
Japan	205.5	+6.9%	+7%
China	63.0	+5.6%	+13%
Asia Pacific	25.0	-2.4%	+7%
Americas	76.0	-1.0%	+4%
EMEA	40.0	-16.2%	-11%
Travel Retail	10.5	+23.7%	+30%

Exchange Rates USD 1 = JPY 115.5 (-4%), EUR 1 = JPY 127.2 (-5%), CNY 1 = JPY 17.6 (-9%)

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Supplemental Data 5 Outlook for the FY2016

(Billion yen)	FY2016			February Announcement
		YoY Change % after Adjustment	Local Currency	YoY Change in Local Currency after Adjustment
Net Sales	872.0	+1.0%	+4%	+3%
Japan	416.0	+5.1%	+5%	+3%
China	129.0	+2.6%	+11%	+10%
Asia Pacific	51.5	-2.4%	+7%	+5%
Americas	166.5	-0.6%	+4%	+6%
EMEA	86.0	-17.4%	-13%	-14%
Travel Retail	23.0	+33.8%	+41%	+10%

Exchange Rates USD 1 = JPY 115.5 (-5%), EUR 1 = JPY 127.2 (-5%), CNY 1 = JPY 17.6 (-8%)

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Supplemental Data 6 Main Constituents of Old and New Segments

2015 Segments		Major Business Domains		2016 Segments	Major Business Domains
Japan		Prestige, Cosmetics, Personal Care, Digital, Healthcare, etc.		Japan	Overall business in Japan, TR ² in Japan (Excluding BE) ²
Global	Cosmetics	China, Asia Pacific, Americas, EMEA ³ (TR ² included in all regions)		China	Overall business in China (Excluding BE, BPI, and TR) ²
	Professional ¹	Japan, Global		Asia Pacific	Overall business in Asia and Oceania excluding Japan and China (Excluding BE, BPI, and TR) ²
Others		THE GINZA, Frontier Science, Shiseido ParLOUR, etc.		Americas	Overall business in the Americas, NARS, Bare Escentuals, and ZOTOS (Excluding BPI and TR) ²
				EMEA ³	Overall business in EMEA ³ and fragrances (Excluding BE and TR) ²
				Travel Retail	Overall business at duty-free shops all over the world outside Japan (Excluding BPI) ²

1. Starting from FY2016, the Professional Business, which was included in the Global Business in FY2015, is included in all the regions excluding Travel Retail.

2. BE: Bare Escentuals
BPI: Beauté Prestige International
TR: Travel Retail Business

3. EMEA (Europe, the Middle East and Africa)

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