



2018 Results (Jan.-Dec.)

Norio Tadakawa

Corporate Executive Officer
Shiseido Company, Limited

February 8, 2019

SHISEIDO

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.

2018: Executive Summary

**Net sales, operating profit and net profit reached all-time highs
+14% organic net sales growth,
two consecutive years of double-digit growth
Operating profit over ¥100 Bn**

Net sales: **¥1,094.8 Bn** YoY Change in LC: +8.8% YoY change: +8.9%

**Organic net sales, excl. impact of business transfer, etc. in 2017:
YoY change in LC: +14%**

- Prestige brands were main driver of global growth (+16%)
- Sales expanded due to cross-border marketing
(Organic net sales: YoY change in LC:
China: +32% / Travel Retail: +40% / Inbound sales: exceeding +20%)
- Made in Japan cosmetics brands continued growth (+12%)
- In Japan, Shiseido store sales grew +11% YoY against market growth of 1%,
expanding in market share

Operating profit: **¥108.4 Bn** OPM: 9.9% YoY change: +¥27.9 Bn YoY change: +34.7%

- Moved closer to ideal cost structure through focus on Prestige First
and 3 skin-related categories and growth in brands

Net profit attributable to owners of parent:

¥61.4 Bn YoY change: +¥38.7 Bn YoY change: +169.9%
➤ Short of August forecast (¥67 Bn)

2018 Key Initiatives: Achievements and Challenges

Segment	Achievements and Challenges
Prestige	Based on the Prestige First strategy, we strengthened core brands and achieved growth exceeding 20%. Prestige segment growth significantly contributed to an increase in total sales and profits. In addition to <i>Clé de Peau Beauté</i> and <i>IPSA</i> , which were strengthened with a focus on skincare, and <i>SHISEIDO</i> , which benefited from innovation in the makeup category, <i>NARS</i> and <i>LAURA MERCIER</i> also achieved robust growth. At the same time, we implemented structural reforms related to <i>bareMinerals</i> , launching a new marketing campaign and shifting markedly towards e-commerce and digital marketing.
Fragrance	<i>Dolce&Gabbana</i> performed strongly, achieving growth of 16% thanks to high growth in EMEA and the Americas in addition to expansion in the Middle East, etc. and grew into a brand with sales far exceeding ¥50 billion. Performance was struggling for other fragrances except <i>narciso rodriguez</i> . It is necessary to refine our focus on which brands to develop.
Cosmetics	Made in Japan brands, <i>ELIXIR</i> and <i>ANESSA</i> , achieved rapid growth in Japan and in China and other parts of Asia, driven by stronger cross-border marketing. China local brands, <i>AUPRES</i> and <i>Za</i> , achieved profitability as planned but are yet to undergo a full recovery. <i>PURE&MILD</i> improved profitability, but failed to realize its expected growth potential due to fierce competition among natural brands in China. Clarification of the brand portfolio based not only on Japan but considering Asia as a single market is required.
Personal Care	<i>SENKA</i> increased its growth momentum thanks to stronger marketing in Japan, China and South Korea. In Japan, men's brand <i>UNO</i> was on the recovery track. However, <i>TSUBAKI</i> struggled, therefore, is needed to revamp its marketing strategy.
Region	We took steps to improve profitability in the Americas and EMEA. While reductions in fixed costs and other expenses proved effective, improvement in the efficiency of marketing ROI and global brand holder ROI was insufficient. We plan to strengthen initiatives in step with top line growth.
Supply chain	Strong brand sales growth resulted in out-of-stock, for continued opportunity losses.

Summary of 2018 Results

(Billion yen)	2018		2017		YoY Change	YoY Change %	YoY Change in LC %	Aug. Forecasts	Difference from Aug. Forecasts
		% of Net Sales		% of Net Sales					
Net Sales	1,094.8	100	1,005.1	100	+89.8	+8.9	+8.8	1,090.0	+4.8
Cost of Sales	231.9	21.2	231.3	23.0	+0.6	+0.3		—	—
SG&A	754.5	68.9	693.3	69.0	+61.2	+8.8		—	—
Operating Profit	108.4	9.9	80.4	8.0	+27.9	+34.7		110.0	-1.6
Ordinary Profit	109.5	10.0	80.3	8.0	+29.2	+36.3		110.0	-0.5
Extraordinary Income/Loss (net)	-5.2	-0.5	-41.8	-4.2	+36.6	—		-5.0	-0.2
Net Profit Attributable to Owners of Parent	61.4	5.6	22.7	2.3	+38.7	+169.9		67.0	-5.6
EBITDA*2	150.3	13.7	155.7	15.5	-5.4	-3.5			

Exchange rates: USD1 = JPY110.4 (-1.6%), EUR1 = JPY130.4 (+3.0%), CNY1 = JPY16.7 (+0.6%)
 ROE: 14.1%

*1. The "+" and "-" symbols in YoY change indicate increase and decrease in amount, respectively.

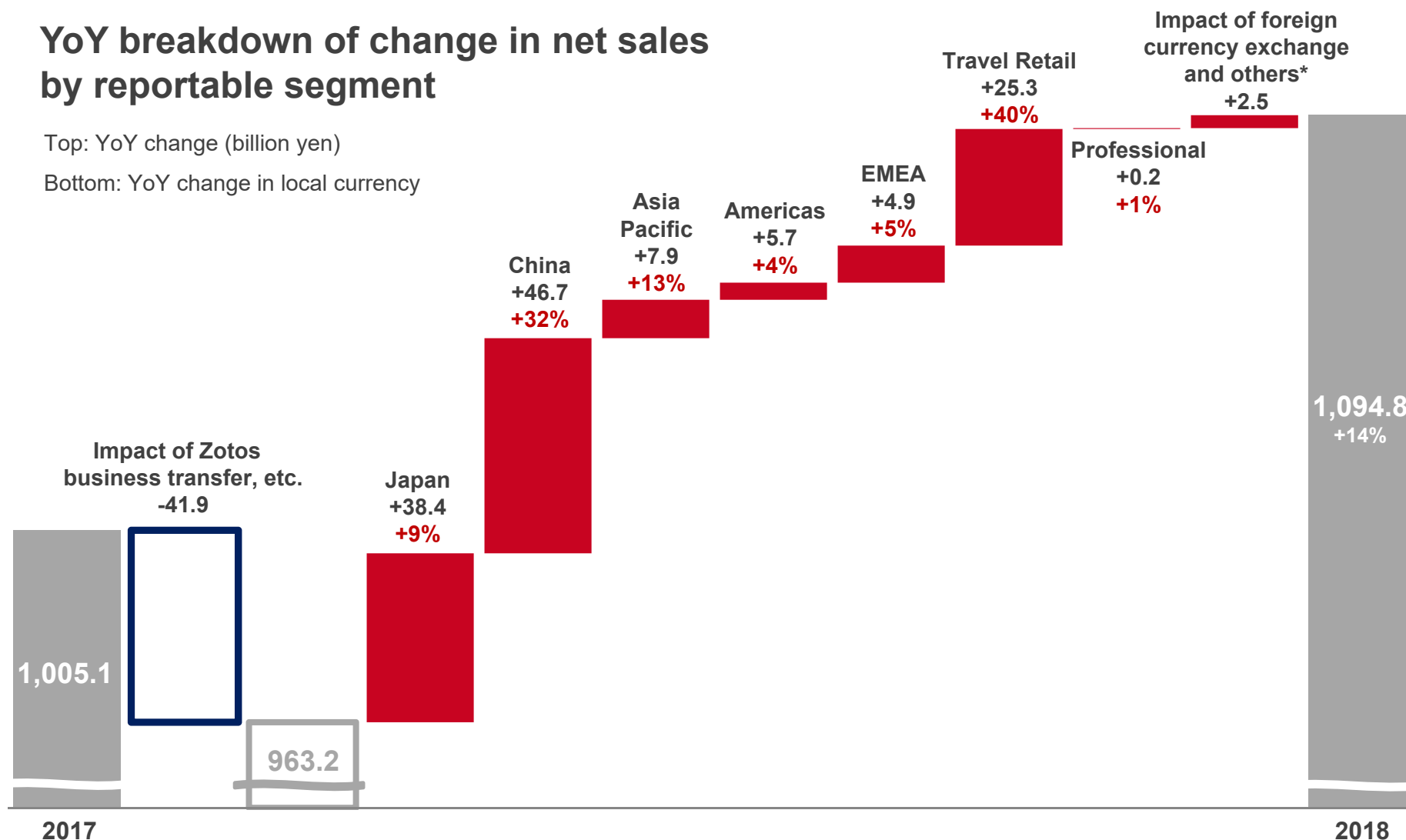
*2. After adjustment: Net income (loss) before income taxes + Interest expense + Depreciation and amortization expense + Impairment loss on goodwill and other intangible assets

Substantial Sales Growth in Japan, China and Travel Retail Back to Growth in Americas

YoY breakdown of change in net sales by reportable segment

Top: YoY change (billion yen)

Bottom: YoY change in local currency



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

*2. See Supplemental Data 19 for details about segment classifications.

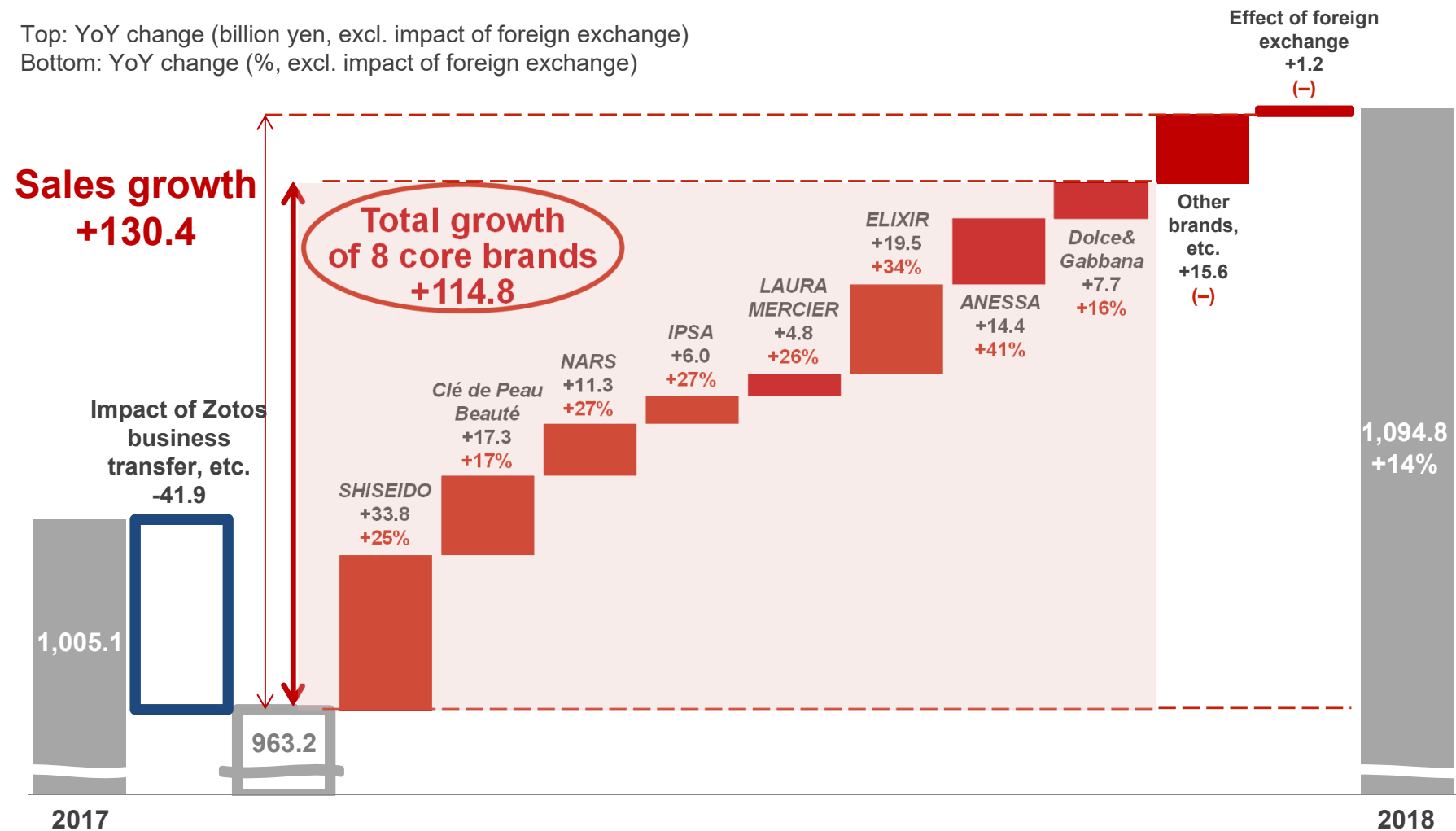
*3. "Impact of foreign currency exchange and others" includes impact of foreign currency +1.2 billion yen and sales of "Other" as a reportable segment.

Sales Growth of Approx. ¥115.0 Bn in Eight Core Brands, Accounting for 90% of Total Sales Growth

Change in net sales by brand

Top: YoY change (billion yen, excl. impact of foreign exchange)

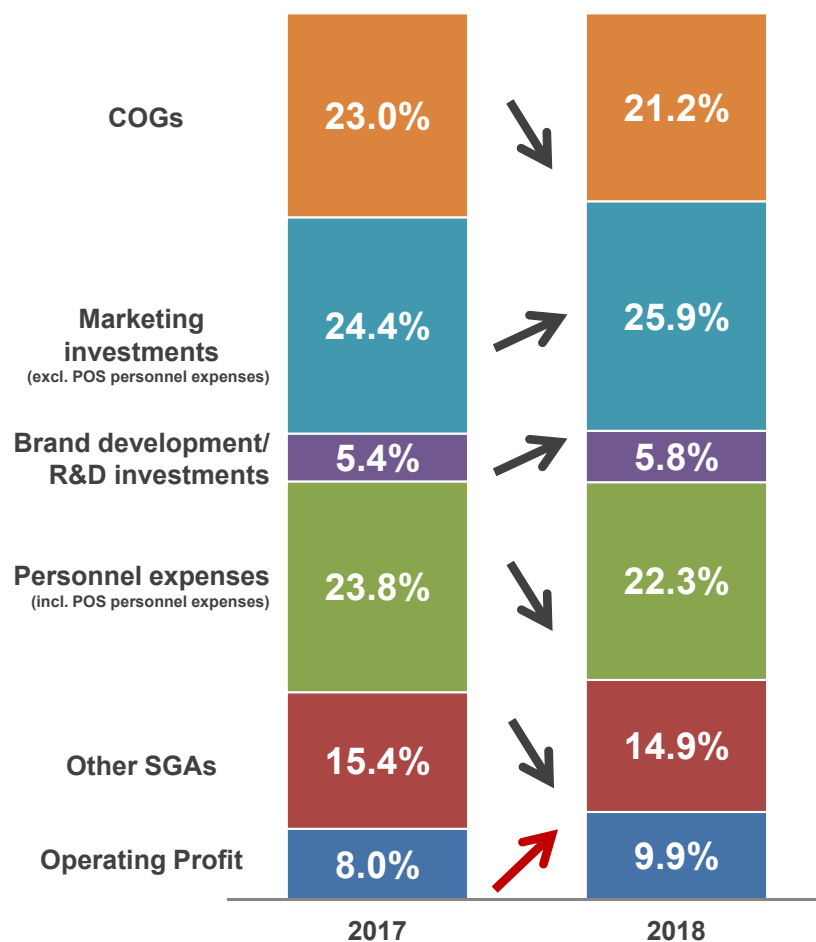
Bottom: YoY change (% , excl. impact of foreign exchange)



*YoY change and YoY change (%) for each brand is calculated based on initial exchange rate assumptions.

Significant Progress Towards Ideal Cost Structure

Cost Structure in 2018



● Brand growth and top line expansion

● Improvement of COGs

- Review of business portfolio
- Growth in prestige brands
- Expansion in core items

● Personnel expenses/Other SGAs

(+4% YoY)

- Remained steady as well as top line growth, falling as a percentage of total sales

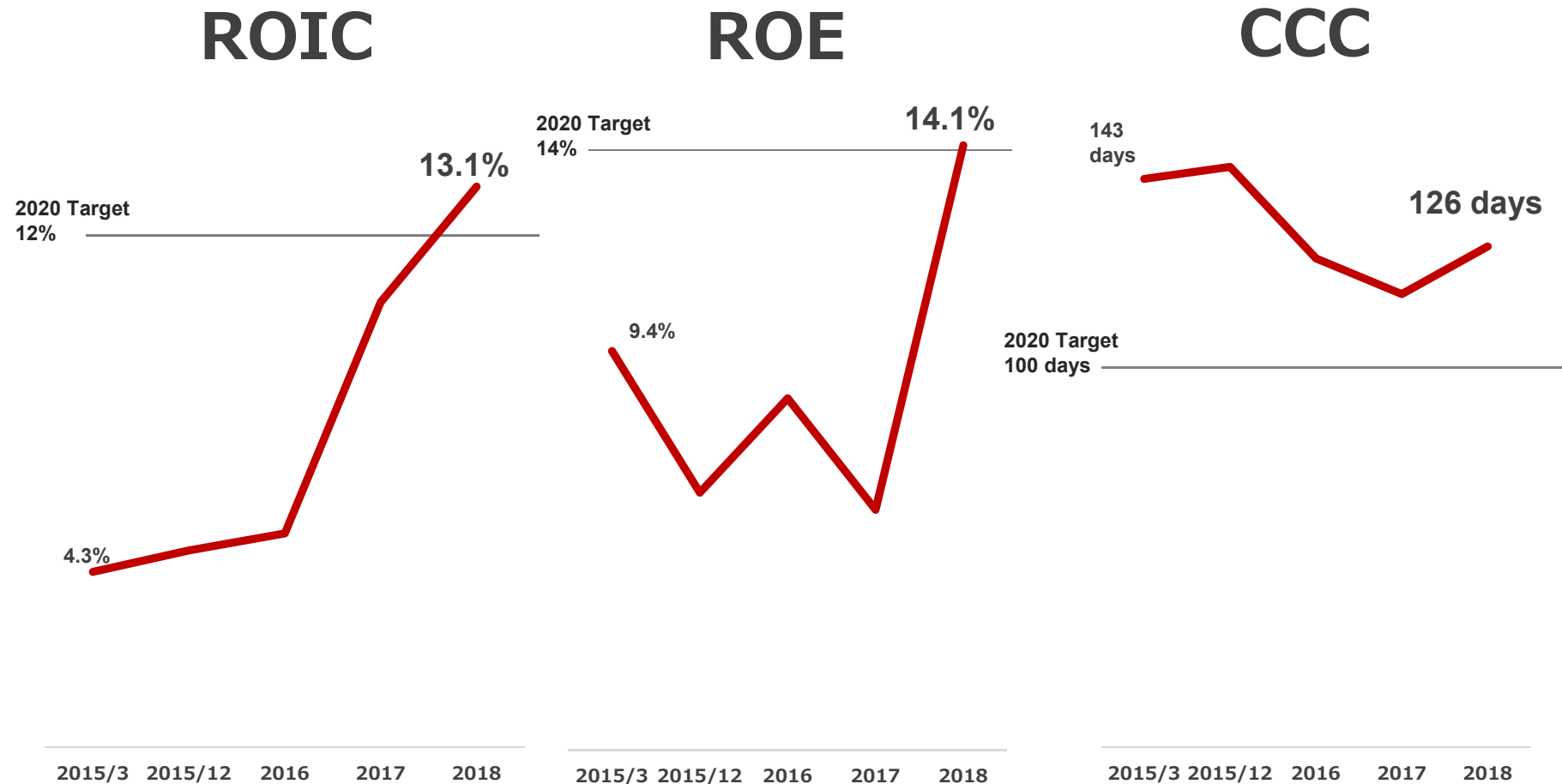
● Aggressive marketing investments

(+15% YoY)

- Intensive, increased investment in core brands

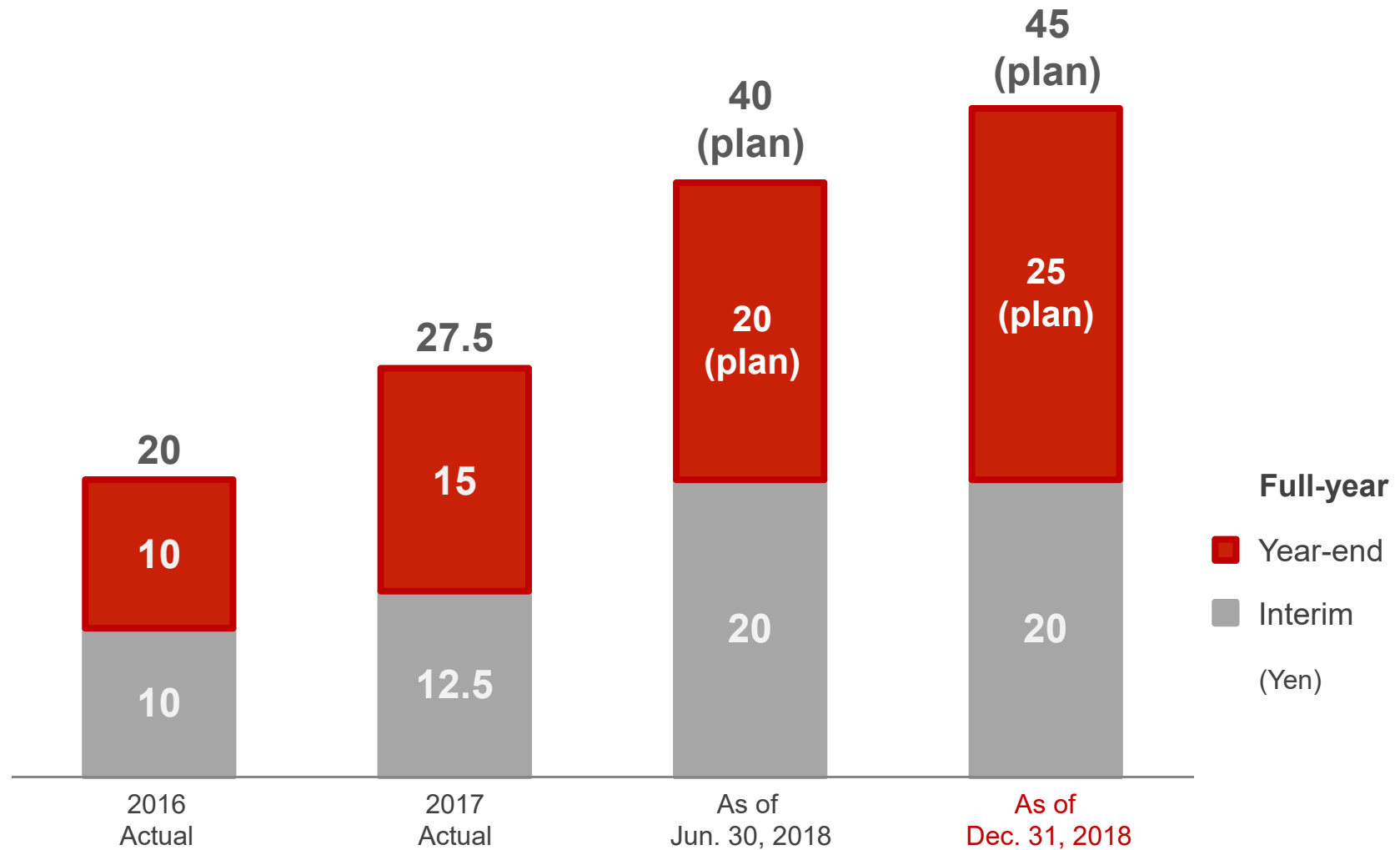
● Active investment in brand development, R&D (+18% YoY)

Achievement of 2020 ROIC and ROE Targets Two Years Ahead



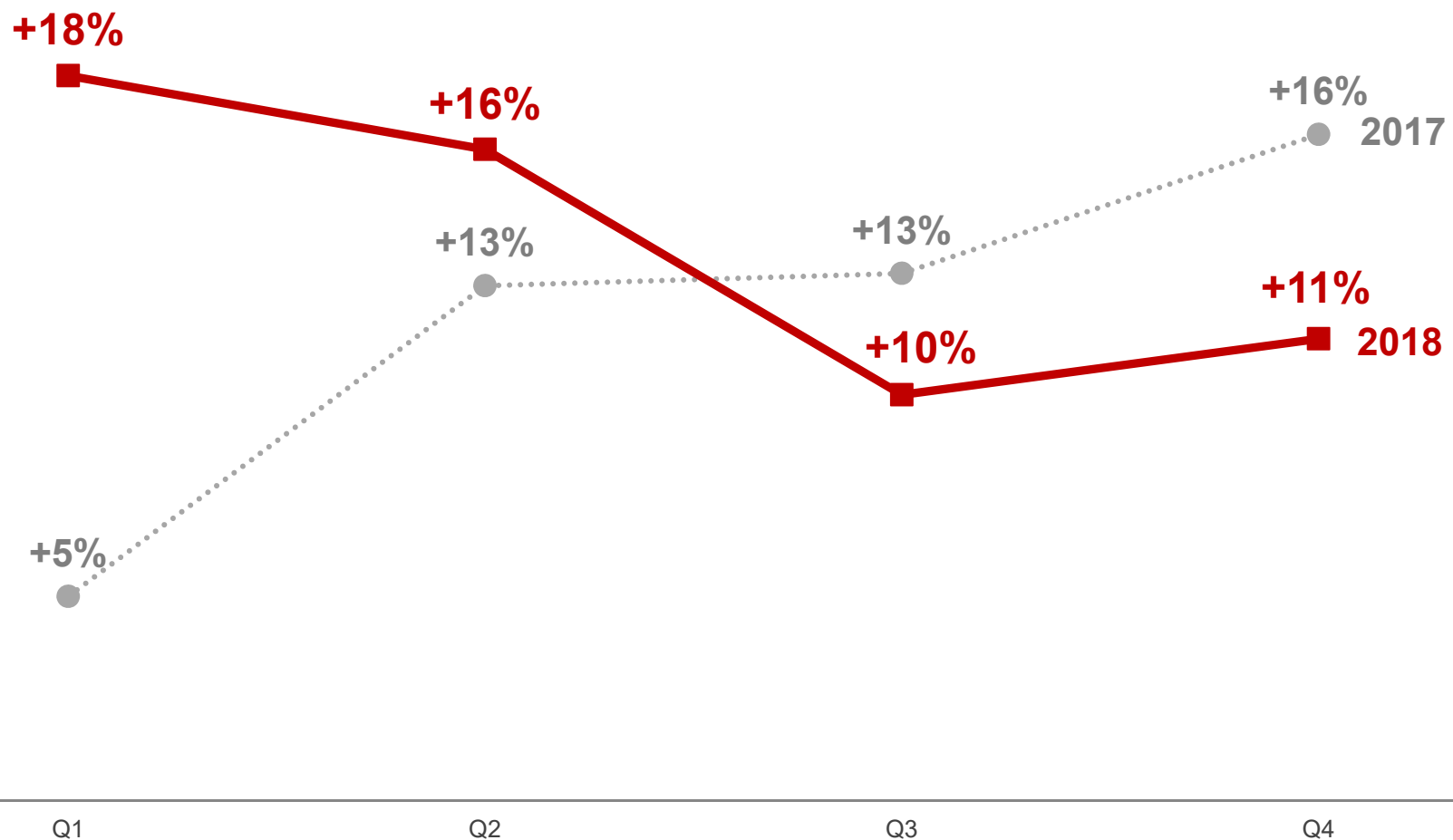
Increase in 2018 Year-end Dividend

Dividend per share



Overcame Hurdles in Q4 2018 Achieving Robust Growth

Changes in Quarterly Organic Sales Growth



*1. Rates for Q1-Q3 2017 indicate YoY changes on a like-for-like basis excl. sales of LAURA MERCIER, Dolce&Gabbana and Jean Paul GAULTIER.
Rate for Q4 2017 indicates YoY change on like-for-like basis incl. sales of LAURA MERCIER, Dolce&Gabbana and Jean Paul GAULTIER.

*2. Rates for Q1-Q4 2018 indicate YoY changes on like-for-like basis excl. impact of transfer of Zotos business and others.

Q4 2018 (Oct.-Dec.) Executive Summary

+11% organic sales growth (growth of +29% vs. 2016)
Marketing investments and brand development investments were stepped up to accelerate growth momentum

Net sales: ¥289.1 Bn YoY Change in LC: +6.5% YoY change: +5.6%

Organic net sales, excl. impact of business transfer, etc. in 2017:

YoY change in LC: +11%

- In China, growth momentum was accelerated, with organic sales in LC growing +33% YoY
- In Japan, stores sales grew +5% YoY against market contraction of -1%, expanding in market share
Shipment sales grew +7% YoY
- Sales growth driven by cross-border marketing
Strong performances in China and Travel Retail, offsetting decreased sales to buyers
(YoY change in LC: Travel Retail: +27% / Inbound sales: +5%)

Operating profit: ¥6.9 Bn OPM: 2.4% YoY change: -¥2.8 Bn YoY change: -29.1%

- Marketing/brand development investments were stepped up to further strengthen brands and increase growth momentum

Net profit attributable to owners of parent: -¥2.6 Bn YoY change: -¥42.3 Bn

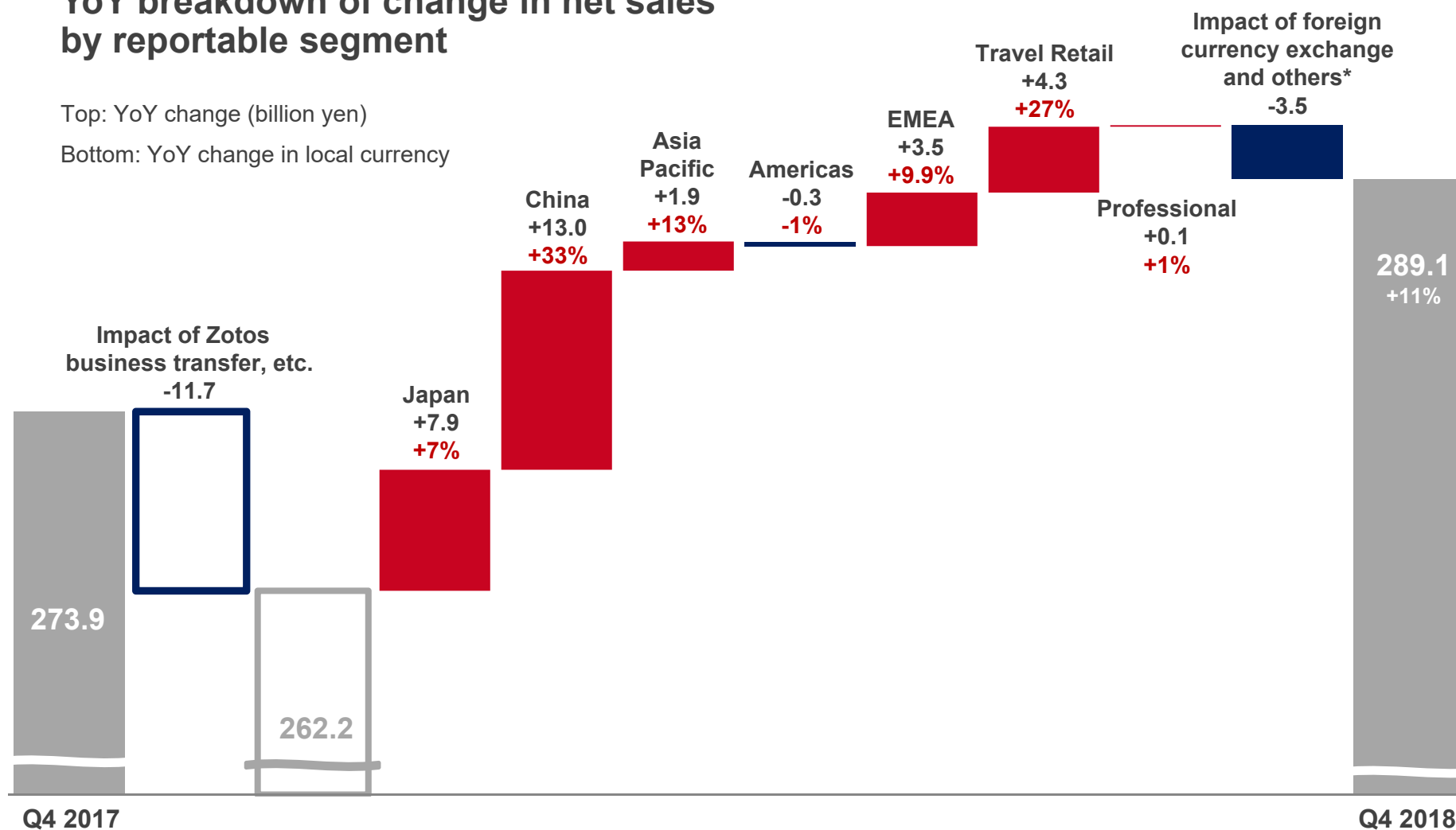
- A gain on the transfer of Zotos business was recorded last year

Q4 Sales Growth Driven by Japan, China and Travel Retail

YoY breakdown of change in net sales by reportable segment

Top: YoY change (billion yen)

Bottom: YoY change in local currency



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

*2. See Supplemental Data 19 for details about segment classifications.

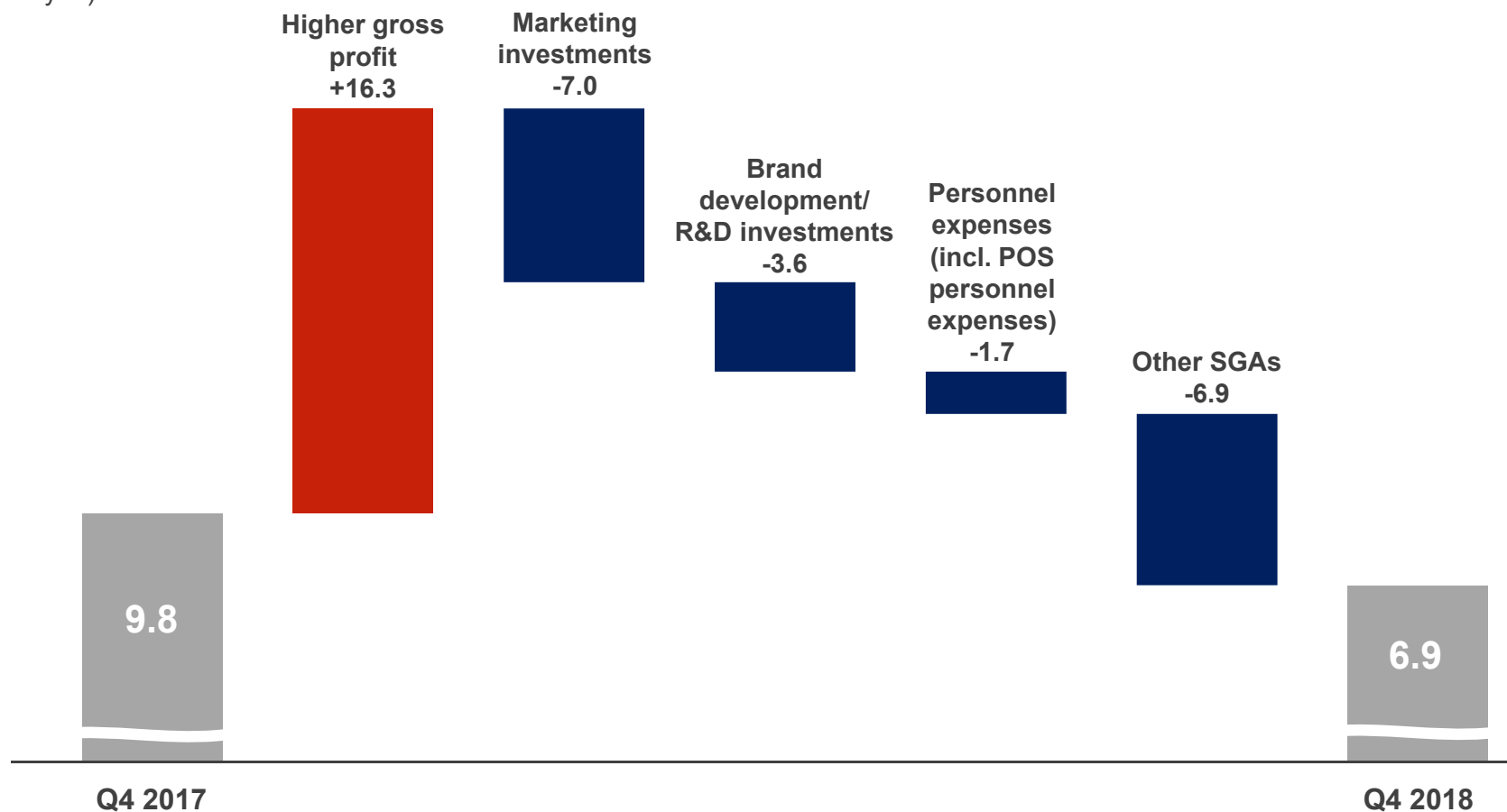
*3. "Impact of foreign currency exchange and others" includes impact of foreign currency -2.7 billion yen and sales of "Other" as a reportable segment.

Strengthen Marketing Investments/R&D Investments to Accelerate Growth Momentum

Q4 2018 (Oct.-Dec.)

Operating Profit Increase/Decrease by Expense Item

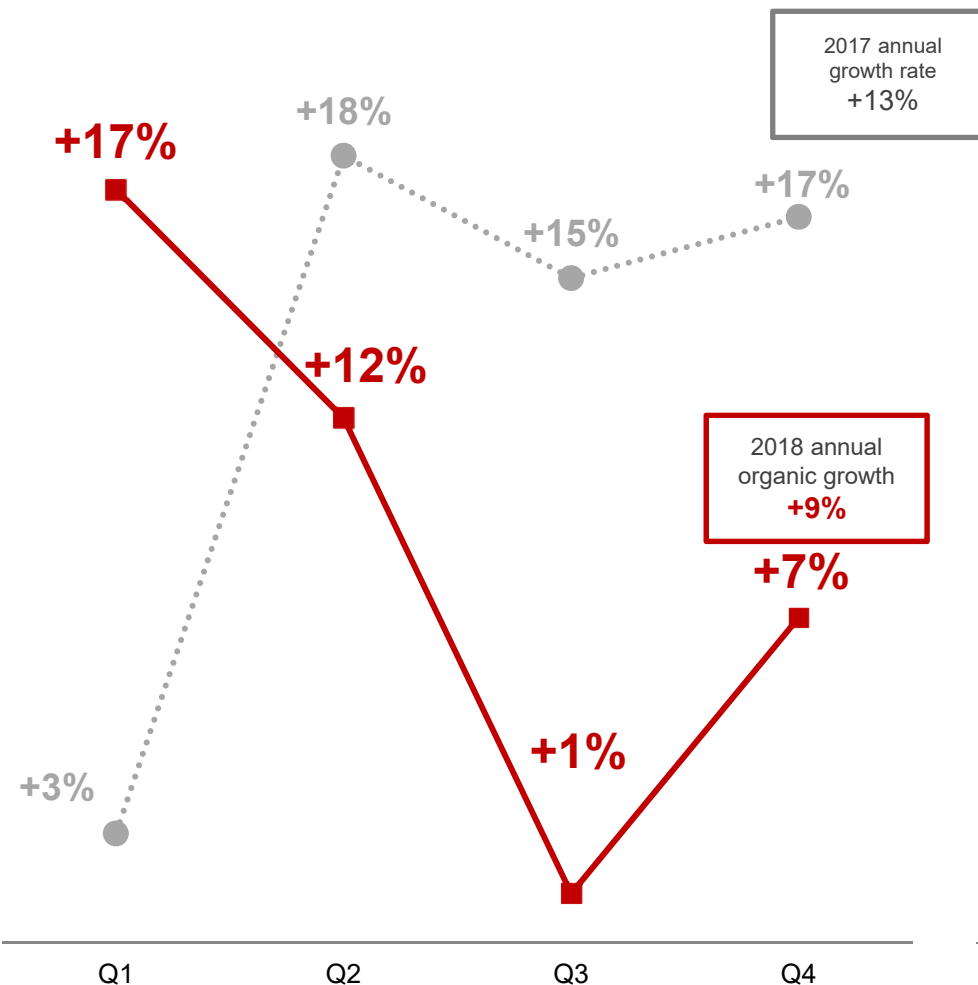
(Billion yen)



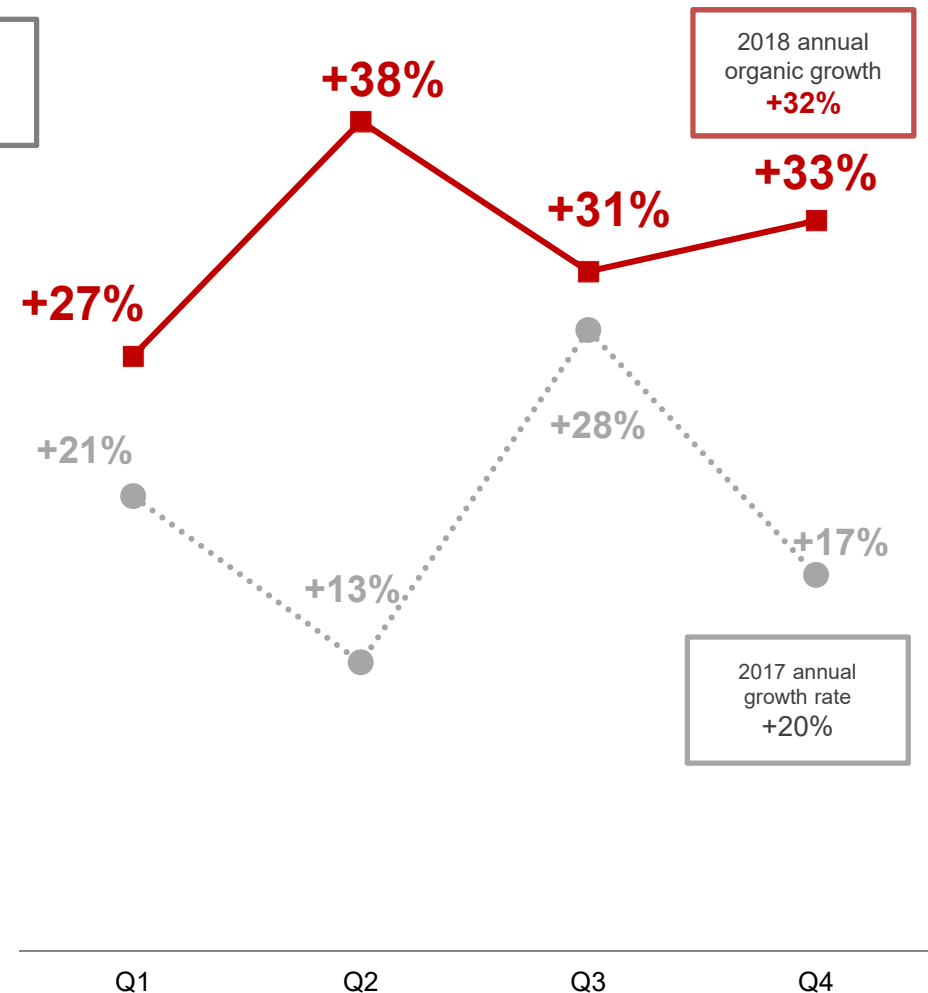
Q4 Japan: Back on Recovery Track Despite Slowdown in Sales to Buyers

Q4 China: Growth Momentum Outpacing High 2017-Level

Japan Sales YoY Quarterly Change

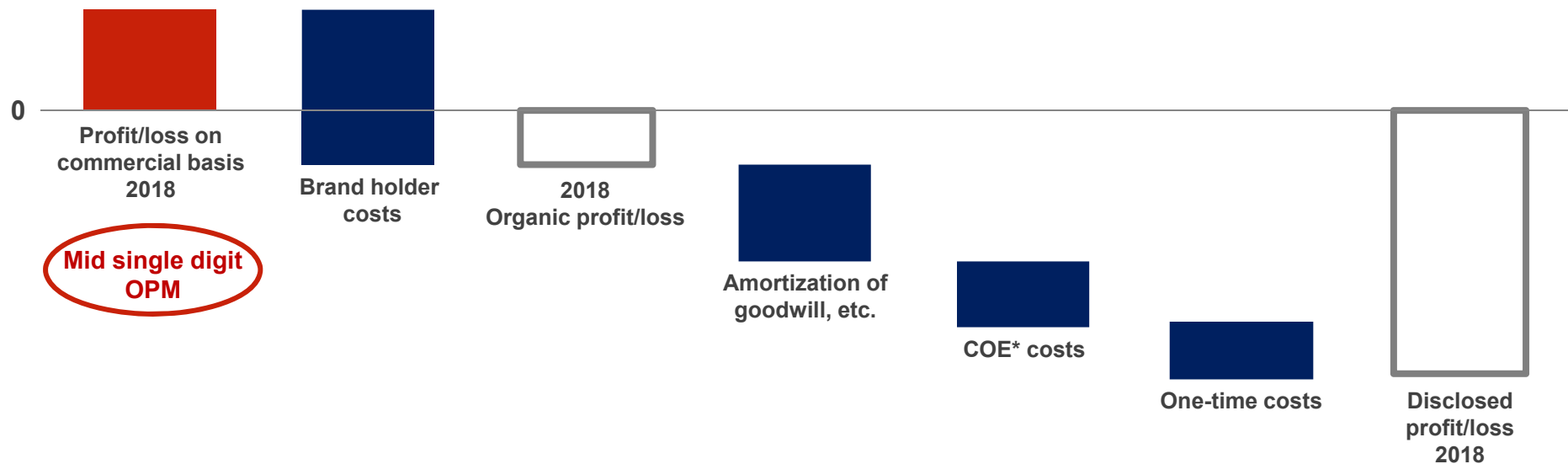


China Sales YoY Quarter Change



Profit Structure of Americas Business in 2018

- Achievement of profitability on commercial basis as planned
Structural reforms of *bareMinerals* is the key to improve profitability



*COE: Center of Excellence

Structural Reforms of *bareMinerals*

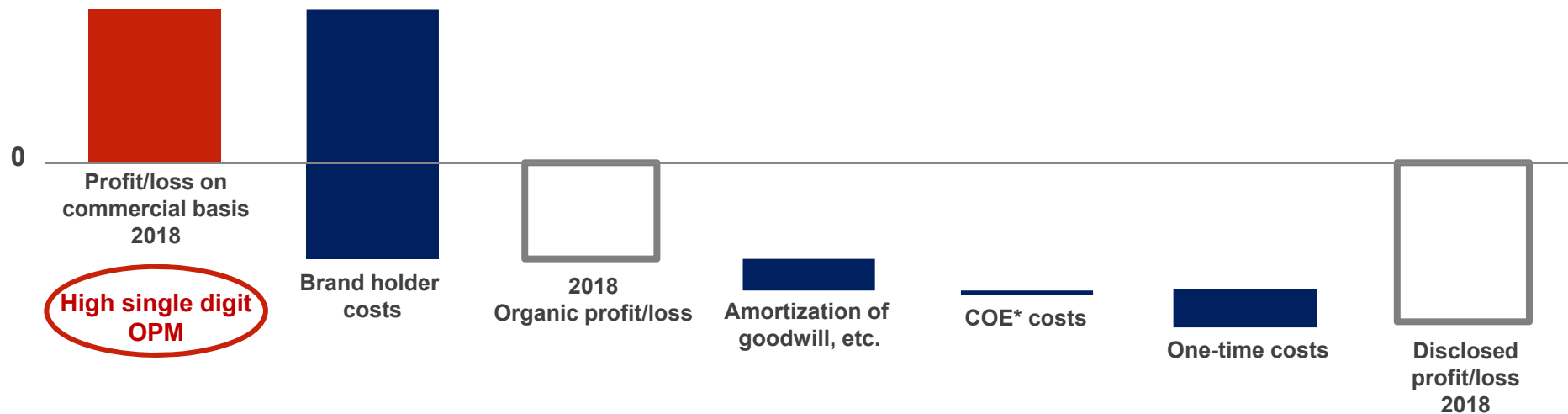
- Launch of new marketing “THE POWER OF GOOD”
(starting from latter half of Q3)
Favorable market response, strong start
2018 US retail sales: YoY change -9%
US retail sales excl. boutiques: Flat growth YoY
- Positive shift towards digital marketing and e-commerce
E-commerce sales growth approaching +20% YoY
- Closure of unprofitable boutiques as planned
61 stores already closed (As of Jan. 31, 2019)
- Implementation of structural reforms to improve profitability proceeding as planned



bareMinerals

Profit Structure of EMEA Business in 2018

- Improvement of profitability on commercial basis driven by increased growth momentum of *Dolce&Gabbana*
Further improving profitability towards 2020



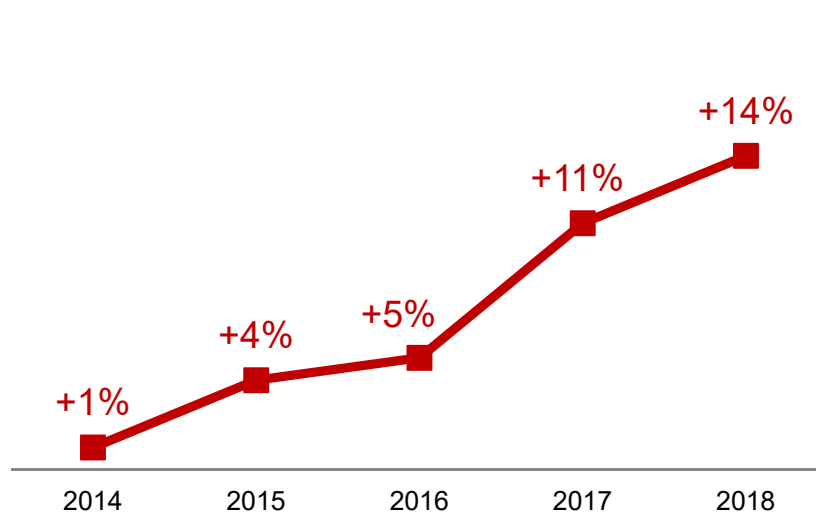
* COE: Center of Excellence

Results of Initiatives to Increase Supply

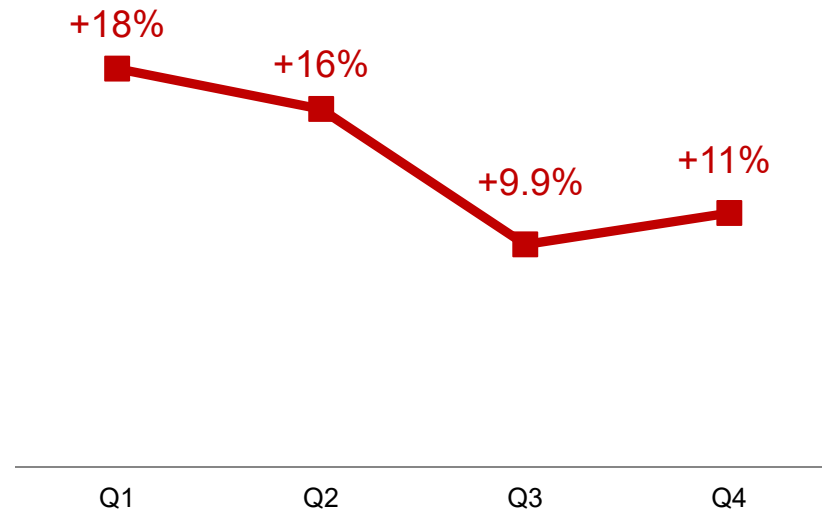
- **Increased production and supply (production in Japan)**
Increase from 2017: More than +10% (volume)/More than +20% (price)
- **Procurement of sufficient raw materials**
(Year-long contracts with suppliers)
Collaborative initiatives with suppliers to bolster supply
- **Increased production capacity**
(Expansion of outsourcing/improvement of own productivity)
Gradual expansion of partner factories, improvement of production efficiency at own factories
- **Minimized opportunity losses**
Clarification of priority based on business/brand/SKU
Reduction of SKUs (2,688 SKUs in 2018)
Production responding to demand fluctuations

2018: Two Consecutive Years of Double-Digit Growth

Annual Organic Sales Growth from 2014



Quarterly Organic Sales Growth in 2018



Latter part of 2018: Sustainable sales growth as top priority
Further marketing/brand development investment from Q4 2018,
tackling market uncertainties

*2014 organic growth rate excludes impacts of weaker demand following consumption tax hike, optimization of store inventories in China and elsewhere in Asia, and problems in the Americas distribution center.

SHISEIDO

Tackling Market Uncertainties for Long-Term Growth

Masahiko Uotani

Representative Director, President and CEO
Shiseido Company, Limited

February 8, 2019



SHISEIDO

Be a Global Winner with Our Heritage

Long-Term Targets

Net sales: 2 trillion yen

Operating profit: 300 Billion yen

THE MOST TRUSTED BEAUTY COMPANY IN THE WORLD

**Most
Innovative**

**Aspirational
to Youth**

**Selected by
Diverse
Talent**

**Trusted by
Society &
Shareholders**

Continuously Investing for Sustainable Growth

Brand

**Global organization/
People**

Innovation

Management/Productivity

Supply chain

M&A

Business model/Region

ESG management



Our Mission

BEAUTY INNOVATIONS FOR A BETTER WORLD





Advance ESG Management

- **Social Value Creation Division (new)**

Add Cultural Capital (Art & Heritage) to Environment and Society towards more sustainable enterprise value

Sustainable Environment Department

- UV rays/
Climate change
- Package material development

Diversity & Inclusion Department

- Women's empowerment
- Appearance care

Art & Heritage Department

- Cultural activities
- Spread DNA within company

- **Consider incorporating social value indicators into long-term incentives**

Accelerating Women's Empowerment

- Female directors and auditors: 45% (planned*)
- Female corporate officers: 23.5%
- Female leaders in Japan: 30.2% (Target: 40% in 2020)
- Global female leaders: 69%



*New auditors will be finalized at the 119th General Meeting of Shareholders scheduled for late March 2019.

Further Brand Selection and Concentration

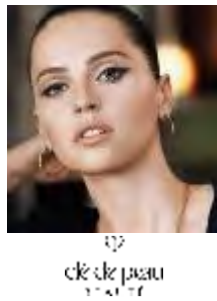
■ 2018 Sales Volume

Prestige First

Skincare



¥167 Bn



¥122 Bn



¥28 Bn

Fragrance



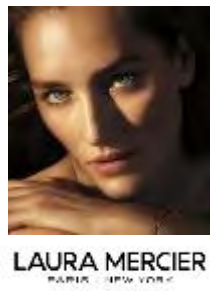
DOLCE & GABBANA

¥55 Bn

Makeup



¥54 Bn



¥23 Bn



¥49 Bn

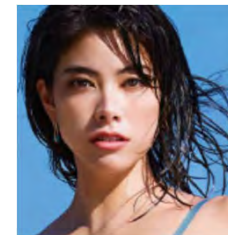
Asia Cosmetics & Personal Care

ELIXIR

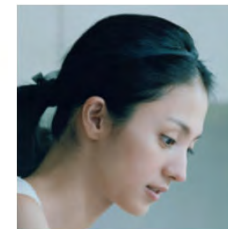
¥77 Bn



¥50 Bn

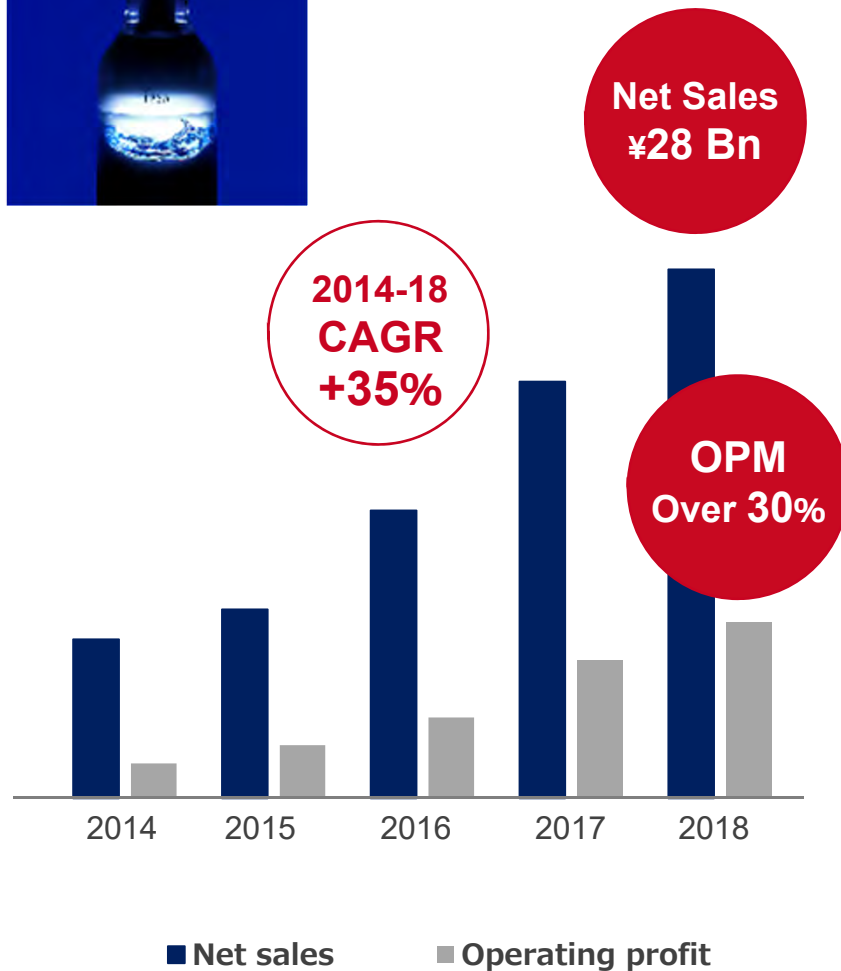


¥24 Bn

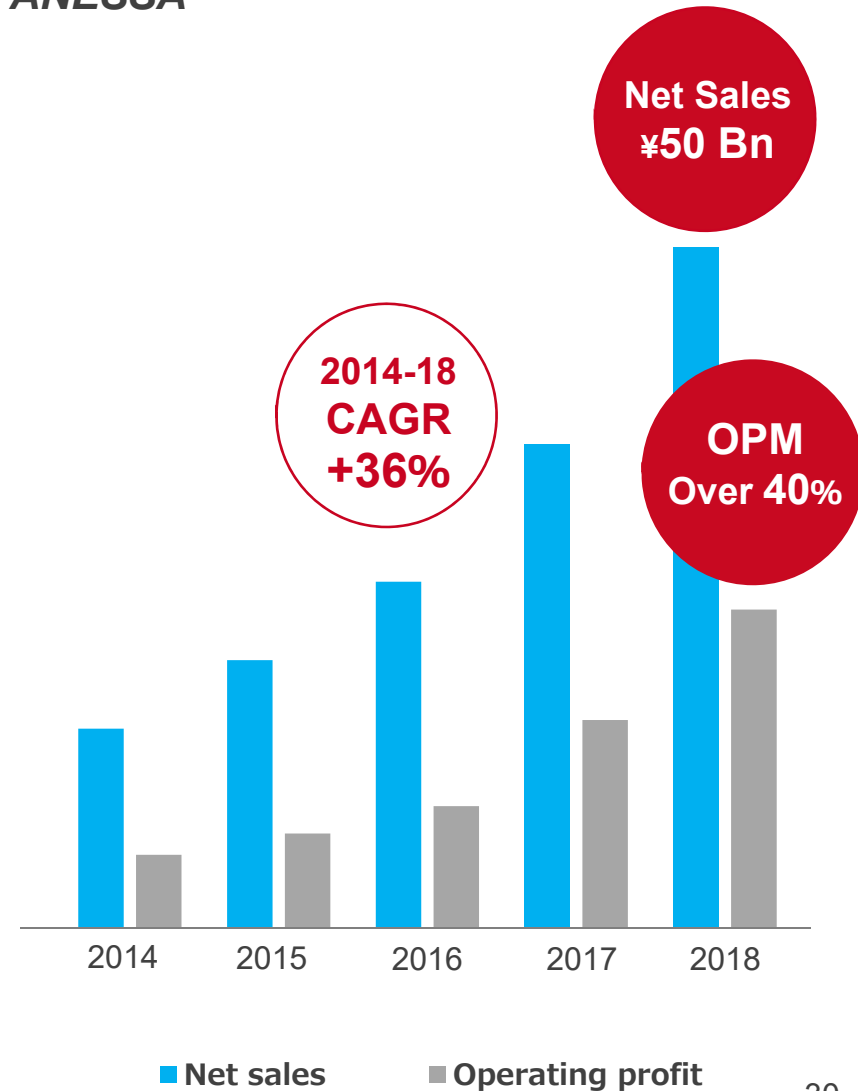


High-Margin Brands: *IPSA*, *ANESSA*

■ *IPSA*



■ *ANESSA*



Constantly Reviewing Brand Portfolio

**Evaluate our strengths and marketability:
Selection and concentration of brands/businesses**

■ **Transfer:**

AYURA

Kinari

Chromatography business

Zotos

RéVive

FERZEA/Enkuron


■ **Withdraw:**

Amenity goods business

d'icilà

■ **Terminate distribution contract:**

Burberry



**Make optimal choices for both
company and brands/businesses**

Accelerating Innovation



**Global Innovation Center
Opening April, 2019**

- **R&D investment:**
3% of sales now, 4% in future
- **Personnel: 1,500**
- **Stronger R&D in regional HQs:**
New York, Beijing, Shanghai, Paris, Singapore, Seoul
- **Centers of Excellence:**
Digital, Makeup, Skincare, Fragrance

NEW



**Technology
Acceleration
Hub**

NEW



**China
Business
Innovation
Center**

Supply Chain Capabilities Supporting Global Growth

- **Kyushu Fukuoka Factory (tentative name) in Kurume city**
To be completed end of 2021
- **Next generation factory**
 - IoT/cutting-edge technology
 - Industry-leading equipment
 - Business Continuity Planning
 - Eco-friendly design
 - Shiseido craftsmanship

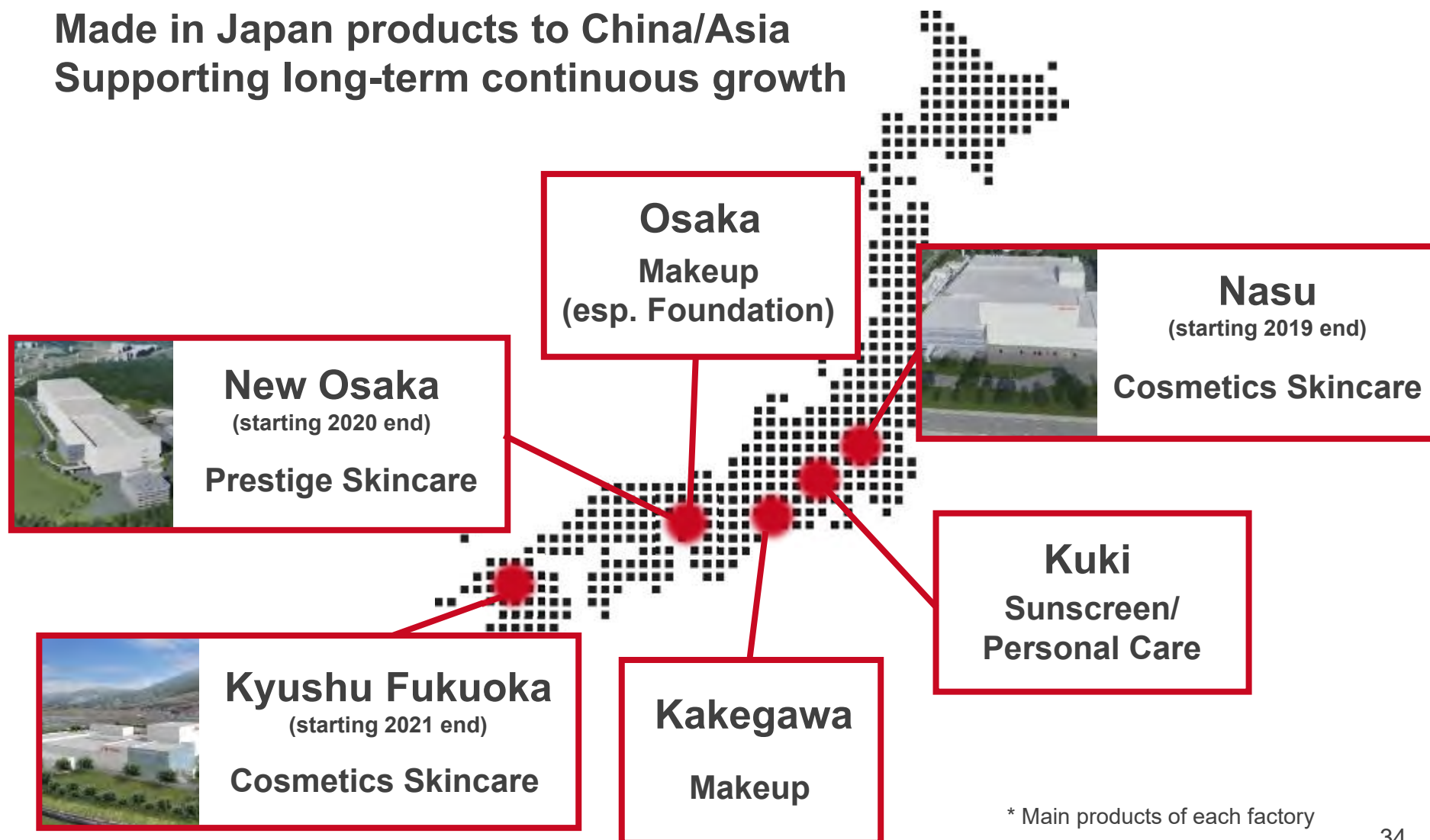


**Sustainable growth for
greater enterprise value**



Expanding to Six Domestic Factories

Made in Japan products to China/Asia
Supporting long-term continuous growth



* Main products of each factory

Building a Stronger Business Foundation for the Future

Capital Expenditure Plan (2018-2020)

(Billion yen)

■ Supply chain

¥170 Bn+

■ R&D/GIC

¥40 Bn+

■ Store counters

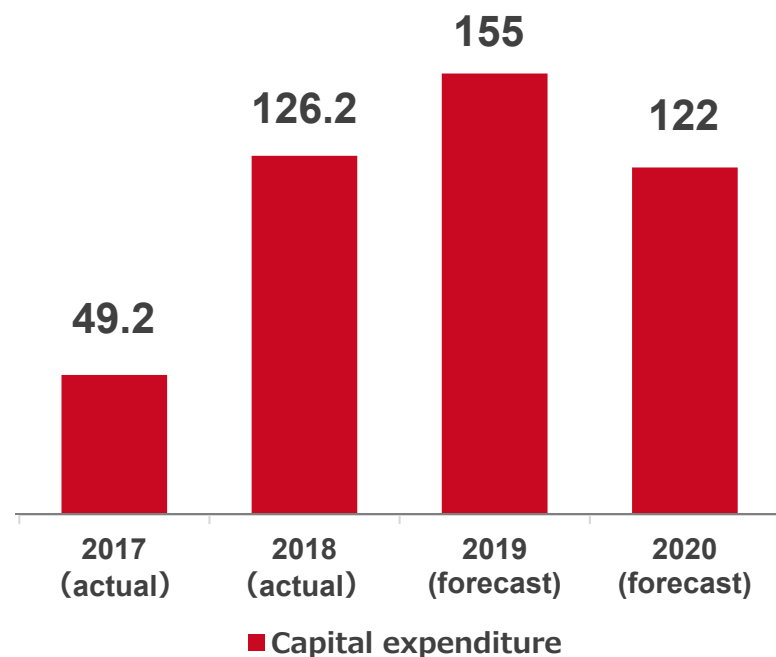
¥60 Bn+

■ Global IT

¥60 Bn+

■ Office-related

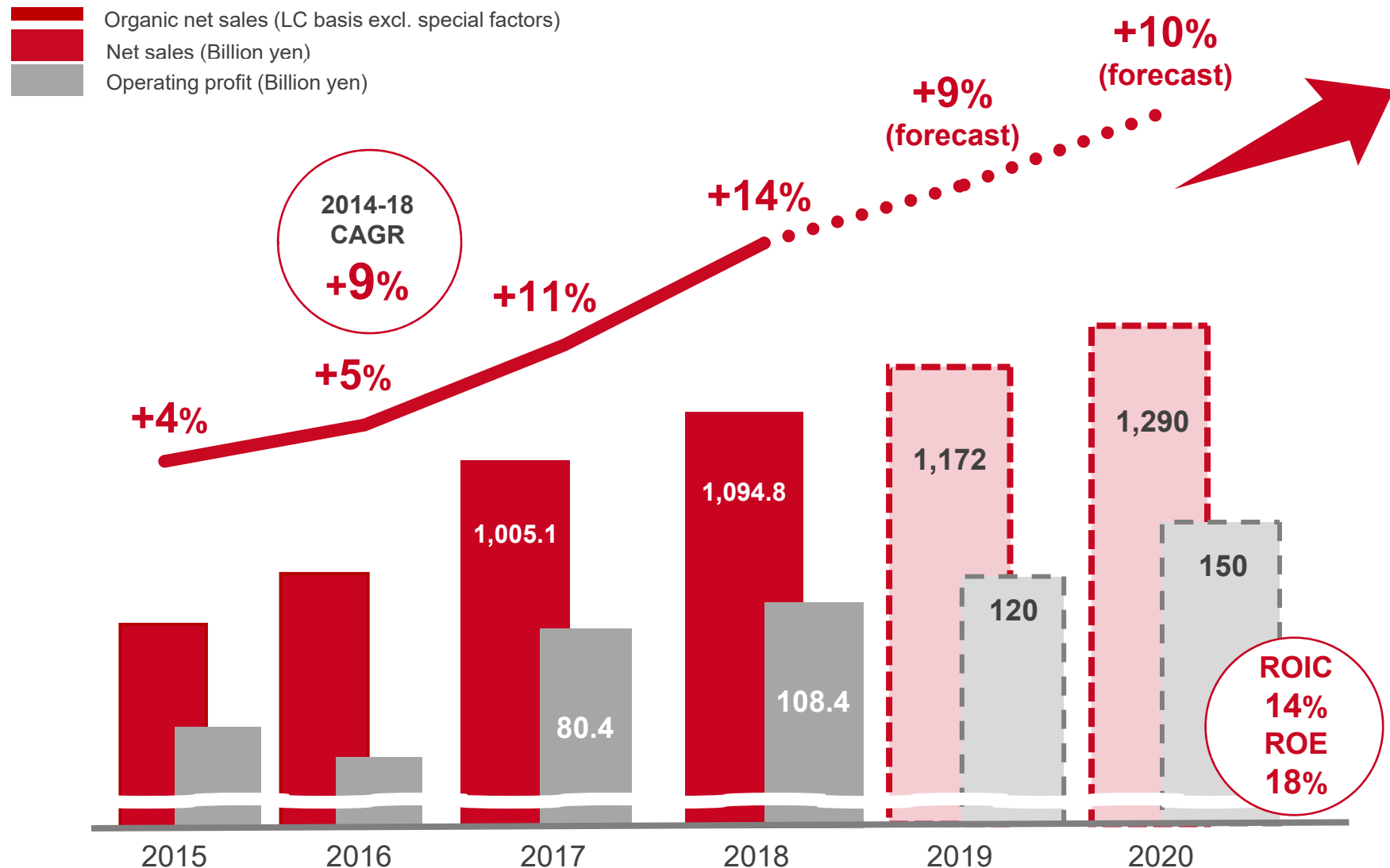
¥20 Bn+



Total (2018-2020)

¥400 Bn+

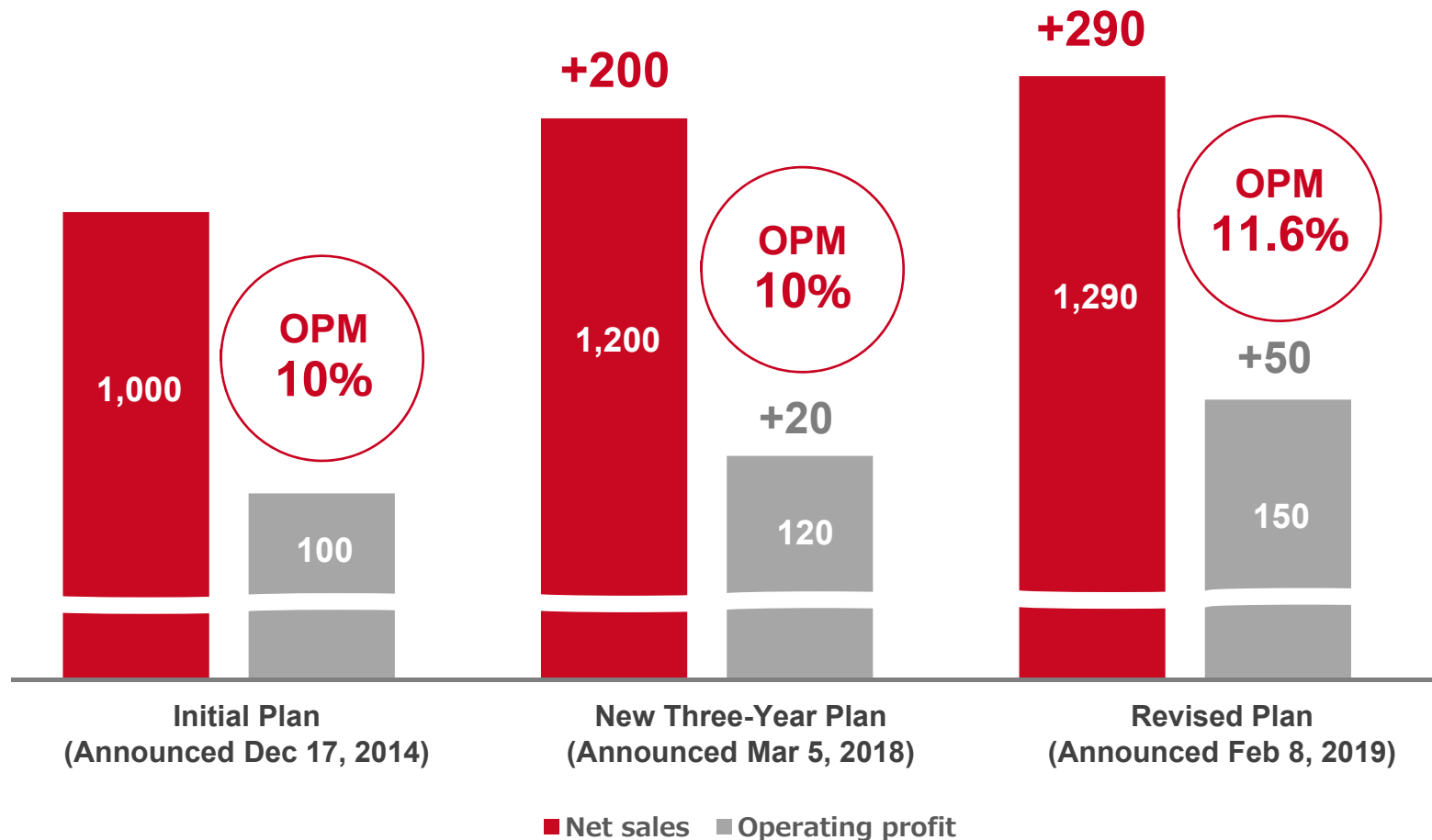
Securing Sustainable Growth



* 2014 excludes the impact of the slump in demand after the consumption tax hike, market inventory optimization in China and Asia, and distribution center problems in the Americas.

Constantly Outperforming VISION 2020

■ VISION 2020 Performance (Billion yen)



2019: Proactive Responses to Market Uncertainties (1)

Challenges

- Chinese economic slowdown

- Slowing inbound in Japan

- Profitability in Americas and EMEA

Strategy

- Focus marketing investment on core brands
- Strengthen organization & brand divisions, set dedicated Alibaba team

- Expand point of sales to pure inbound tourists with stronger cross-border marketing
- Reinforce cross-border e-commerce
- Accelerate marketing/promotion towards Japanese consumers

- Expand sales and raise profitability of regional commercial business
- Improve efficiency of brand holder investment
- Increase control over fixed costs

2019: Proactive Responses to Market Uncertainties (2)

Challenges

- Brand enhancement

- Minimize supply shortage in a short term

- Consumption tax hike

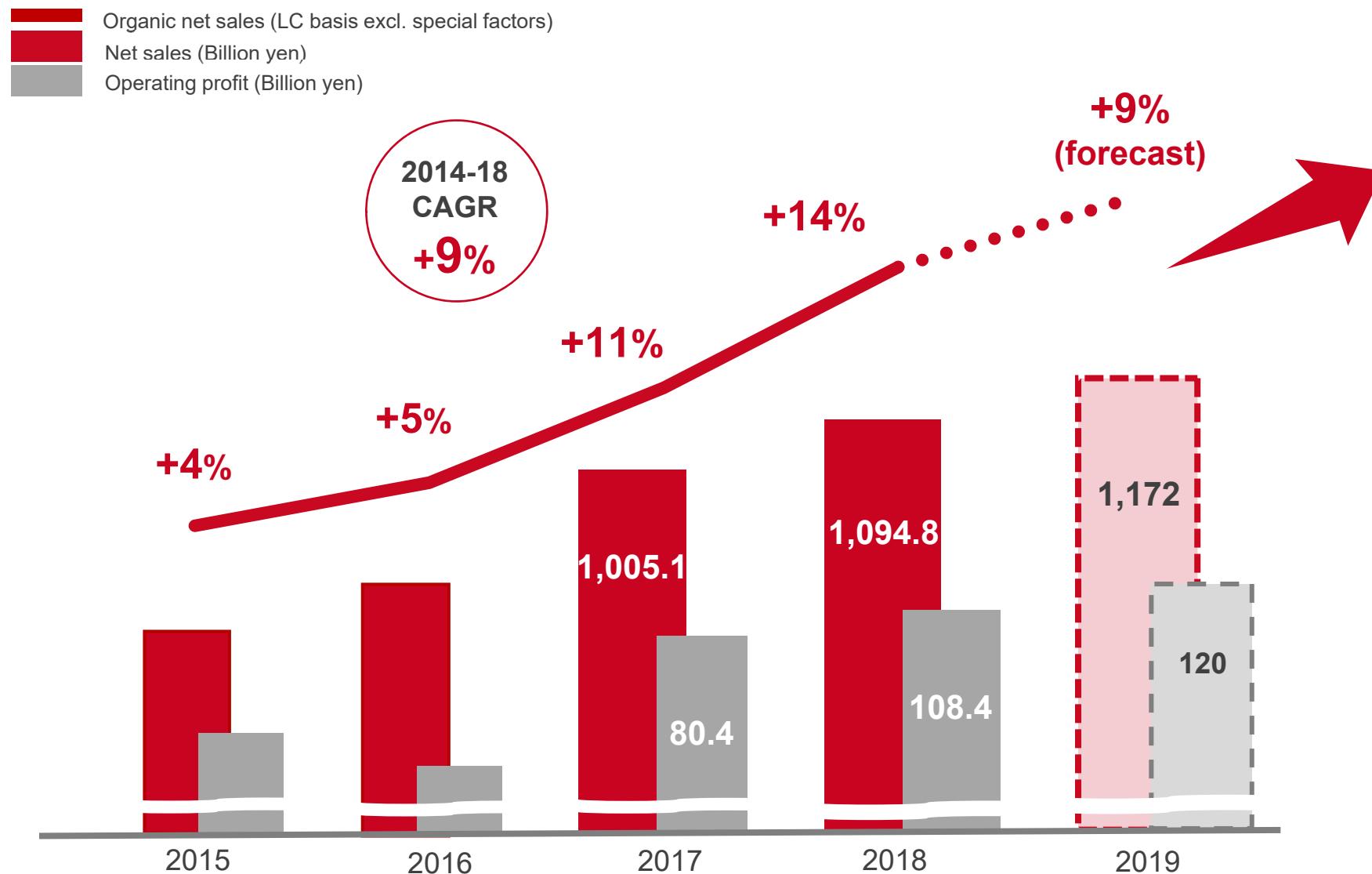
Strategy

- Focus marketing investment on core brands
- Invest with flexibility based on market changes
- Strengthen investment in digital marketing
- Thoroughly manage brand ROI

- Increase Made in Japan production by raising Shiseido's productivity and expanding third parties
- Procure sufficient raw materials by building even stronger relationship with suppliers
- Improve SKU management and production in line with the market
- Start punctual operation at Nasu Factory (Dec.)

- Cooperate with retailers
- Secure enough product inventories in advance
- Promote new products aggressively after tax hike

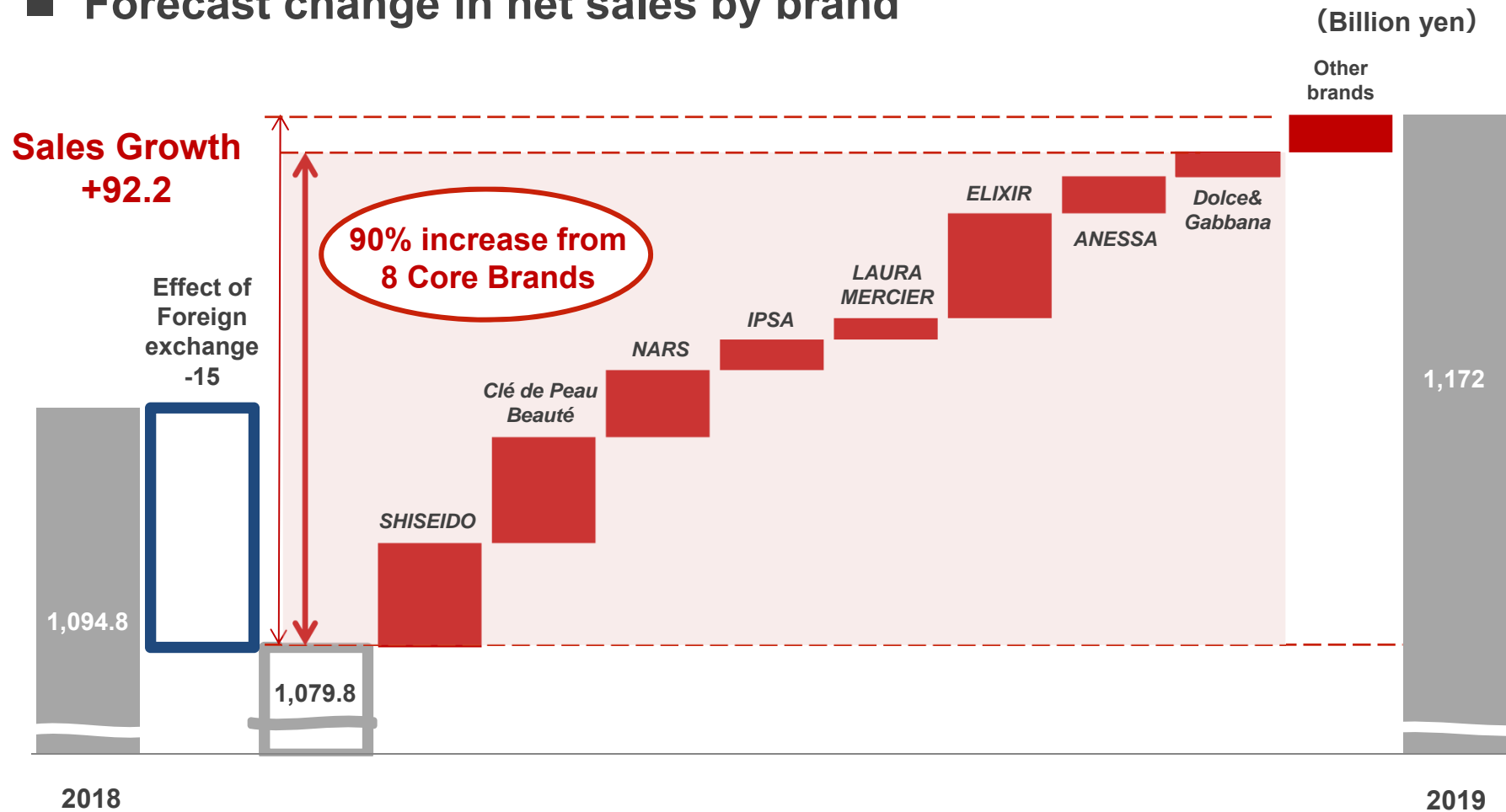
Maintaining Solid Growth in 2019



* 2014 excludes the impact of the slump in demand after the consumption tax hike, market inventory optimization in China and Asia, and distribution center problems in the Americas.

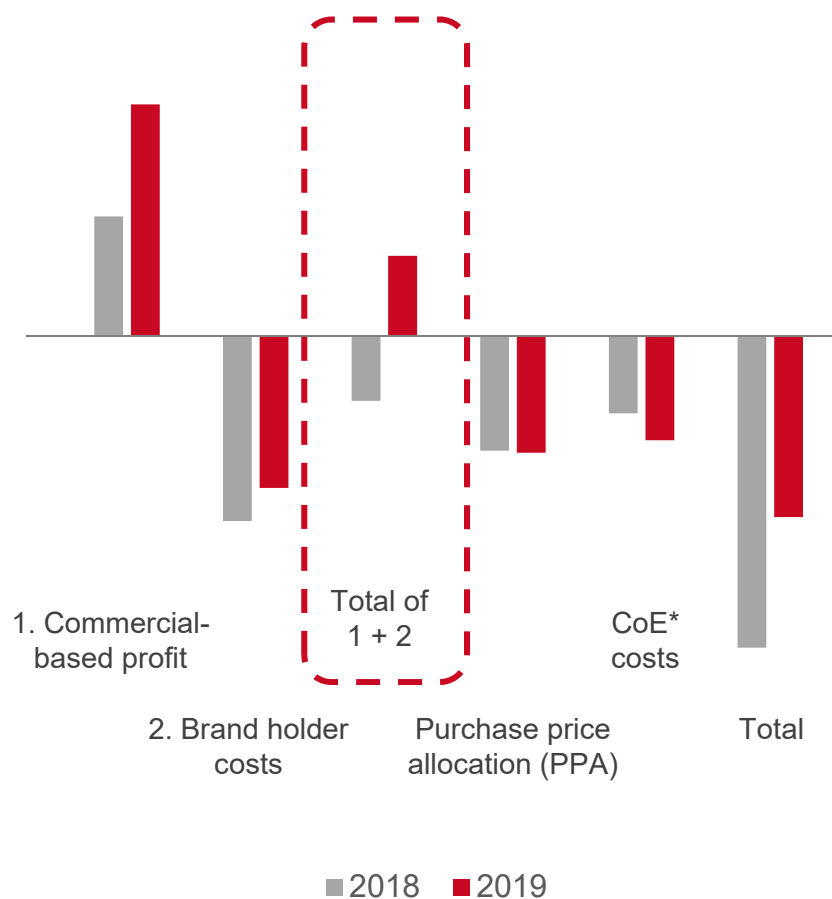
Robust Growth Driven by Core Brands

■ Forecast change in net sales by brand

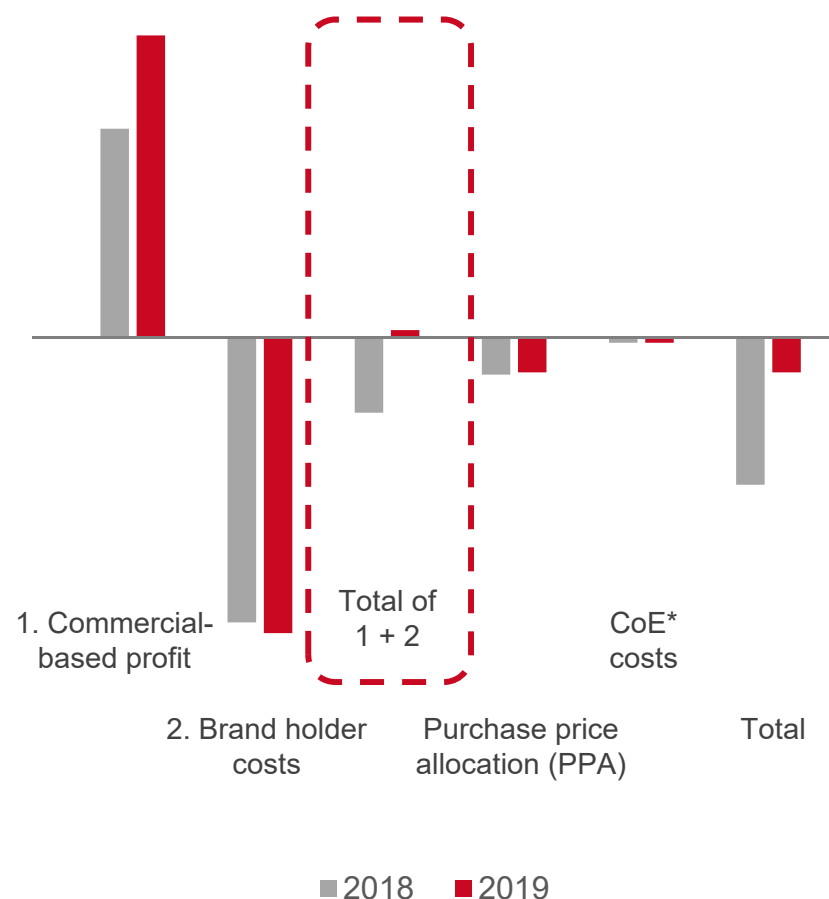


Americas & EMEA: Improving Profitability

■ Americas Earnings Structure



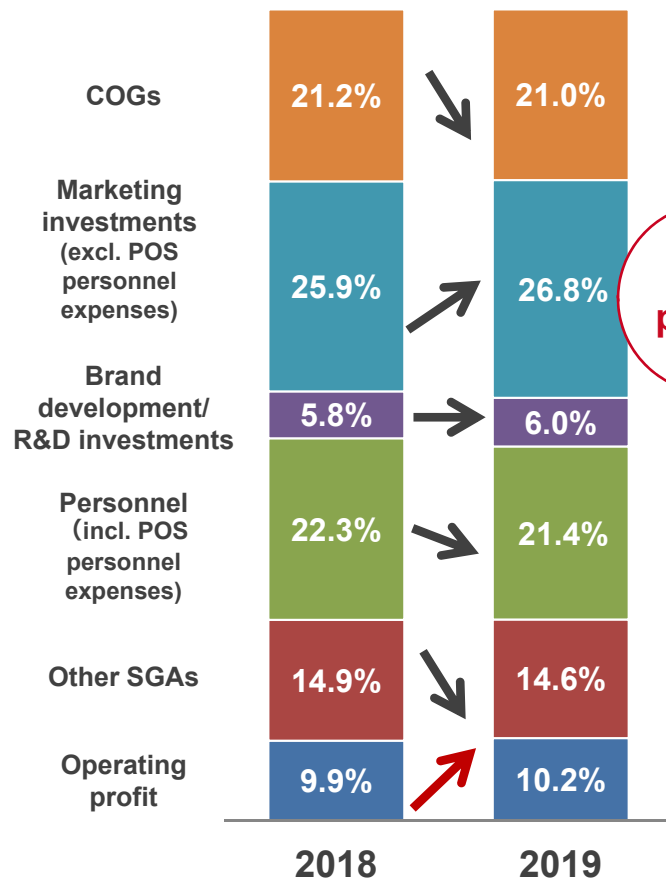
■ EMEA Earnings Structure



* CoE: Center of Excellence

Strengthening Investment in Priority Areas for 2019

■ 2019 Cost Structure Plan



- Net sales:
+9% YoY in local currency
- **Marketing investment:**
+¥36 Bn (+13% YoY)
- Regions:
China, Japan, Travel Retail
- Brands:
SHISEIDO, Clé de Peau Beauté, IPSA, NARS ELIXIR, ANESSA
- Enhance digital marketing

2019 Full-Year Forecast

(Billion yen)	2019		2018	YoY Change %	YoY Change in Local Currency %
		% of Net Sales			
Net Sales	1,172	100	1,094.8	+7.0	+9
Operating Profit	120	10.2	108.4	+10.8	
Ordinary Profit	120	10.2	109.5	+9.6	
Extraordinary Income/Loss (net)	-2.5	-0.2	-5.2	-	
Net Profit Attributable to Owners of Parent	75.5	6.4	61.4	+23.0	
Dividends (yen per share) (forecast)	60		45		

Forecast ROE: 15.9%

Exchange rates (2019): USD1 = JPY110.0 (-0.4%), EUR1 = JPY125.0 (-4%), CNY1 = JPY16.0 (-4%)

Dividends: interim dividend ¥30, year-end dividend ¥30 (forecast)

January 2019 Trends (Preliminary Figures)

Japan


- **Total store sales: up low single digits**
- **Inbound sales** (duty-free department stores only)
 - Pure inbound: approx. +10%**
 - Buyers: down high teens**
- **Net sales: up mid single digits**

China

- **Total store sales: over +20%**
 - Prestige business: over +40%**
- **Net sales: over +20%**

2019

- **Grasp uncertain market environments**
- **Strengthen global P&L management with sense of urgency**
- **Boldly invest to strengthen long-term business foundations**



2020

Robust growth in profit

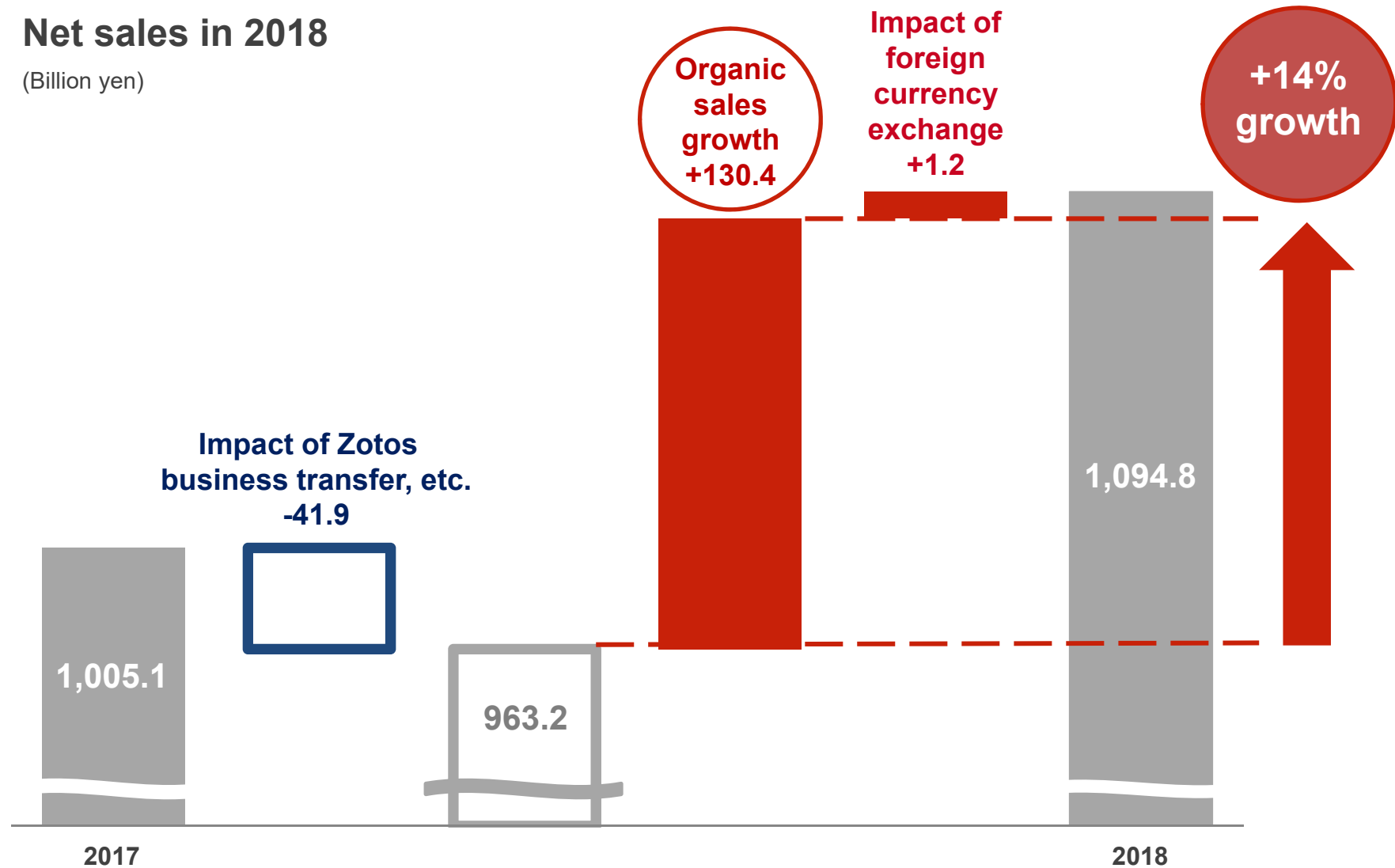
SHISEIDO

Supplemental Data 1

Continued Growth with Organic Sales Growth +14% Over +¥130 Bn

Net sales in 2018

(Billion yen)



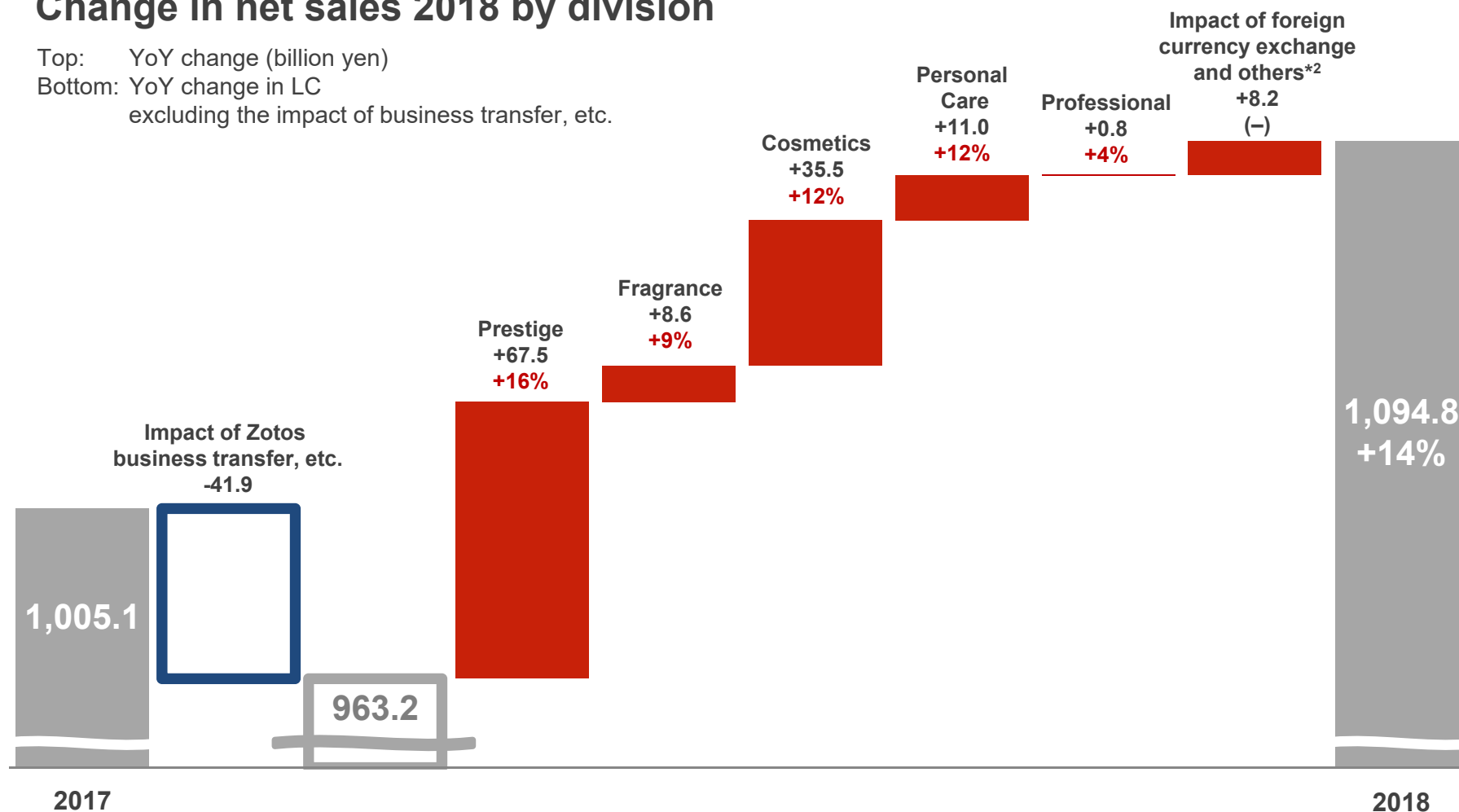
Supplemental Data 2

Growth in All Divisions Driven by Prestige and Made in Japan Brands

Change in net sales 2018 by division

Top: YoY change (billion yen)

Bottom: YoY change in LC
excluding the impact of business transfer, etc.



*1. The YoY change, and YoY change in local currency for each division were calculated based on the exchange rate estimated at the beginning of the fiscal year.

*2. "Impact of foreign currency exchange and others" includes impact of foreign currency exchange +¥1.2 Bn as well as "Other" segment and the difference between the assumed rates and the actual rates.

Supplemental Data 3

Japan: Organic Sales Growth: +9%, Continued Sales Expansion of Core Brands

(Billion yen)	2018		2017		YoY Change	YoY Change %
		% of Net Sales		% of Net Sales		
Prestige/ Specialty Store*1	158.5	34.9	147.6	35.4	+11.0	+7.4
Cosmetics	219.3	48.2	197.1	47.3	+22.2	+11.3
Personal Care	54.8	12.1	51.8	12.4	+3.1	+5.9
Others*2	21.9	4.8	20.6	4.9	+1.3	+6.1
Sales	454.6	100	417.1	100	+37.5	+9.0

YoY change excluding the impact of business transfer in 2017 was +9%.

(Billion yen)	2018		2017		YoY Change	YoY Change %
Operating Profit	91.4		78.2		+13.2	+16.9
OPM %	18.8		17.5		+1.3pt	
Income Before Amortization of Goodwill, etc.	91.6		78.3		+13.2	+16.9
OPM %	18.8		17.6		+1.2pt	

*1. The net sales of the previously separate Prestige and Specialty Stores businesses of the Japan Business are added together and recorded as the net sales of the "Prestige/Specialty Store" from FY2018 for better alignment with the management structure of the Japan region.

*2. "Others" include Healthcare Business, Amenity Goods Co., Ltd. and others.














*3. % of Net Sales indicates percentage of Japan business sales.



*4. OPM is calculated using net sales including intersegment transactions.

*5. See Supplemental Data 19 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments

Supplemental Data 4

Store Sales of Core Brands in Japan

	Core Brands				
Prestige/ Specialty Store					
					
Cosmetics					
					
Personal Care※1					

 Above the previous year
 Below the previous year

*1. Shipments from wholesalers to retailers

Supplemental Data 5

China: Sales Growth +32%, Profit Growth Over ¥13 Bn, OPM 12.8%

(Billion yen)	2018		2017		YoY Change	YoY Change %	YoY Change in LC %
		% of Net Sales		% of Net Sales			
Prestige	83.6	43.8	55.3	38.4	+28.2	+51.0	+51.9
Cosmetics	70.4	36.9	59.8	41.4	+10.6	+17.7	+17.1
Personal Care	34.9	18.3	28.1	19.5	+6.8	+24.1	+23.8
Others	2.0	1.0	1.0	0.7	+1.0	+95.7	+98.2
Sales	190.8	100	144.3	100	+46.5	+32.3	+32.3

(Billion yen)		2018	2017	YoY Change	YoY Change %
Operating Profit		24.5	11.3	+13.2	+116.4
OPM %		12.8	7.8	+5.0pt	
Income Before Amortization of Goodwill, etc.		24.9	11.7	+13.2	+112.3
OPM %		13.0	8.1	+4.9pt	

- Prestige brands *Clé de Peau Beauté*, *SHISEIDO*, *IPSA*, and *NARS* continued to drive overall growth
- Cosmetics *ANESSA* and *ELIXIR* continued to show dramatic growth
- E-commerce sales remained strong

*1. See Supplemental Data 19 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 6

Asia Pacific: Sales Growth +13%, OPM Continued in Double Digits

(Billion yen)	2018		2017		YoY Change	YoY Change %	YoY Change in LC %
		% of Net Sales		% of Net Sales			
Prestige	36.6	53.8	31.8	53.1	+4.8	+15.2	+14.3
Cosmetics	14.4	21.2	13.6	22.7	+0.8	+6.2	+6.1
Personal Care	12.0	17.5	10.4	17.4	+1.6	+15.2	+14.7
Fragrance, Others	5.1	7.5	4.1	6.8	+1.0	+25.8	+23.5
Sales	68.1	100	59.8	100	+8.3	+13.9	+13.1

(Billion yen)	2018		2017		YoY Change	YoY Change %
Operating Profit	7.8		7.2		+0.6	+8.7
OPM %	11.1		11.7		-0.6pt	
Income Before Amortization of Goodwill, etc.	7.9		7.2		+0.6	+8.6
OPM %	11.2		11.8		-0.6pt	

- **Prestige brands:**

Continued growth of *SHISEIDO*, *Clé de Peau Beauté*, and *NARS*

- **Cosmetics and Personal Care brands: Robust growth of *ANESSA* and *SENKA***

- **Expand into new countries: Establish joint venture in the Philippines**

*1. See Supplemental Data 19 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 7

Americas: Organic Sales Growth +4%

Increased Investment in Brands Resulted in Growth exceeding Plan

(Billion yen)	2018	2017	YoY Change	YoY Change %	YoY Change in LC %
Sales	131.7	134.1	-2.4	-1.8	-0.4

YoY change excluding the impact of business transfers in 2017 was +4%.

(Billion yen)	2018	2017	YoY Change	YoY Change %
Operating Profit	-14.8	-11.8	-3.0	—
OPM %	-8.7	-7.7	-1.0pt	
Income Before Amortization of Goodwill, etc.	-9.5	-4.0	-5.5	—
OPM %	-5.6	-2.6	-3.0pt	

●Favorable sales expansion

Dolce&Gabbana, SHISEIDO, LAURA MERCIER, and NARS

●*bareMinerals*: Implementation of structural reforms

Launch of new marketing “THE POWER OF GOOD” and enhancement of digital marketing

*1. See Supplemental Data 19 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 8

EMEA: Organic Sales Growth +5% Driven by Growth in Core Brands

(Billion yen)	2018	2017	YoY Change	YoY Change %	YoY Change in LC %
Sales	113.2	108.5	+4.6	+4.3	+1.4

YoY change excluding the impact of business transfer in 2017 was +5%.

(Billion yen)	2018	2017	YoY Change	YoY Change %
Operating Profit	-8.0	-5.8	-2.2	—
OPM %	-6.4	-4.9	-1.5pt	
Income Before Amortization of Goodwill, etc.	-6.2	-4.1	-2.1	—
OPM %	-5.0	-3.5	-1.5pt	

- Good start to new *Dolce&Gabbana* products, +16% growth globally
- Strong sales of *SHISEIDO ULTIMUNE*
- Business expansion in Middle East
- *ISSEY MIYAKE* struggled

*1. See Supplemental Data 19 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 9

Travel Retail: Continued Substantial Sales Growth and High OPM

(Billion yen)	2018	2017	YoY Change	YoY Change %	YoY Change in LC %
Sales	87.6	65.0	+22.6	+34.7	+35.4

YoY change excluding the impact of business transfer in 2017 was +40%.

(Billion yen)	2018	2017	YoY Change	YoY Change %
Operating Profit	17.6	15.0	+2.6	+17.0
OPM %	20.0	23.0	-3.0pt	
Income Before Amortization of Goodwill, etc.	17.6	15.0	+2.6	+17.0
OPM %	20.0	23.0	-3.0pt	

● Continued robust growth in Asia

SHISEIDO, Clé de Peau Beauté, NARS, and ANESSA

Fragrance: Growth driven by mainly *Dolce&Gabbana*

*1. See Supplemental Data 19 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 10

Professional: Sales Expansion in China

(Billion yen)	2018	2017	YoY Change	YoY Change %	YoY Change in LC %
Sales	20.3	48.0	-27.6	-57.6	-57.7

YoY change excluding the impact of business transfer in 2017 was +1%.

(Billion yen)	2018	2017	YoY Change	YoY Change %
Operating Profit	0.8	3.0	-2.1	-72.4
OPM %	3.9	6.1	-2.2pt	
Income Before Amortization of Goodwill, etc.	0.8	3.3	-2.5	-75.1
OPM %	3.9	6.8	-2.9pt	

*1. See Supplemental Data 19 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 11

Sales Growth Driven by Japan, China and Travel Retail Americas: Back to Growth

2018 Sales by Reportable Segment

(Billion yen)	2018		2017		YoY Change	YoY Change %	YoY Change in LC %	YoY Change in LC % (like-for-like*2)
		% of Net Sales		% of Net Sales				
Japan	454.6	41.6	417.1	41.4	+37.5	+9.0	+9.0	+9
China	190.8	17.4	144.3	14.4	+46.5	+32.3	+32.3	+32
Asia Pacific	68.1	6.2	59.8	6.0	+8.3	+13.9	+13.1	+13
Americas	131.7	12.0	134.1	13.3	-2.4	-1.8	-0.4	+4
EMEA	113.2	10.3	108.5	10.8	+4.6	+4.3	+1.4	+5
Travel Retail	87.6	8.0	65.0	6.5	+22.6	+34.7	+35.4	+40
Professional	20.3	1.9	48.0	4.8	-27.6	-57.6	-57.7	+1
Other	28.5	2.6	28.3	2.8	+0.2	+0.8	+0.8	+5
Total	1,094.8	100	1,005.1	100	+89.8	+8.9	+8.8	+14

*1. See Supplemental Data 19 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. YoY Change in LC is YoY comparison in local currency excluding the impact of business transfers, etc. in 2017.

Supplemental Data 12

OPM 9.9% Largely Contributed by Expanding Profitability in China

2018 Operating Profit by Reportable Segment

(Billion yen)	2018		2017		YoY Change	YoY Change %
		OPM %		OPM %		
Japan	91.4	18.8	78.2	17.5	+13.2	+16.9
China	24.5	12.8	11.3	7.8	+13.2	+116.4
Asia Pacific	7.8	11.1	7.2	11.7	+0.6	+8.7
Americas	-14.8	-8.7	-11.8	-7.7	-3.0	—
Before Amortization of Goodwill, etc.	-9.5	-5.6	-4.0	-2.6	-5.5	—
EMEA	-8.0	-6.4	-5.8	-4.9	-2.2	—
Before Amortization of Goodwill, etc.	-6.2	-5.0	-4.1	-3.5	-2.1	—
Travel Retail	17.6	20.0	15.0	23.0	+2.6	+17.0
Professional	0.8	3.9	3.0	6.1	-2.1	-72.4
Other	-6.0	-4.4	-8.0	-7.6	+1.9	—
Subtotal	113.4	8.8	89.2	7.8	+24.2	+27.2
Adjustments	-5.0	—	-8.7	—	+3.7	—
Total	108.4	9.9	80.4	8.0	+27.9	+34.7

*1. OPM is calculated using net sales including intersegment sales.

*2. See Supplemental Data 19 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Supplemental Data 13

Results of SG&A

(Billion yen)	2018			YoY Change %	YoY Change	YoY Change Excluding Impact of Foreign Currency Exchange
		% of Net Sales	Change in % of Net Sales			
SG&A	754.5	68.9	-0.1	+8.8	+61.2	+60.0
Marketing Investments	401.2	36.6	+0.9	+11.7	+42.0	+41.0
Brand Development/ R&D Investments	63.5	5.8	+0.4	+17.8	+9.6	+9.2
Personnel Expenses	127.1	11.6	-0.9	+1.1	+1.3	+1.3
Other SG&A Expenses	162.7	14.9	-0.5	+5.4	+8.3	+8.5

*1. The “+” and “-” symbols in YoY Change are used to indicate increase and decrease in amount and percentage of net sales, respectively.

*2. Marketing Investments includes POS personnel expenses.

Supplemental Data 14

Other Income and Expenses and Extraordinary Income and Losses

Other Income and Expenses				Extraordinary Income and Losses			
(Billion yen)		2018	2017	(Billion yen)		2018	2017
	Interest Income	1.2	0.9	Gain on Transfer of Business		0.0	36.8
	Interest Expense	-0.8	-1.0	Gain/Loss on Sales or Disposal of Property, Plant and Equipment		1.2	-1.0
Net Interest Income and Expense		0.5	-0.1	Gain/Loss on Sales of Investments in Securities and Loss on Revaluation of Investments in Securities		2.7	1.1
Foreign Exchange Gain/Loss		-2.9	-0.2	Loss on Business Withdrawal/ Structural Reform Expenses, etc.		-9.1	-4.6
Others		3.6	0.2	Impairment Loss		—	-70.9
Total		1.1	-0.1	Voluntary Product Recall-Related Expenses		—	-3.2
				Total		-5.2	-41.8

*1. Loss on Business Withdrawal/ Structural Reform Expenses, etc.: Expenses related to discontinuation of some brands and withdrawal from the commercial cosmetics business and other businesses, etc.

Supplemental Data 15

Net Profit Attributable to Owners of Parent and Comprehensive Income

(Billion yen)		2018	2017
	Net Profit before Income Taxes	104.3	38.6
	Income Taxes (Tax Rate %)	39.4 (37.8)	13.2 (34.2)
	Net Profit Attributable to Non-Controlling Interests	3.5	2.6
	Net Profit Attributable to Owners of Parent	61.4	22.7
		2018	2017
	Comprehensive Income	43.8	42.5

Supplemental Data 16

Consolidated Balance Sheets

(Billion yen)	As of Dec. 31, 2018	Change from Dec. 31, 2017
Total Current Assets	512.7	-13.6
Cash, Time Deposits and Short-Term Investments in Securities	125.9	-48.6
Notes & Accounts Receivable	166.5	+4.4
Inventories	149.8	+19.8
Total Fixed Assets	496.9	+73.8
Property, Plant and Equipment	235.2	+76.5
Intangible Assets	165.4	-3.2
Investments and Other Assets	96.3	+0.4
Total Assets	1,009.6	+60.2

(Billion yen)	As of Dec. 31, 2018	Change from Dec. 31, 2017
Total Liabilities	541.2	+37.6
Notes & Accounts Payable and Other Payables	176.1	+29.2
Accrued Income Taxes	20.1	-4.9
Accrued Bonuses	30.8	+5.8
Interest-Bearing Debt	75.8	-5.7
Long-Term Payables	54.6	-4.6
Total Net Assets	468.5	+22.6
Shareholders' Equity	451.4	+45.3
Accumulated Other Comprehensive Income	-2.8	-20.2
Non-Controlling Interests	18.9	-2.6
Total Liabilities and Net Assets	1,009.6	+60.2

* Main line items only

Exchange Rates:

Dec. 31, 2018: USD1 = JPY110.9 (-1.9%); EUR1 = JPY126.9 (-6.0%); CNY1 = JPY16.1 (-6.7%)

Dec. 31, 2017: USD1 = JPY113.1; EUR1 = JPY135.0; CNY1 = JPY17.3

Supplemental Data 17

Capital Expenditures/Depreciation and Amortization

	2018	2017	2019 Forecast
(Billion yen)			
Capital Expenditures* ¹	126.2	49.2	154.8
Property, Plant and Equipment	101.2	32.5	124.0
Intangible Assets, etc.	25.0	16.7	30.8
Depreciation and Amortization	42.0	39.6	55.7
Property, Plant and Equipment	20.2	19.3	—
Intangible Assets, etc.	21.8	20.3	—
R&D Expenses	30.5	24.2	36.1

*1. Investments in capital expenditures; property, plant and equipment; intangible fixed assets (excl. goodwill, right of trademark, etc.); and long-term prepaid expenses

Supplemental Data 18

2019 Sales Forecast by Reportable Segment

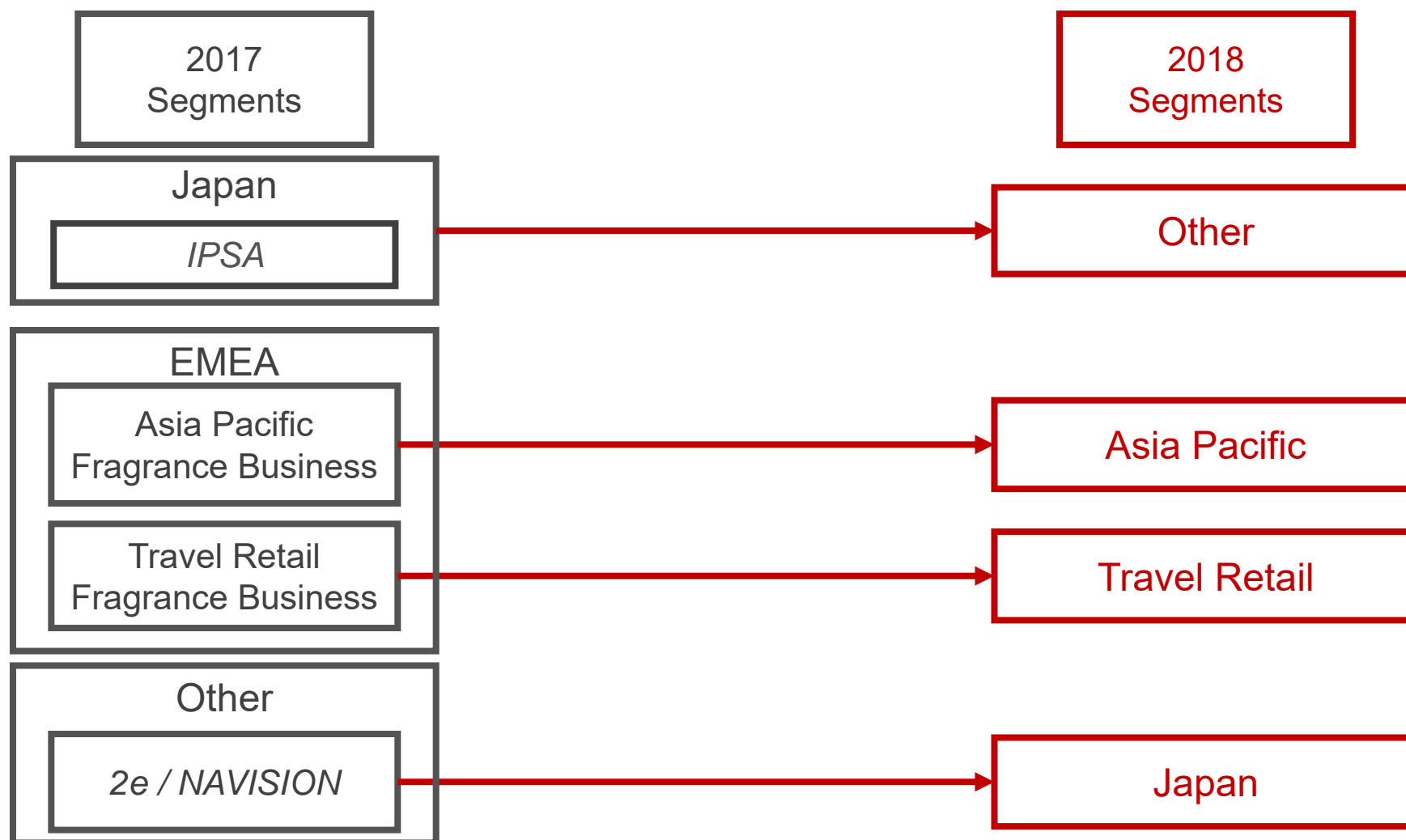
(Billion yen)	2019	2018 After segment changes	YoY Change %		2018 Before segment changes
				YoY Change % in LC	
Total	1,172.0	1,094.8	+7.0	+9	1,094.8
Japan	480.0	454.5	+5.6	+6	454.6
China	217.0	190.8	+13.7	+18	190.8
Asia Pacific	74.0	68.1	+8.6	+11	68.1
Americas	135.5	131.7	+2.9	+4	131.7
EMEA	113.5	113.2	+0.3	+5	113.2
Travel Retail	102.5	87.6	+17.0	+19	87.6
Professional	14.5	14.1	+2.5	+4	20.3
Other	35.0	34.7	+0.9	+1	28.5

Exchange rates 2019: USD1 = JPY110.0 (-0.4%), EUR1 = JPY125.0 (-4%), CNY1 = JPY16.0 (-4%)

*1. See Supplemental Data 19 for details about changes in reportable segments.

Supplemental Data 19-1

Main Constituents of Old and New Reportable Segments (2018)

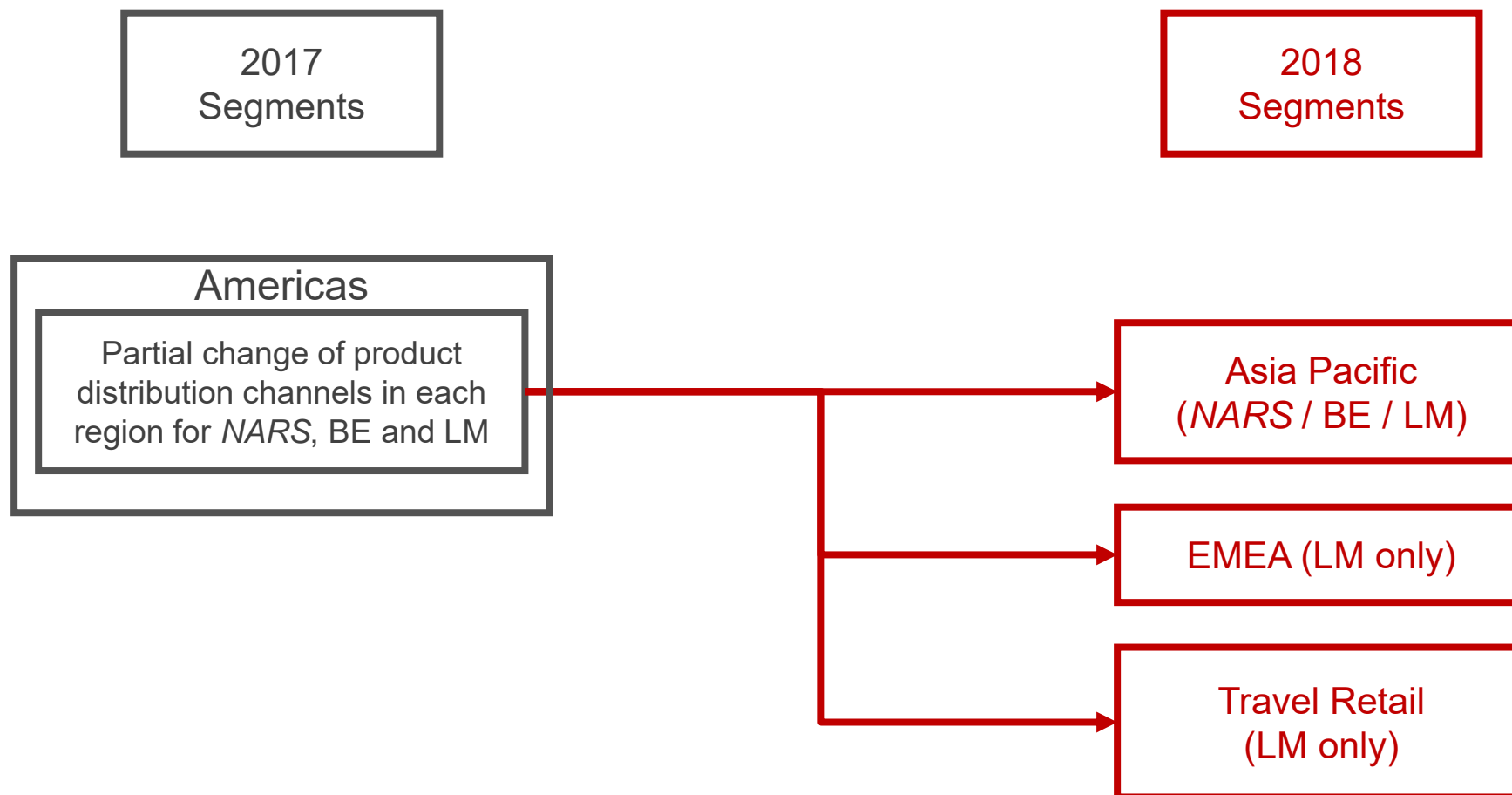


From the first quarter of the current fiscal year, the Company revised its reportable segment classification structure for better alignment with the Group's corporate management framework. Fragrance business in the Asia Pacific, which was previously included in the EMEA Business, is now included in the Asia Pacific Business. Travel retail fragrance business, which was previously included in the EMEA Business, is now included in the Travel Retail Business, and 2e and NAVISION, which were previously included in the Other Business, are now included in the Japan Business.

From the third quarter of the current fiscal year, the Company included the business results of IPSA Co., Ltd., which were previously recorded in the Japan business, in the Other business for better alignment with the Group's corporate management framework.

Supplemental Data 19-2

Main Constituents of Old and New Reportable Segments (2018)



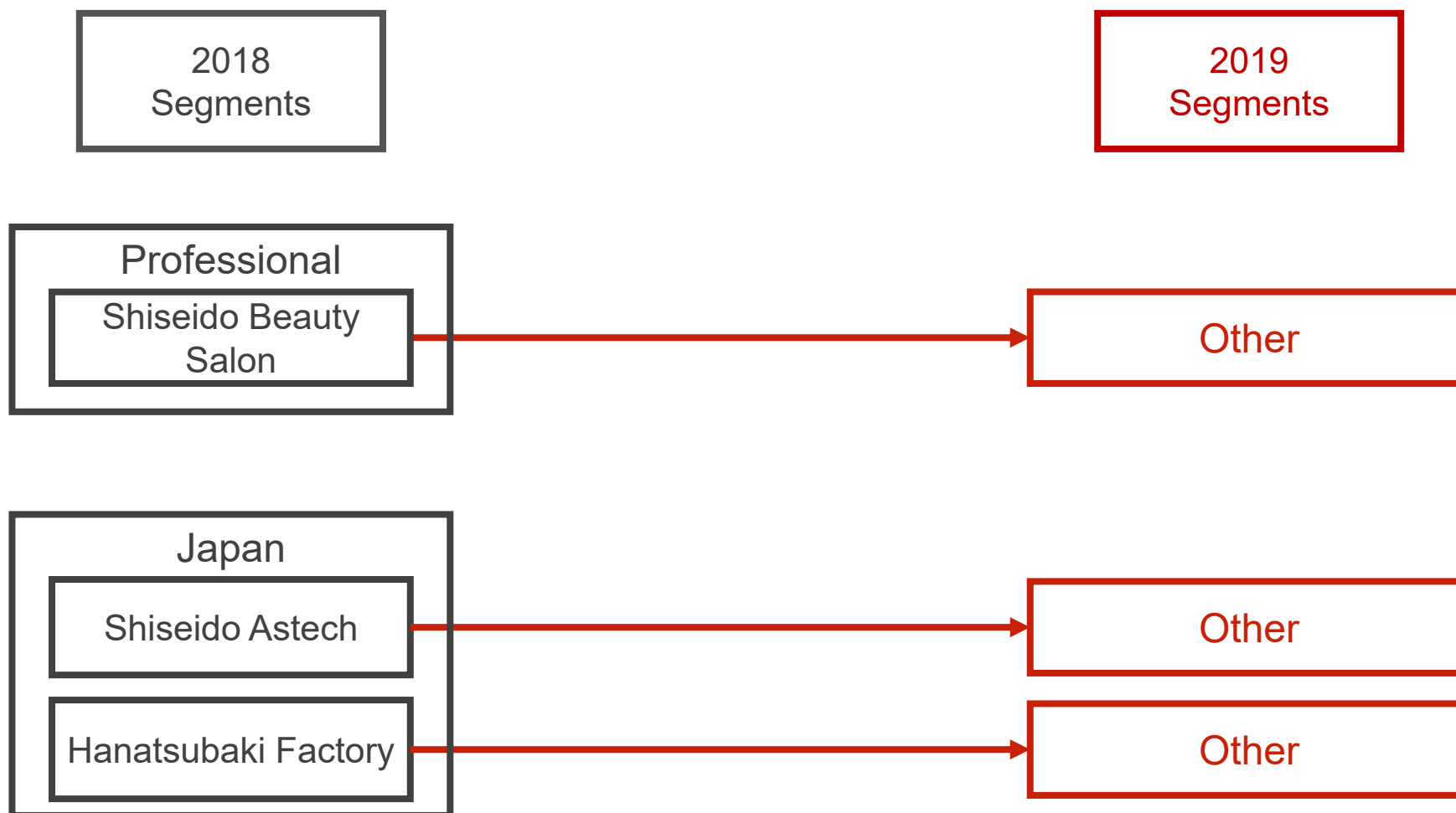
The classification of business results was also partially revised. As a result, part of *NARS*, *bareMinerals*, and *LAURA MERCIER* product distribution operations conducted by distributors in each region, which were previously included in the Americas, are now included in Asia Pacific, EMEA, and Travel Retail.

BE: *bareMinerals*

LM: *LAURA MERCIER*

Supplemental Data 19-3

Main Constituents of Old and New Reportable Segments (2019)



The Group has revised its reportable segment classification method in line with changes in its internal management structure from fiscal year ending December 31, 2019. Shiseido Beauty Salon Co., Ltd., which was previously included in "Professional Business," is now included in "Other." Shiseido Astech Co., Ltd. and Hanatsubaki Factory Co., Ltd., which were previously included in "Japan Business," are now included in "Other." The simple method has been used to recombine the results for fiscal year ended December 31, 2018.

Supplemental Data 20

Historical Trends in Financial Indicators and Other Figures

			2013/3	2014/3	2015/3	2015/12		2016/12	2017/12	2018/12
						Irregular Account Settlement	After Adjustment			
Financial indicators	OPM	%	3.8	6.5	3.6	4.9	5.1	4.3	8.0	9.9
	EBITDA margin	%	9.1	12.0	11.7	10.6	—	10.6	15.5	13.7
	EPS	¥	-36.9	65.7	84.4	58.2	73.8	80.4	57.0	153.7
	BPS	¥	721.2	849.4	970	981.4	—	984.1	1,060	1,123
	Cash dividend per share	¥	50	20	20	20	—	20	27.5	45
	ROE	%	-5.1	8.4	9.4	6.0	7.6	8.2	5.6	14.1
	ROIC	%	3.4	6.0	4.7	4.7	—	4.9	10.4	13.1
	Interest-bearing debt to EBITDA ratio	Times	3.0	1.7	1.2	1.1	—	1.3	0.5	0.5
	D/E ratio	Times	0.64	0.46	0.28	0.22	—	0.31	0.19	0.17
	CCC	Days	133	139	143	146	—	123	114	126
Share price indicators	PER	Times	—	27.7	25.3	43.5	34.2	36.8	95.6	44.8
	PBR	Times	1.9	2.1	2.2	2.6	—	3.0	5.1	6.1
	Market capitalization	Billion yen	528.2	723.8	850.7	1,009.3	—	1,181.3	2,175.4	2,756.8
	Year-end share price	¥	1,327	1,816	2,133	2,529	—	2,959	5,446	6,892
	Rate of increase/decrease (For reference)	%	-7.6	+36.9	+17.5	+18.6	—	+17.0	+84.0	+26.6
	TOPIX (year-end)	¥	1,034.71	1,202.89	1,543.11	1,547.30	—	1,518.61	1,817.56	1,494.09
	Rate of increase/decrease	%	+21.1	+16.3	+28.3	+0.3	—	-1.9	+19.7	-17.8
Strategic shareholdings			2013/3	2014/3	2015/3	2015/12		2016/12	2017/12	2018/12
						Irregular Account Settlement	After Adjustment			
	Number of holdings	Companies	106	103	97	90	—	84	80	75
	Amount	Billion yen	21.7	18.0	21.5	21.5	—	19.4	20.3	14.3

Supplemental Data 21-1

Major Public Announcements

News Releases

- **December 2018:** Shiseido Establishes China Business Innovation & Investment Representative Office
—Accelerates strategic innovation and business development in China—
- **November 2018:** Shiseido Reinforces China Region Headquarters System
—Enhancing execution and disseminating new value around the world to ensure sustainable growth—
- **November 2018:** Shiseido Establishes Joint Venture in the Philippines
—Accelerating Investments in Marketing through Integration of Prestige and Fragrance Businesses—
- **November 2018:** Shiseido's New Research Center, "Shiseido Global Innovation Center (S/PARK)" Starts Full- Scale Operation in April 2019
- **November 2018:** Shiseido Appoints Marc Rey Chief Growth Officer
- **September 2018:** Shiseido Wins 7th Consecutive Top Award at the 30th IFSCC Congress in Munich
—Shiseido sets record again this year for world's most IFSCC awards! Dr. Ezure wins 3rd consecutive Congress award—
- **September 2018:** Shiseido Discovers New Effect of Improving Neck Wrinkles, Results in 8 Weeks
—New effects of retinol confirmed: Stimulates the production of collagen and hyaluronic acid in the dermis—

Supplemental Data 21-2: Major Public Announcements

News Releases

- July 2018: Shiseido Launches New *SHISEIDO* Makeup Collection
- July 2018: Shiseido Continuously Selected for Inclusion in ESG Investment Indexes: “FTSE4Good Index Series,” “FTSE Blossom Japan Index,” “MSCI Japan ESG Select Leaders Index,” and “MSCI Japan Empowering Women Index (WIN)”
- July 2018: Shiseido Wins First Prize and Two Second Prizes for Excellent Research Papers at the 12th China Cosmetics Academic Research Conference
- May 2018: Shiseido Selected as “Noteworthy IT Strategy Company” in the “2018 Survey of Competitive IT
- May 2018: Shiseido Cited as “Most Honored Company” by Institutional Investor in 2018 —Institutional Investor 2018 All-Japan Executive Team Rankings (best IR company ranking)—
- April 2018: Notice of Expansion of Hospitality Program for Shareholders
- March 2018: Shiseido Develops the “New Three-Year Plan” (2018-2020)
- January 2018: Notice of Acquisition of “Second Skin” Technology from Olivo Laboratories —Artificial Skin Formation Technology “Second Skin” Instantly Tightens and Smoothes Skin—