



FY2018-20 Corporate Strategy & Plan

- Be a Global Winner with Our Heritage -

March 5, 2018

Masahiko Uotani
Representative Director, President & CEO
Shiseido Company, Limited

Shiseido Group Management Policy

To Be The Most TRUSTED Beauty Company

- Management with a mid/long-term perspective to create value for all stakeholders
- Contribution to society via beauty innovation with our businesses
- ESG-focused management

SHAREHOLDERS

EMPLOYEES

SOCIETY

GOVERNANCE

Beauty Can Change the World: Creating social value with our businesses

Beauty Innovation

資生堂 🍌 表情プロジェクト



More genuine smiles

All-In-One Product



Support for working women

乳液なのに
おもしろい
ほかに、ご近所美容



Support for the senior generation



Empowering women

就活
メイク
by ANESSA



Support for the new grads and athletes



Protecting skin from UV rays



Protection from allergens

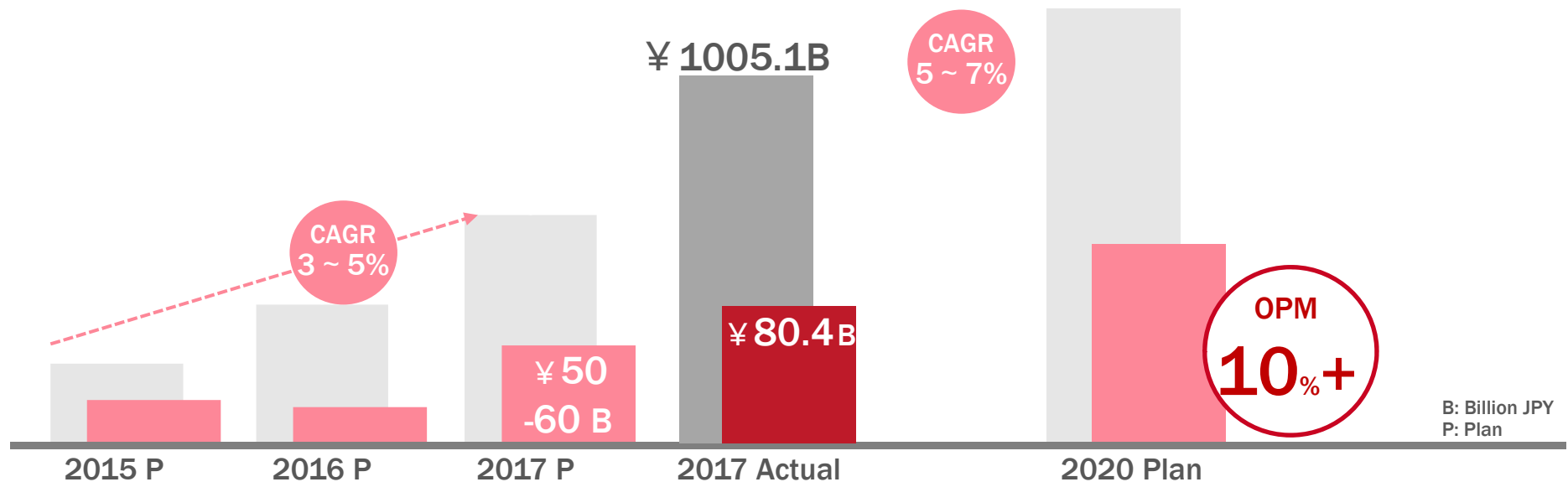


Appearance care

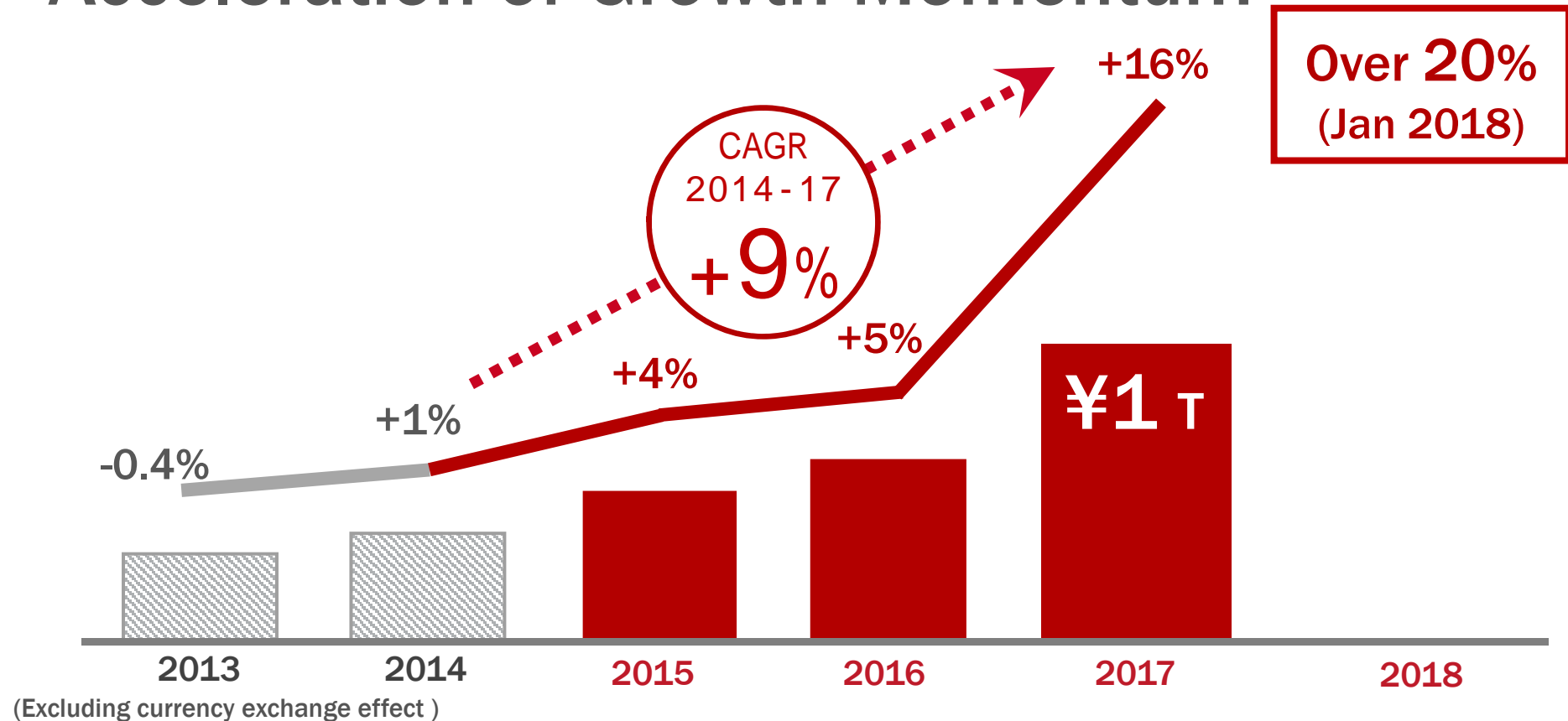
Roadmap to VISION 2020

2015-17
Rebuild the Business Foundation

2018-20
New Business Strategy to Accelerate Growth



Acceleration of Growth Momentum



Achievements in 2015-17 / Issues to Tackle in 2018-20

1. Growth of global prestige brands
2. Portfolio reinforcement
3. Japan business back on growth track
4. Solid foundation for growth in China and TR businesses
5. Organizational integration and improved efficiency
6. Building a global management team



1. Stable product supply
2. Improvement of profitability in the Americas and EMEA businesses
 - Turnaround of bareMinerals
 - Stable growth of fragrance brand business



FY2018-20
Corporate Strategy and Plan

Consumers in 2020-2030

Consumer Change



Shifting of Economic Center



Shift of Power to Consumers

Accelerated Diversification
of Beauty Values
Pursuit of
Personalization

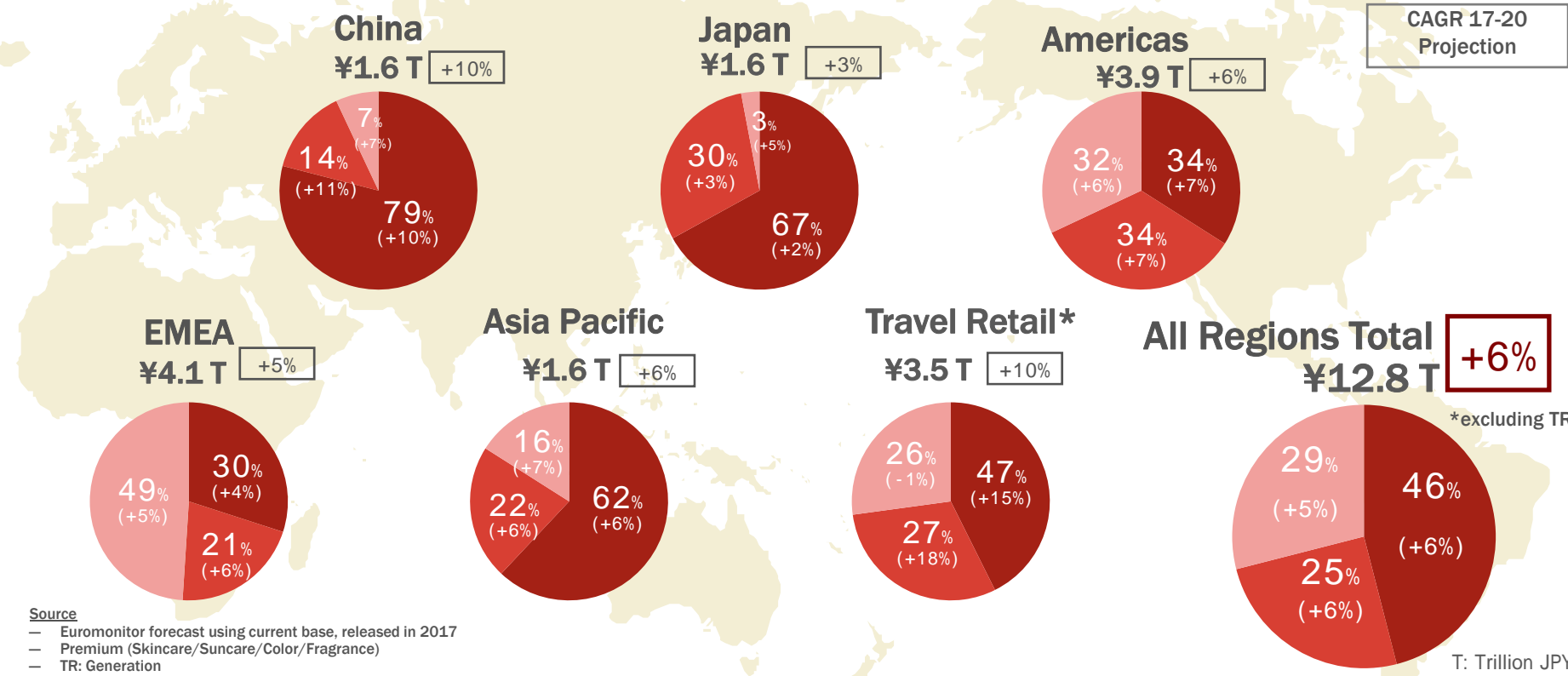
Rise of Disruptive Technology



Industrial Structural Changes



Prestige: Market Size and Projected Growth Rate in 2020



Source
 - Euromonitor forecast using current base, released in 2017
 - Premium (Skincare/Suncare/Color/Fragrance)
 - TR: Generation

2018-20 Key Strategy “**Building for the Future**”

1

Further “Selection and Concentration” of Brand Businesses

- Enhanced Sustainable Growth Based on “Prestige First” Strategy
- Acceleration of CPC (Cosmetics and Personal Care) Business Growth in Asia

2

Acceleration of Digitalization/New Business Development

3

New Value Creation through Innovation

4

Talent and Organization Development to Be a Global Winner: “PEOPLE FIRST”

5

New Global Management Model



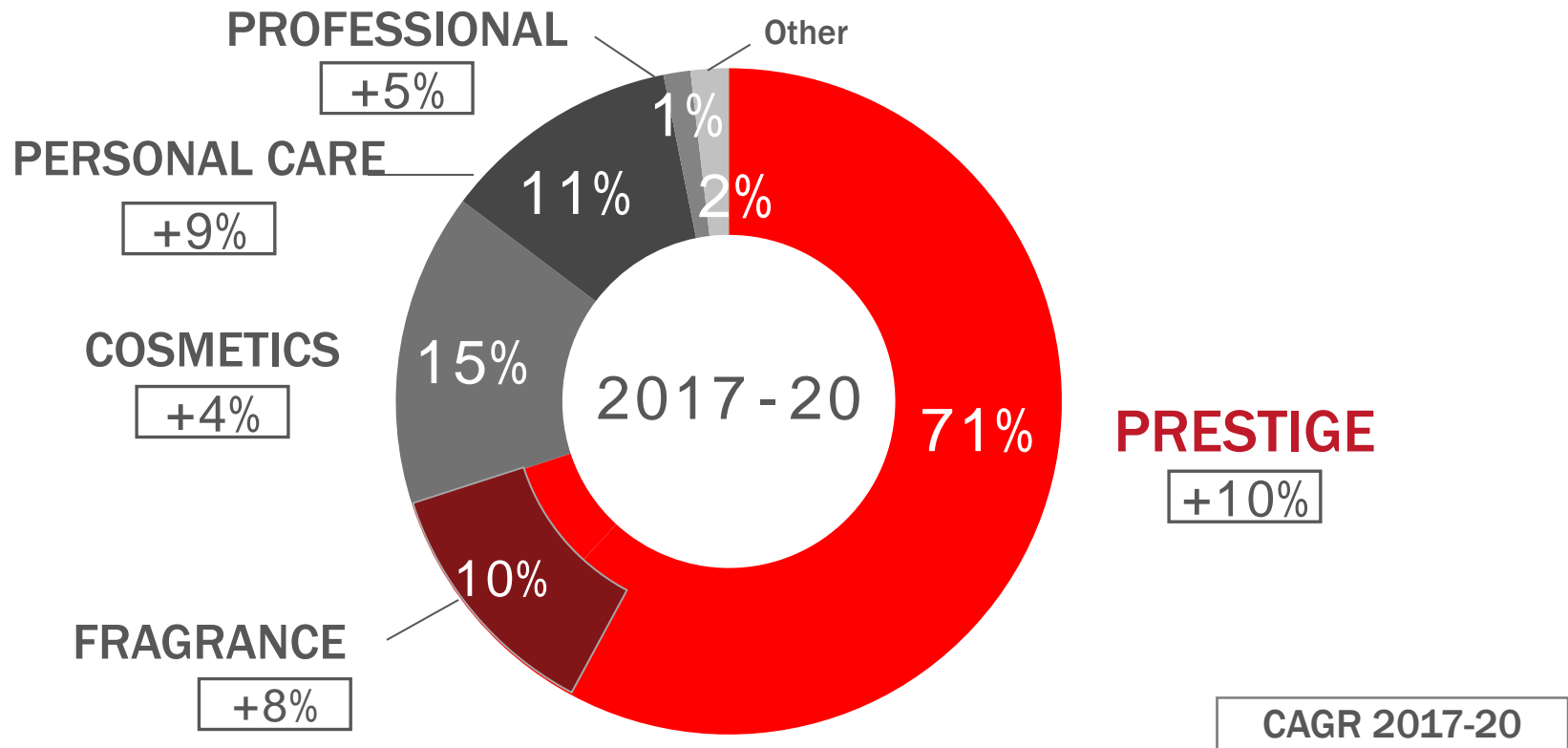
1. Further “Selection and Concentration” of Brand Businesses

“Prestige First” Strategy

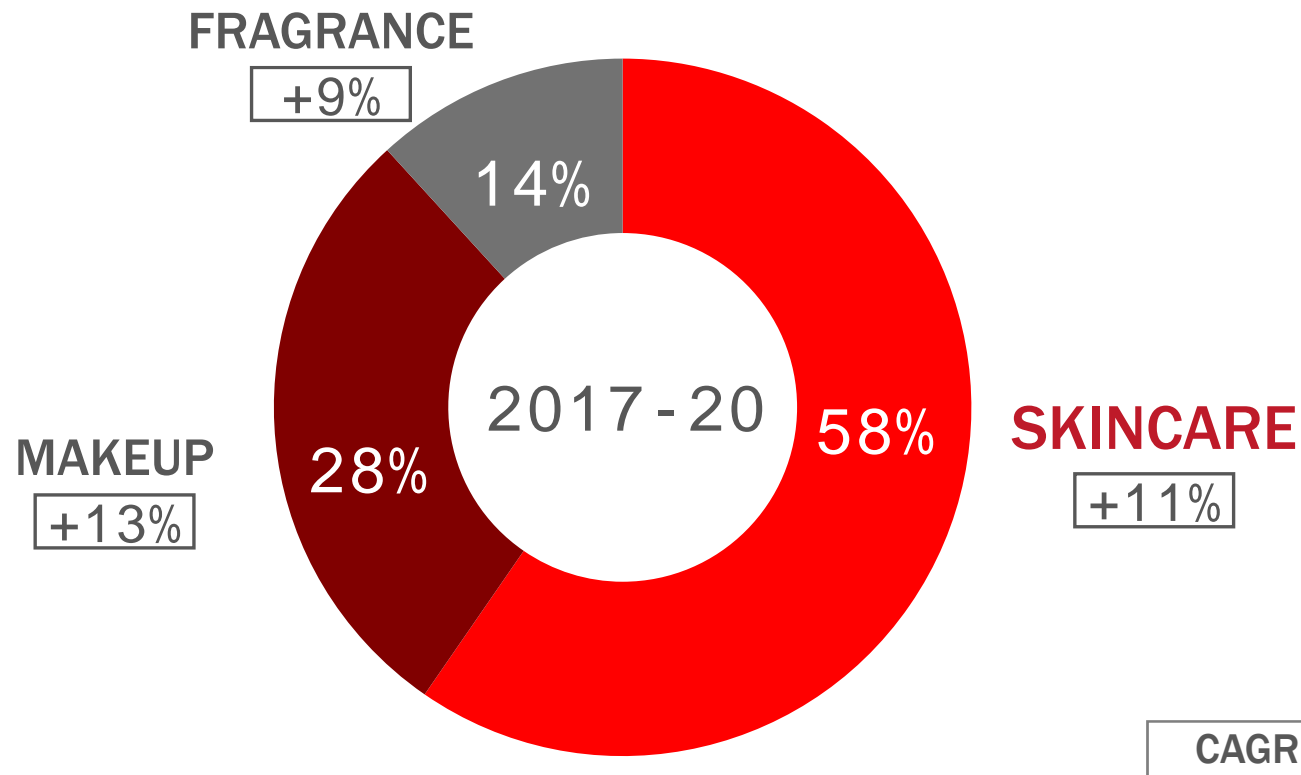
Solidifying the foundation of profitability with Skincare
Accelerating growth of Makeup and Fragrance



Three-year Incremental Sales by Brand Businesses



Prestige: Three-year Incremental Sales by Category



PRESTIGE BRANDS

SHISEIDO
GINZA TOKYO

clé de peau
BEAUTÉ

IPSA

NARS

bareMinerals®

laura mercier

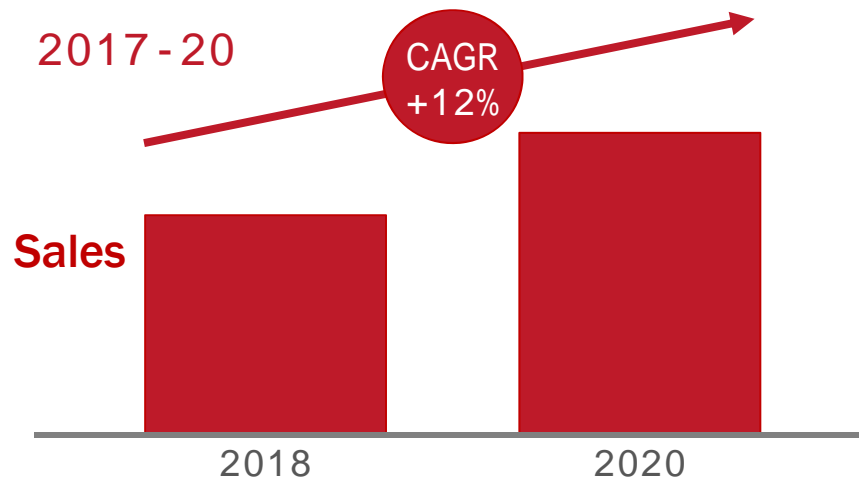
DOLCE & GABBANA

Key Strategy

- Continuous delivery of product innovation
 - Nurture ULTIMUNE & Essential Energy into brand icons
 - Renew makeup lines in collaboration with Center of Excellence (“Makeup Big Bang”)
- Create personalized brand experience and touchpoints
- Key regions: increase users in Japan and Americas
- Strengthen cross-border marketing for Chinese consumers



Target

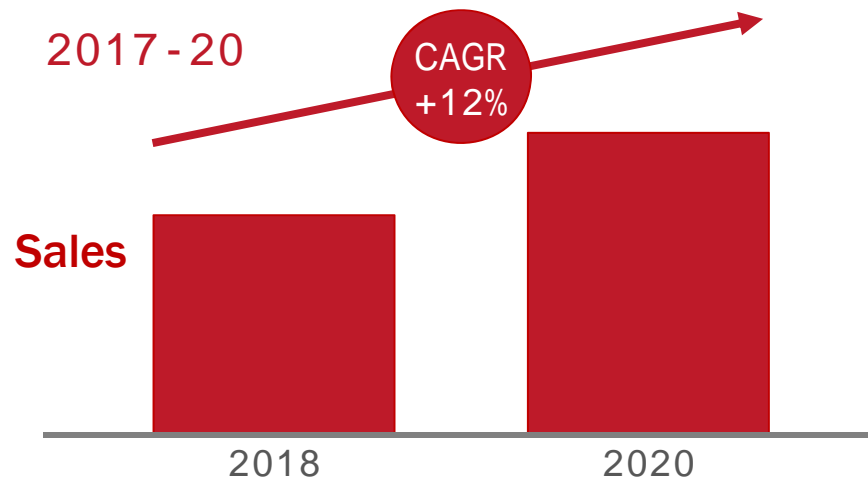




Key Strategy

- Renew creatives for the brand to express global luxury
- Enhance digital marketing (CRM/Data-driven marketing)
- Strengthen investment and brand positioning in China and TR
- Re-entry to the EMEA market

Target



Product Innovation

Revolutionary
anti-wrinkle products
Contain 'Pure Retinol'



SHISEIDO
GINZA TOKYO
ELIXIR BENEFIQUE

Foundation
inspired by skincare that
brings out the natural beauty of skin



clé de peau
BEAUTÉ

Skincare
with focus on neuroscience
that reawakens skin's sensors



SHISEIDO
GINZA TOKYO

Recreate Brand Experience through Renewal of Consumer Touchpoints



Upgrade of VMD

2018-20 TTL Investment

¥ 57 B



Expansion of brand shops

Partnership with key retailers on merchandizing

High Appeal to the Younger Generation



SHISEIDO
GINZA TOKYO



clé de peau
BEAUTÉ



ÍPSA

Cross-border Marketing for Chinese Consumers

Increase of Chinese travelers globally*

130 million
2017

160 million
2020

Increase of Chinese visitors to Japan*

7.35 million
2017

10 million
2020

Total sales to Chinese consumers
by Shiseido Group (All regions)

¥ 240 B
2017

¥ 360 B
2020

*According to research by Shiseido



COSMETICS AND PERSONAL CARE BRANDS

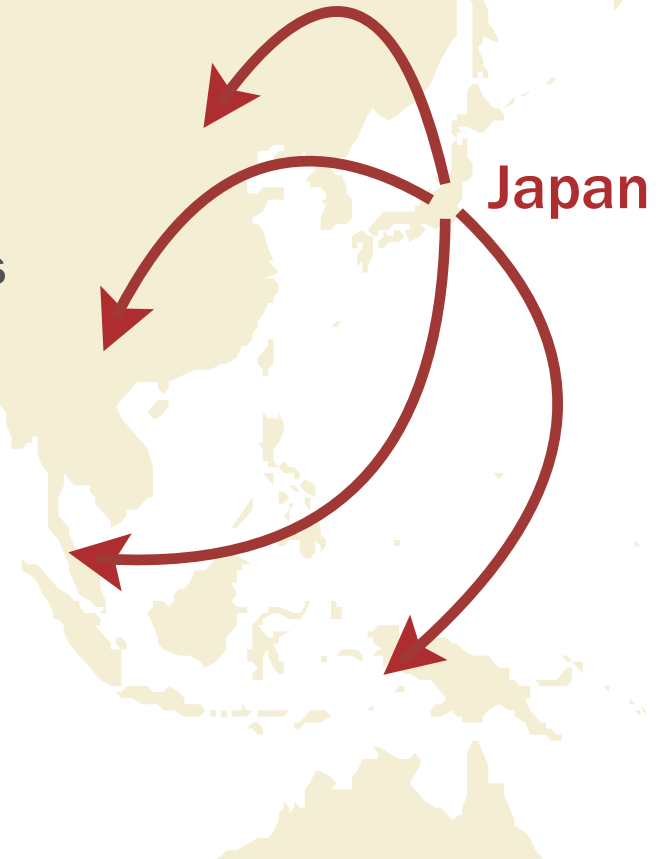
ELIXIR



INTEGRATE

Acceleration of CPC Brands Growth in Asia

1. Strengthening of engagement and trust in “made-in-Japan” brands
2. Strategic partnerships with key retailers
3. Development of high added value products through “selection and concentration”

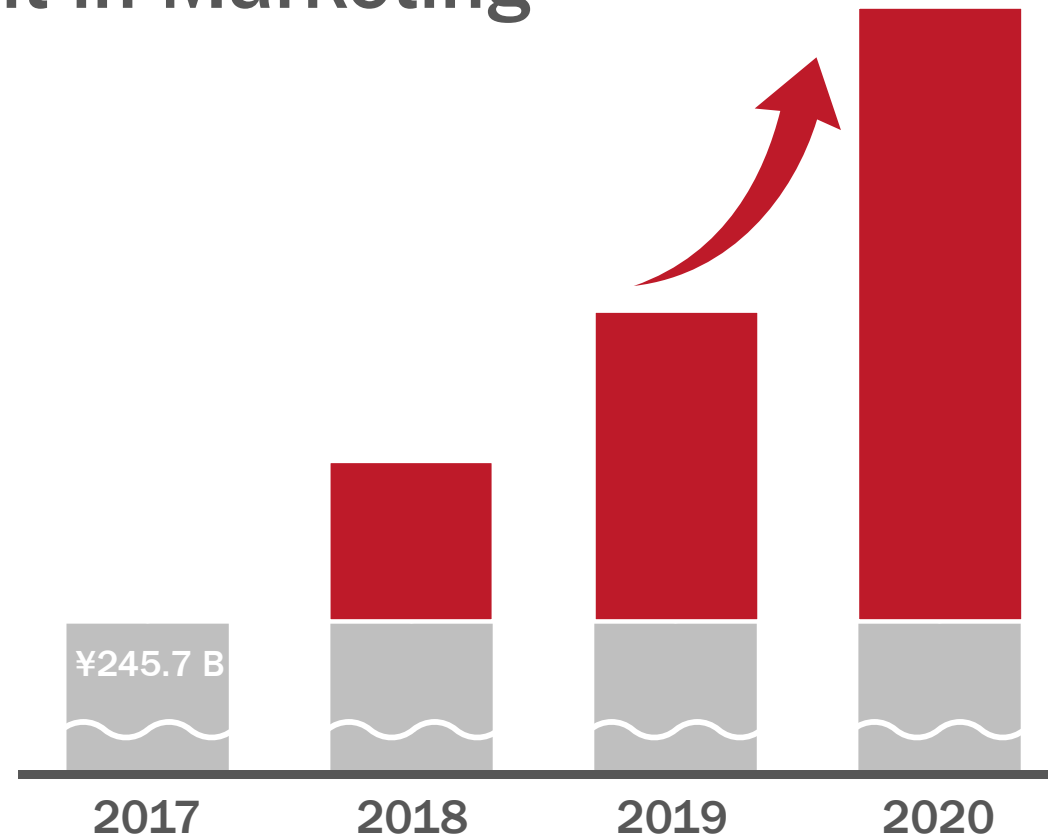


Aggressive Investment in Marketing

2018-20
TTL Incremental Investment
¥120 B

Including strategic investment:

- Digital ¥25 B+
- Store counters ¥15 B+
- PR activities ¥15 B+




Improving Productivity: Cost Structure Reform

2018-20 TTL Target

¥40 B

COG reduction (Product specs optimization/centralized procurement system)
Improvement of supply chain efficiency
Productivity improvement through system integration

Portfolio Reinforcement

- 
1. “Selection and concentration” of businesses
 2. Business/Capital alliances
 3. M&A: Prestige brands/New technologies/New businesses



2. Acceleration of Digitalization / New Business Development

Expansion of E-Commerce (EC) Business

Sales ratio of EC

2017

2020

8%



15%

- Develop strategic partnership with key players
- Integrate EC and CRM



Sales ratio of EC in China

40% (2020)

Acceleration of EC sales
in the US market

EC sales in Japan through
Shiseido's website

¥14 B (2020)

Acquiring EC Capabilities

VIOLET GREY

- Investment in VIOLET GREY, EC retailer for luxury brands
- Prestige beauty EC site launched by Ms. Cassandra Grey in 2013
- Makeup artists endorse the products they actually use in Hollywood

Enhancement of Digital Marketing/CRM

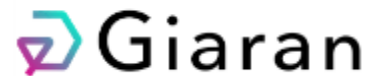


New Business Development

Enhancing capabilities towards personalization



Brand range expansion
(US)



Test marketing
from 2018 (US)



Beta version launch in 2018
("watashi+", Japan)

Work Style Evolution

- Training programs to develop digital literacy (led globally by Digital COE)
- Workplace renovation to improve productivity
- Data-driven KPI management



Digital Academy
A total of
5,000 participants by 2020



Office renovation
(HQ, Regional HQs)



KPI management
by brand

ICT – One Shiseido Model

Reinforce the foundation of global business operations

2018-20
TTL Investment
¥27 B

**Redesign of
business processes**



**Integration of
IT platforms**



**Centralized data
management**



Standardization

The image features a central graphic of a hand holding a glowing, spherical digital structure composed of interconnected nodes and lines, set against a sunset sky with soft clouds. The entire scene is framed by a dark red border at the top and bottom. The text '3. New Value Creation through Innovation' is overlaid on the left side of the central image in a bold, red font.

3. New Value Creation through Innovation

R&D Investment


2020

R&D-to-sales ratio

3%

R&D staff
headcount

1,500



**Global Innovation Center
will start operation
this December!!**

Acquiring Cutting-edge Technologies and Talents: Second Skin



Dr. Robert Langer CEO, Amy Schulman

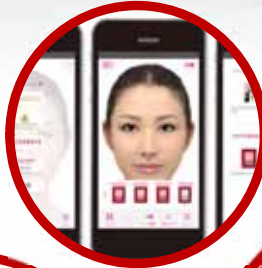


*Photographer (MIT/Olivo)

Exploring New Frontiers



Virtual
makeup



Digital beautifying
contents



Creating
new beauty
categories



Effective
beauty foods/
supplements



Hair
regeneration



Beauty devices



Beauty
counseling



Personalized
beauty services

A group of business professionals in suits are celebrating on a stage. They have their arms raised in the air, and some are clapping. The background features a large screen and stage lighting. The overall atmosphere is one of triumph and success.

4. Talent and Organization Development to Be a Global Winner: “PEOPLE FIRST”

Increase Investment in Talent Development

- Leadership development

- Training & development program
- Comeback of study abroad program
- Recruitment of professional talent
- Global mobility
- Establishment of Asia Learning Center (Singapore)

2018-20 TTL
Investment
¥ 14 B

- Promoting diversity

- 40% of female leaders by 2020 (Japan)

- English mandate

- 1,700 employees currently learning English

- Global HR database development



A group of seven business professionals, four men and three women, are posed in front of a large window. They are all dressed in professional attire, including suits and blazers. The group is arranged in two rows, with four people standing in the back and three people sitting or kneeling in the front. The background shows a bright, modern office environment with large windows and some greenery.

5. New Global Management Model

Global Management Model in Progress

[Phase 1]
~ 2015

International business
managed by Japan HQ
with Japanese
expatriates

[Phase 2]
2016 ~

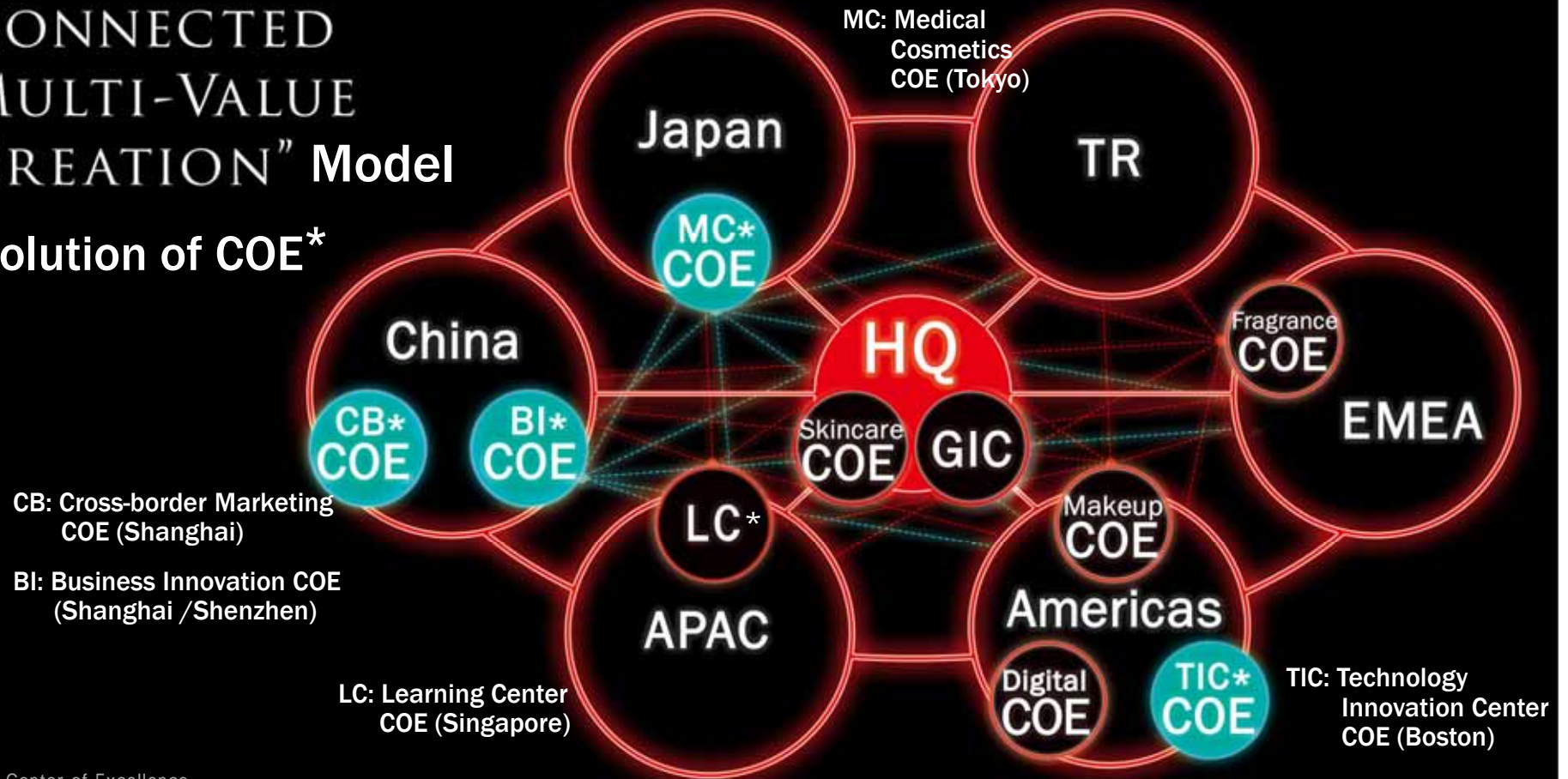
“Think Global, Act Local”
Global Matrix
Organization

[Phase 3]
2018 ~

“Connected Multi-Value
Creation” model

“CONNECTED MULTI-VALUE CREATION” Model

Evolution of COE*



*COE : Center of Excellence

Strategic Targets of Each Region

- **Japan, China, Travel Retail and Asia Pacific**

Sustain and accelerate growth momentum and high profitability

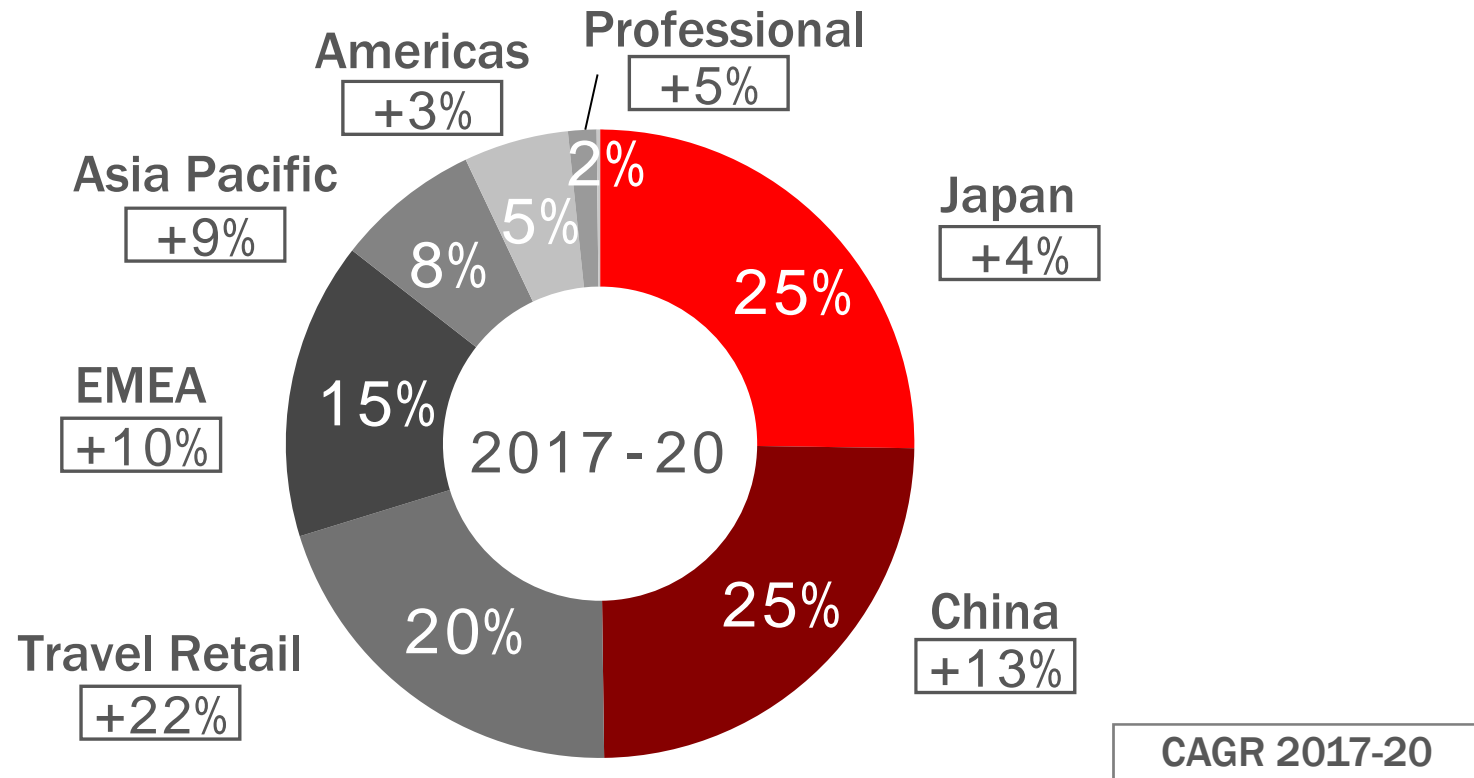
- **Americas and EMEA**

Improve profitability
(Target OPM: 10%+)

- Turnaround of bareMinerals
- Stable growth of fragrance brand business



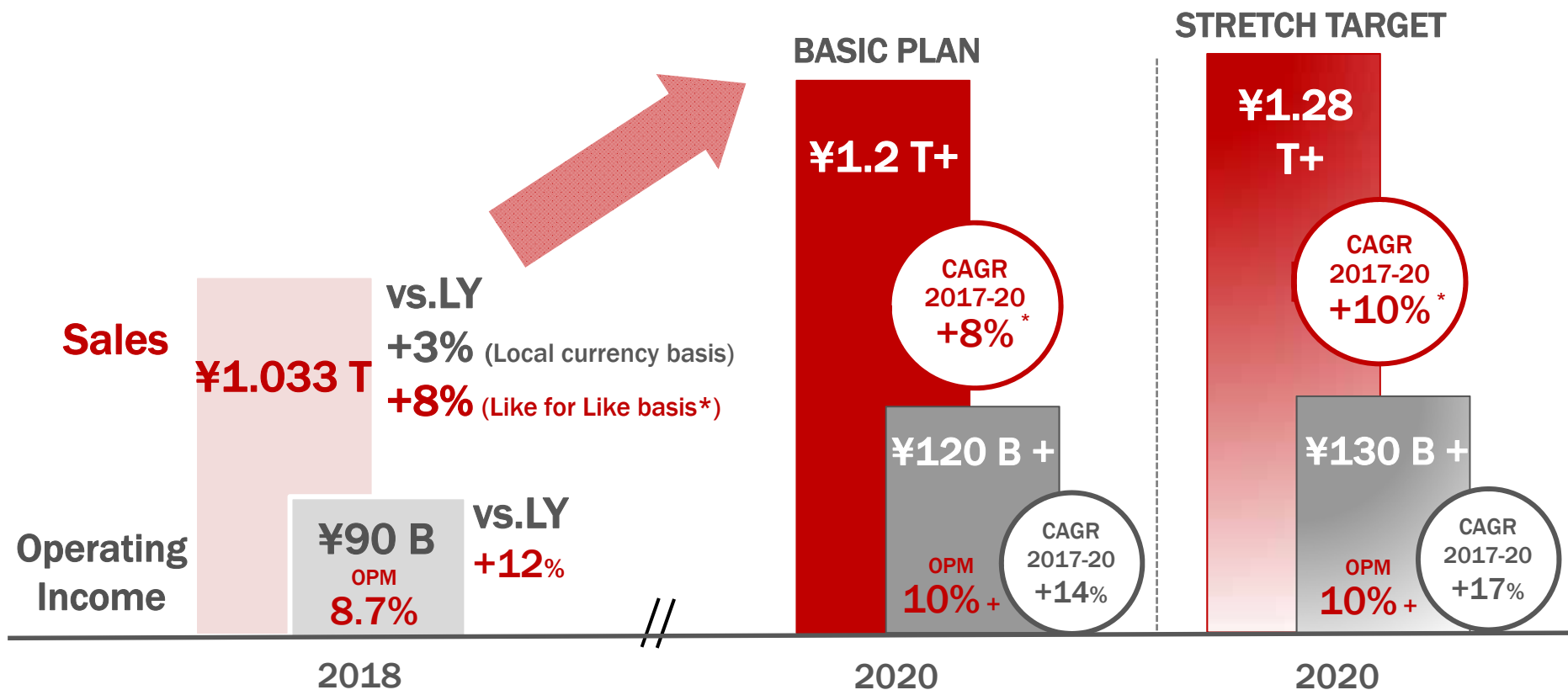
Three-year Incremental Sales by Regions



A woman in a white shirt and blue skirt stands on a large world map painted on a light-colored floor. The map is in shades of blue and grey. The woman is looking to the right. The background is a solid red color.

FY2018-20 Business Plan

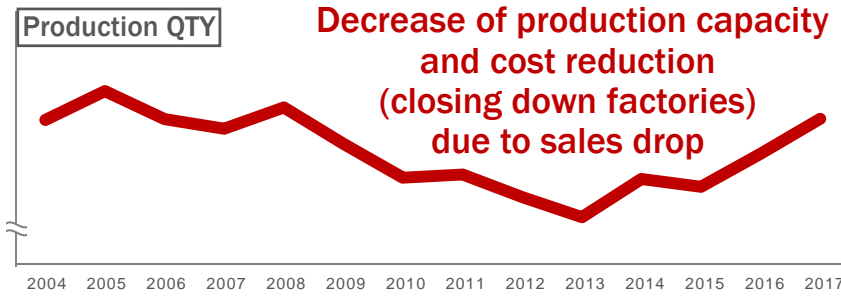
FY2018-20 Business Plan



*Like for Like basis excluding impact such as Zotos divestiture

Critical Issues: Rebuilding the Supply Network

Background



Issues

- SCM system and organization built on a long-term downward trend in production and the culture of cost reduction
- Issues to be solved
 - Production capacity of our own factories
 - Material supply matched with increasing demand
 - Production planning process to meet demand

Key Solutions

● Short-term

- Drastic rationalization of S K U s
- Change of product specs
- Expansion of outsourcing
- Improvement of conditions for workers such as full-time employment and headcount increase
- Facility improvement
- Securing procurement of raw materials

● Mid-term

- Building new factories
- Strategic collaboration with key suppliers

2018-20 TTL Investment **¥130 B**



Opportunities for Further Growth

2018

- SHISEIDO: Makeup renewal
- D&G: New fragrance line launch
- Enhancement of cross-border marketing
 - TR and inbound business in Japan
- EC business in China

Toward 2020

- Enhanced product innovation
 - SHISEIDO, CPB: Innovative new product launches
 - NARS, LM, D&G: brand expansion in Asia
 - Promoting sun care category
- Dynamic growth in EC
- Expansion of new businesses globally
- Drive inbound business globally

Supply chain network that accelerates growth

- Execute short-term initiatives
- Increase production capacity with Nasu Factory



Aspirations by 2030

Prestige within Top 3

Asia *No. 1*

Japan *No. 1* indisputably



Regions

Shigekazu Sugiyama

**President and CEO,
Shiseido Japan**

< Career brief >

Joined Shiseido in 2009 after working for
Lion, Kodak (Japan), Kellogg (Japan),
Coca-Cola (Japan), etc.



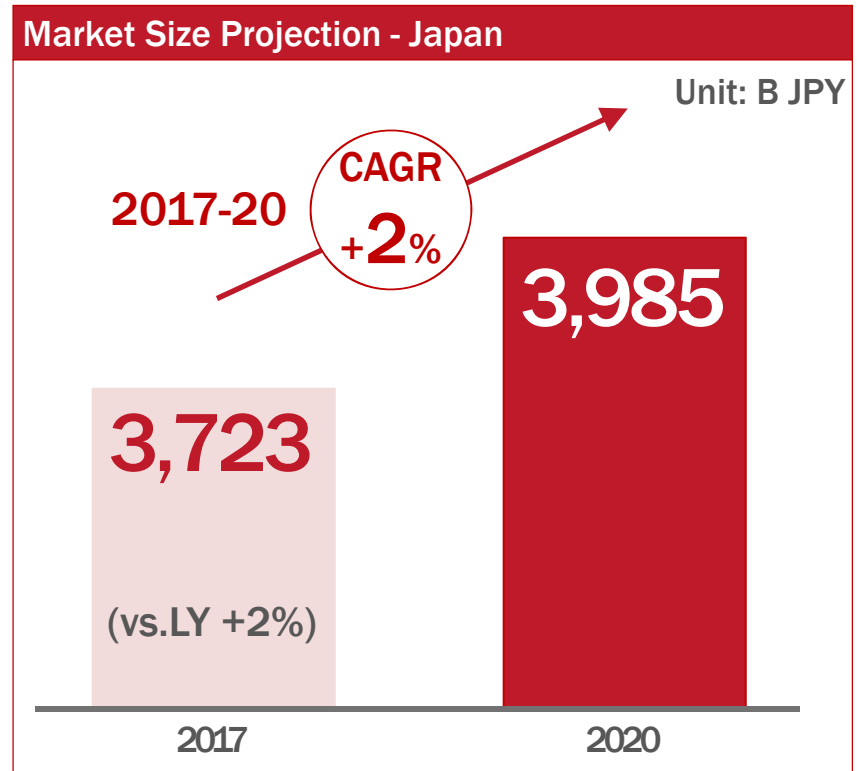
1 MARKET LANDSCAPE

Growth Market

- Prestige
- Inbound
- New categories
ex: Anti-wrinkle, medical cosmetics, personalization, etc.

Source

- Euromonitor forecast in 2017
- Premium+Mass (Skincare/Suncare/Color/Fragrance and Hair Care, Deodorant, Bath & Shower, Other Sets/Kits)



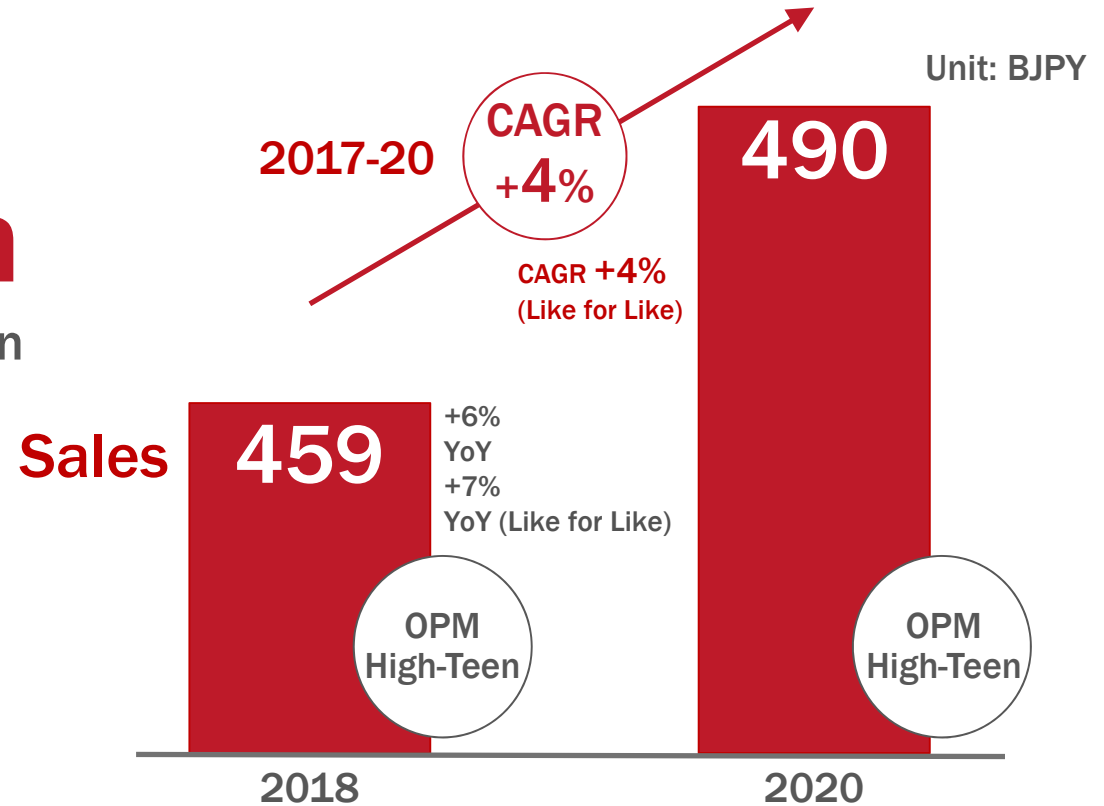
② TARGET

Market Position in 2020 :

No. 1 in Japan

Establishment of a secure position

No.2 position in 2017*



*According to research by Shiseido

③ STRATEGIC PRIORITIES



Skincare, Base makeup, Sun care
Focus on strategic three categories "Skin-Trinity"



Attuned to consumers' purchasing styles
Expansion and enhancement of contact points



Leading a future market
Recruit the young & second baby-boomer generation

Achieve growth in all Asian markets
Cross-border Marketing

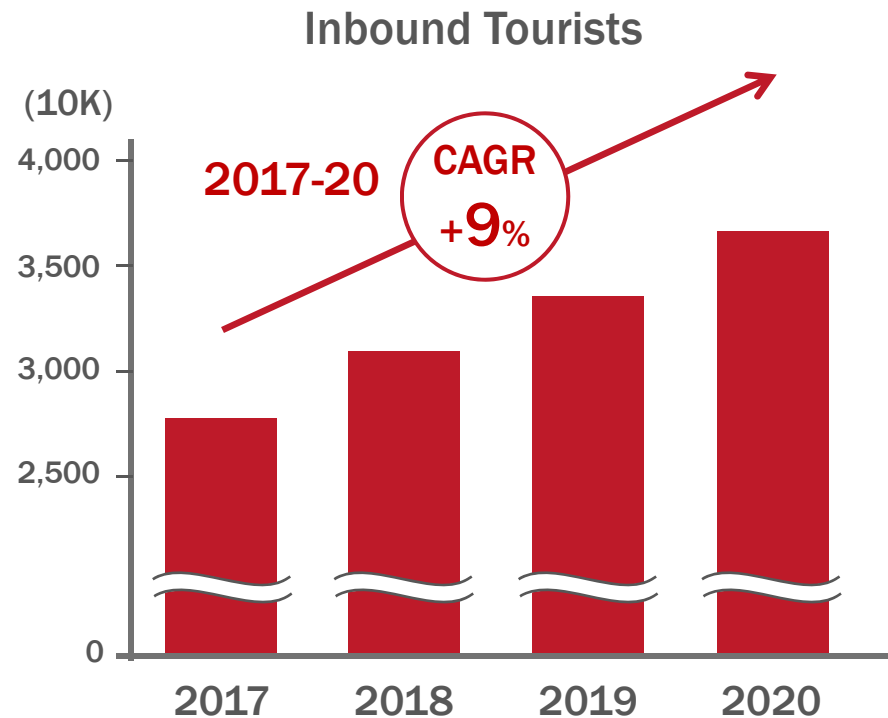
Create funds for future growth
Business Model Change

4 INBOUND STRATEGY

2018 Plan

64.5 B JPY +10% vs.LY

- **Cross-border Marketing**
CPB · SHISEIDO · ELIXIR · ANESSA · SENKA
- **Multiple Touch Points**
Duty-free, Airport/TR, In-flight, Cross-border EC
- **Multilingual personnel at Stores**
Enhance the language services including Chinese and other languages at stores



Source: Mitsubishi Research Institute Inbound forecast base plan (Mar. 2017)

Kentaro Fujiwara

President and CEO,
Shiseido China

< Career brief >

Worked at the International Dept. of
Shiseido Co., Ltd., Shiseido Korea, etc.
Appointed President, Shiseido China in
2016.



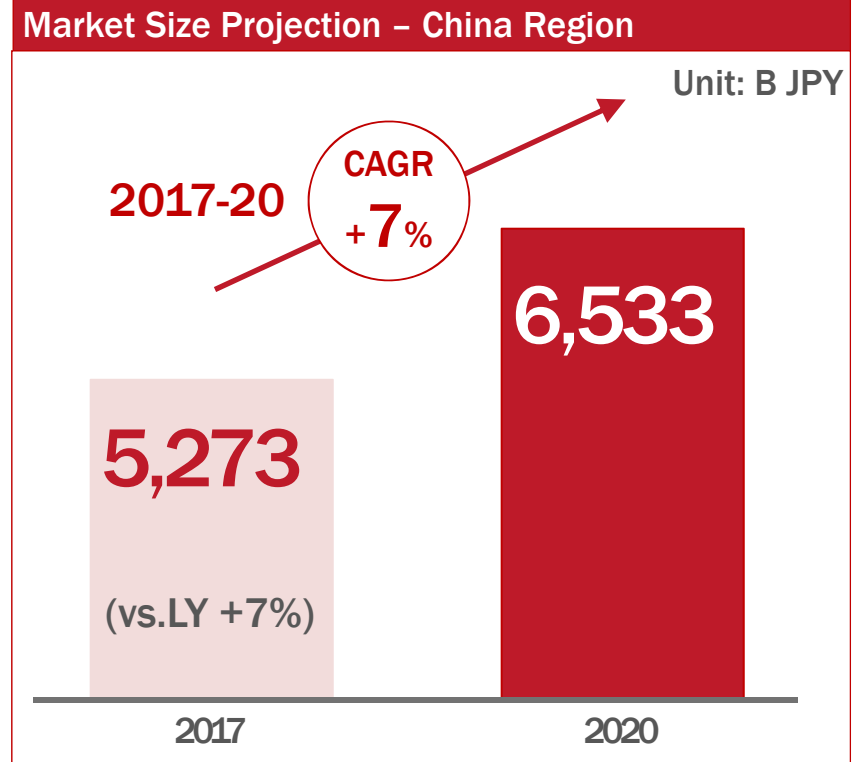
1 MARKET LANDSCAPE

Key market trends for further growth

- Increase in consumption of young generation (b. 80s-00s)
- Growth of lower tier cities (Tier 3-4)
- World's largest EC market

Source

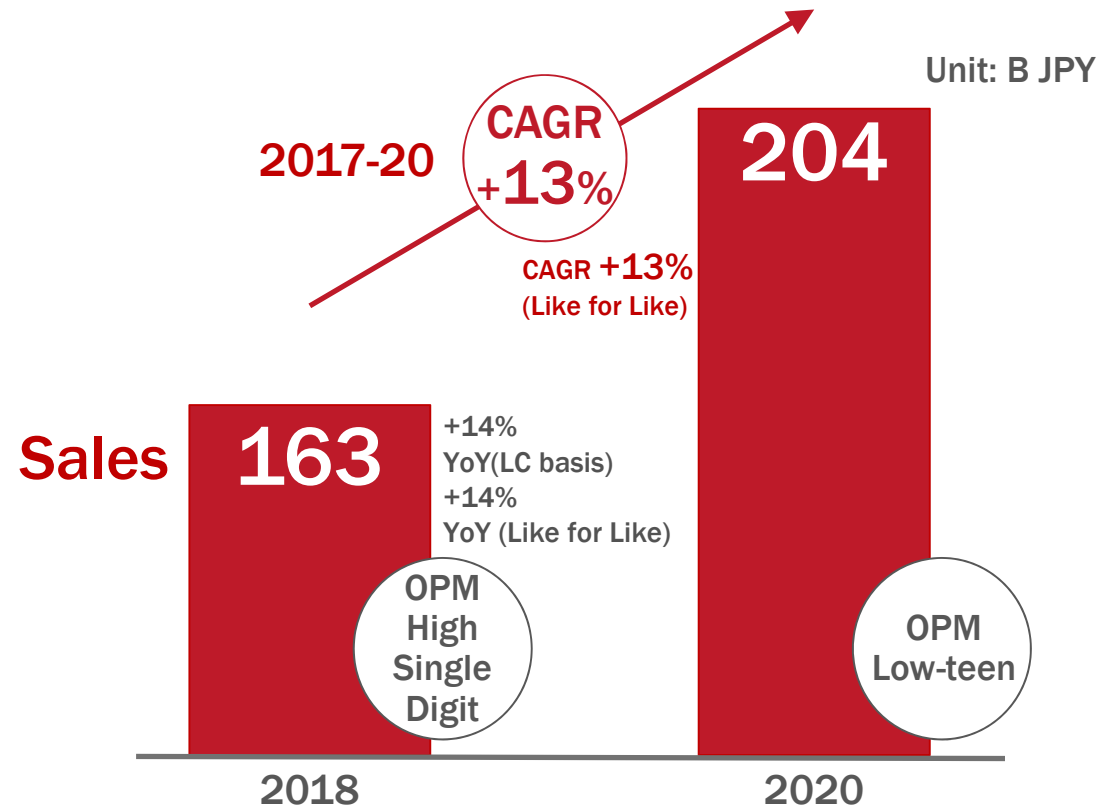
- Euromonitor forecast in 2017
- Premium + Mass (Skincare/Suncare/Color/Fragrance and Hair Care, Deodorant, Bath & Shower, Other Sets/Kits)



② TARGET

Market Position in 2020:

Top 3



Source

- Euromonitor Forecast in 2017
- Premium+Mass (Skincare/Suncare/Color/Fragrance and Hair Care, Deodorant, Bath & Shower, Other Sets/Kits)

③ STRATEGIC PRIORITIES

**Accelerate
the Growth of
Prestige
Business**

Strengthen brand equity
with localized marketing
Enhance makeup category
with growth acceleration of NARS



**Expand into
Tier 3-4 Cities**

Increase key counters by leveraging
Group synergy (Prestige + Cosmetics brands)
Enhance O2O (Online to Offline
marketing)



Digital and EC Innovation

4 EC REINFORCEMENT

Role of EC

From a sales channel to a marketing platform

Our Challenges

Omni-Channel

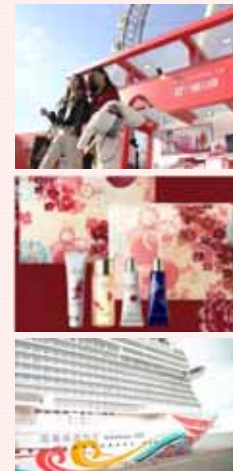
Develop seamless brand experience

Exclusive

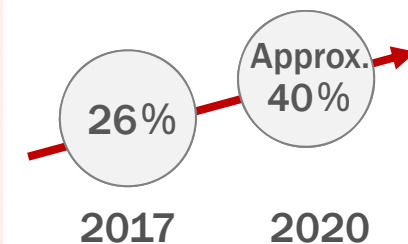
Trigger purchase intention

Personalization

Increase brand loyalty



Sales ratio of EC



5 CHINA COSMETICS BUSINESS STRATEGY

AUPRES
欧珀莱

Reinforce sustainable growth

Strengthen digital and EC
Shift investment to Tier 3-4 cities



PURE&MILD

Improve profitability

Expand self-selection channels
Expand new sales channels



ELIXIR



Expand brand awareness and business scale

Increase brand presence in major cities
Expand into lower tier cities to increase brand trial



Philippe Lesné

**President and CEO,
Shiseido Travel Retail**

< Career brief >

Joined Shiseido Europe in 2009 after
working for LVMH, etc.



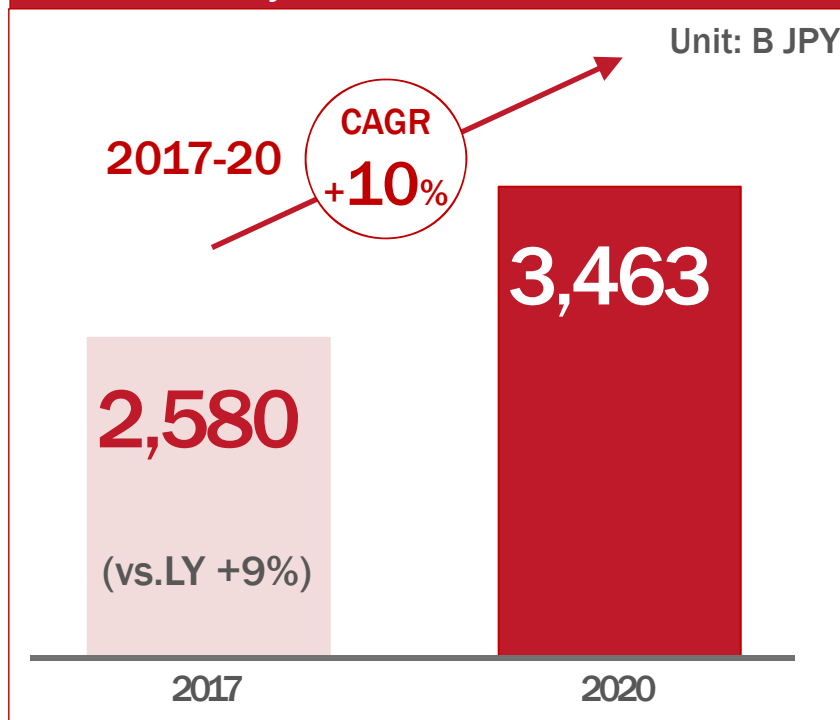
1 MARKET LANDSCAPE

CAGR 2017-20

- **Driven by Asia Pacific** **+18%**
(Share by Region: 71% in 2020 vs 58% in 2017)
- **Driven by Skincare** **+15%**
(Share by Category: 47% by 2020 vs 42% in 2017)
- **Makeup most dynamic** **+18%**
(Share by Category: 27% by 2020 vs 22% in 2017)

Market Size Projection – Travel Retail Worldwide

Unit: B JPY



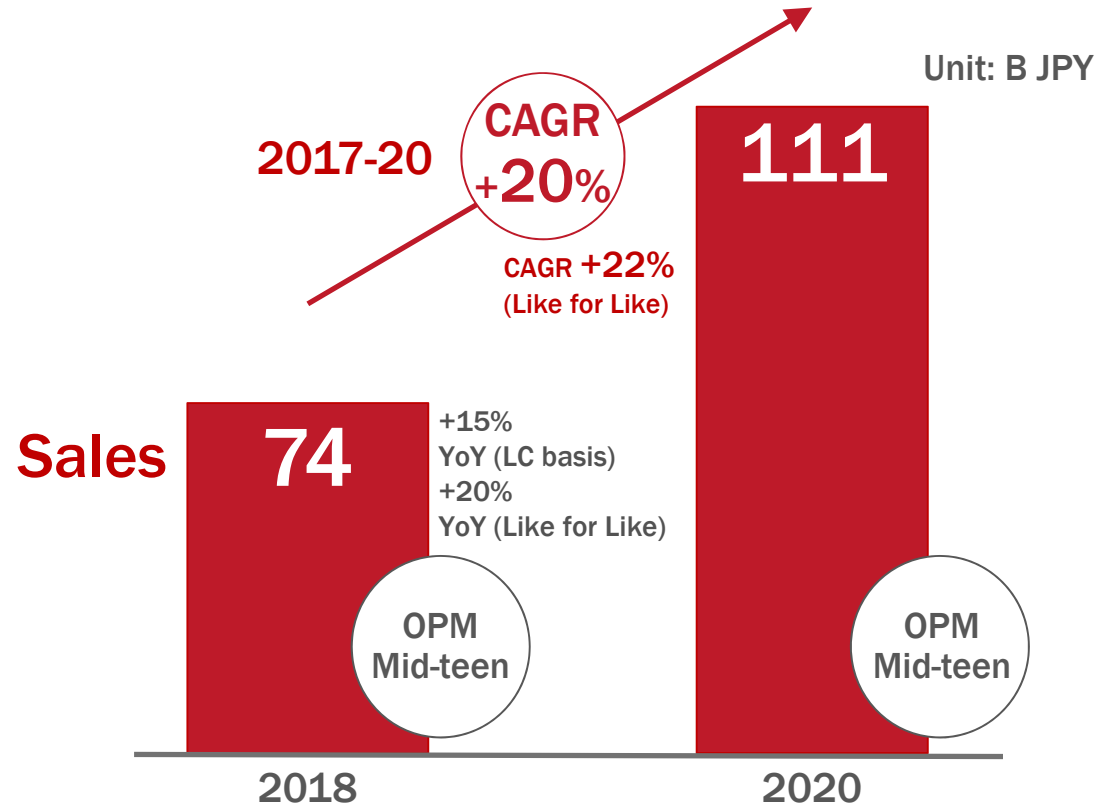
Source: Market Size & Growth, Cosmetics & Fragrances, Generation Research's forecast (as of 2017 September)

② TARGET

Market Position in 2020 :

4th

Shiseido RANK #6 in FY2016*



Note

- Ranking, Generation Research 2016 Actual
- Graph: Internal transaction price is partly changed in FY2018 (Jan)

③ STRATEGIC PRIORITIES



Note: Illustration of Shiseido
Travel Retail Value Chain

1. Drive **Multi-brand Growth** through Core and New Brands
2. Create **Innovative and Traveler-centric Marketing** through Data Insights and Digital Strategy
3. Achieve **Sales Effectiveness** through Relationships with Key Retailers and Retail Excellence Capability

Marc Rey

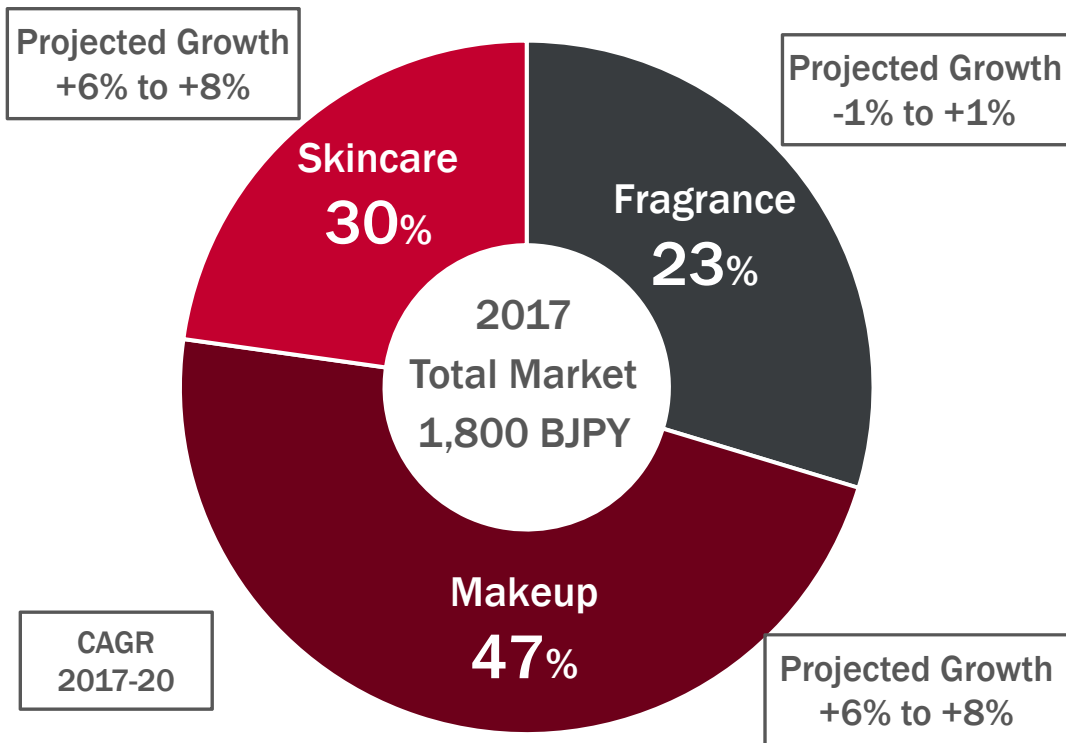
President and CEO,
Shiseido Americas

< Career brief >

Joined Shiseido Americas in 2015 after working for Yves Saint Laurent Beauté USA, L'Oréal USA, Coty USA, etc.



1 MARKET LANDSCAPE

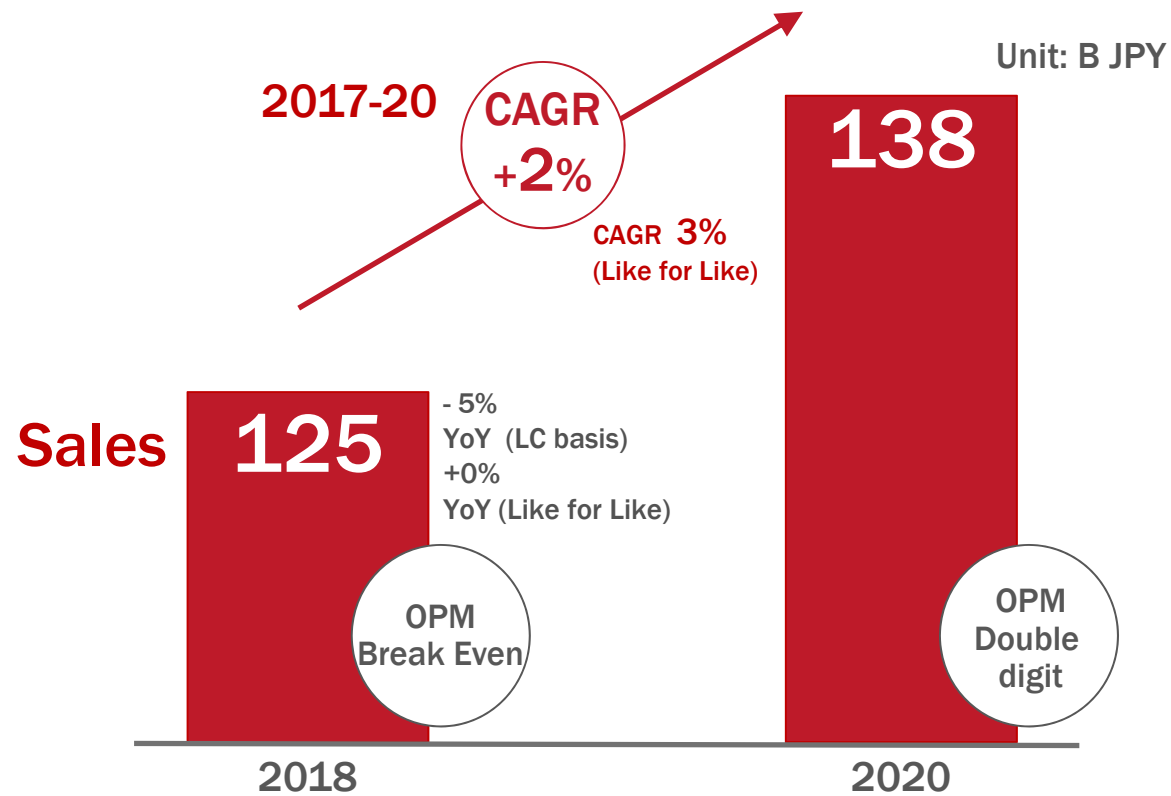


SHISEIDO Group
US Market Share 7.7% ,*
Rank No.3 (2017)



Source
 * NPD full year 2017 (Department Specialty Channel (Brick & Mortar plus retailer.com). Projection over 2017 to 2020/ According to research by Shiseido

2 TARGET



Restated to exclude Burberry, ReVive and Affiliate Transfers

③ AMERICAS REGION KEY STRATEGY

- 1. Drastically improve the profitability of the region to reach double digit %NS by 2020**
 - bareMinerals turnaround
 - Channel management
 - Fixed cost optimization
- 2. Improve our position in the market through a strong Makeup push**
 - Laura Mercier re-launch
 - bareMinerals rejuvenation
 - NARS, Buxom, CPB continued growth
 - Shiseido “Big Bang”(makeup)
- 3. Boost our Digital sales**
 - CRM activation
 - Our own sites and retailer.com push
 - Pure player partnerships
- 4. “Fewer But Better” – Adapt our organization for the future in size, skills and agility**
 - Disrupt in technology
 - Reallocate resources
 - Increase agility of the organization



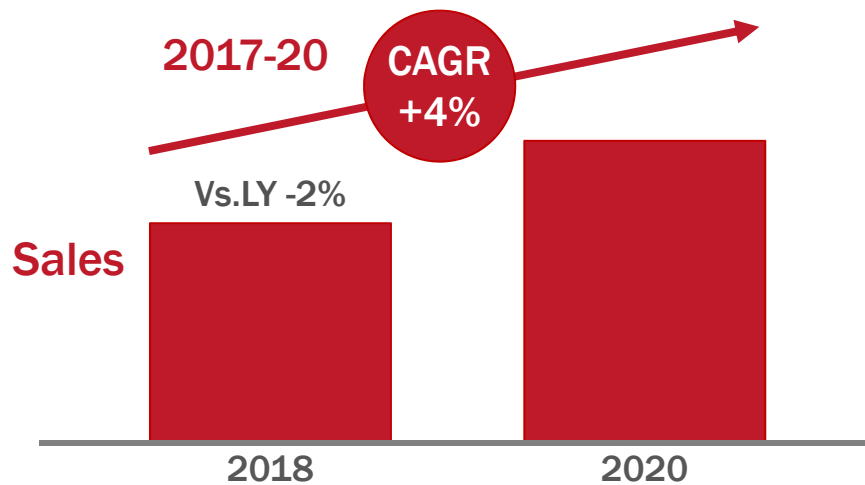
Strategic
Priorities

- Boost the appetite for the brand through sharpening the 360 positioning and social media takeover
- Optimize multichannel footprint

bareMinerals®

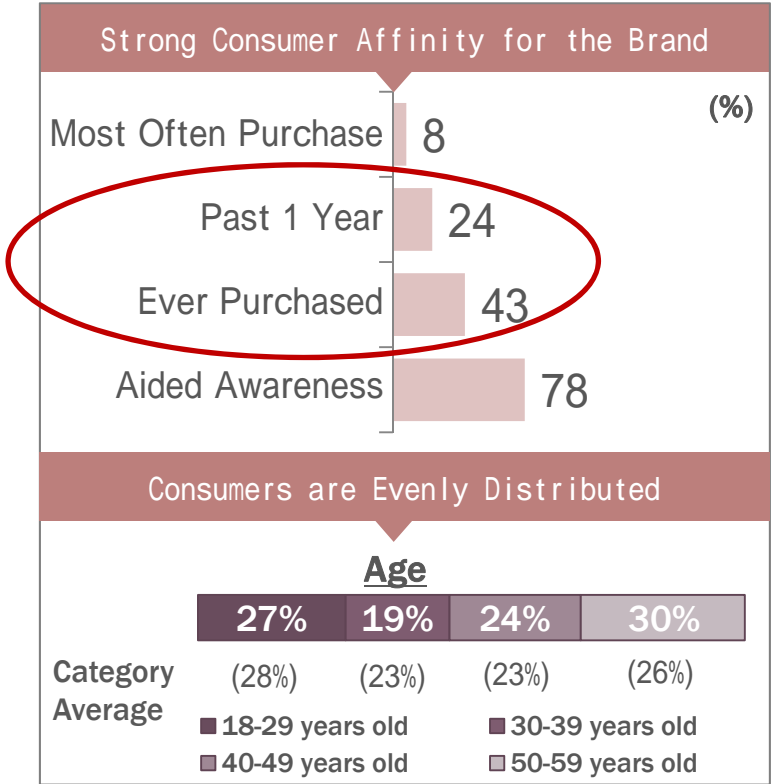


Target



BARE MINERALS HAS HIGH CONSUMER AWARENESS AND TRIAL, AND A LOYAL, MULTI-GENERATIONAL AUDIENCE

- Leading brand in the fast-growing natural makeup market
- Top 10 makeup brand in the US (#9 in 2017)
- Top 10 favorite brand with US millennial consumers
- #1 Loose Mineral Foundation in the US
- Double-digit growth in international markets



SOURCE: Conde Nast; Kantar MillwardBrown Brand Tracking Report

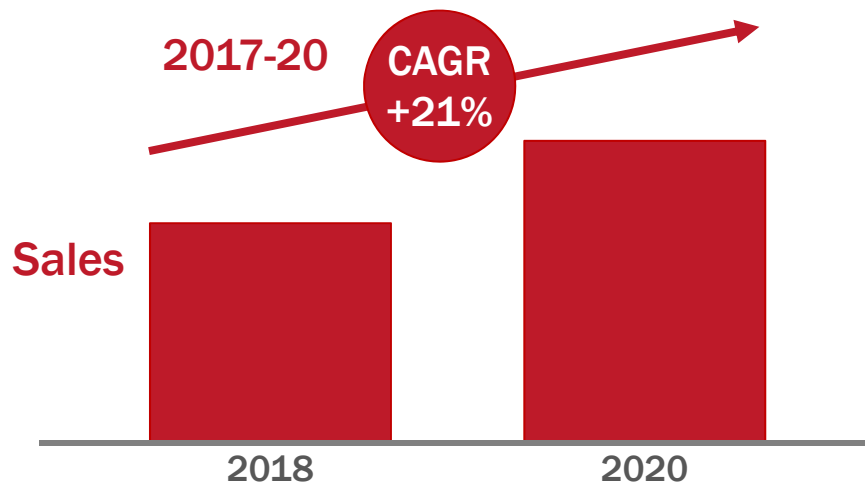
Strategic
Priorities

Drive Global Profitable Growth

- Fuel brand equity and drive innovation
- Recruit and engage new consumers
- Accelerate global growth

NARS

Target

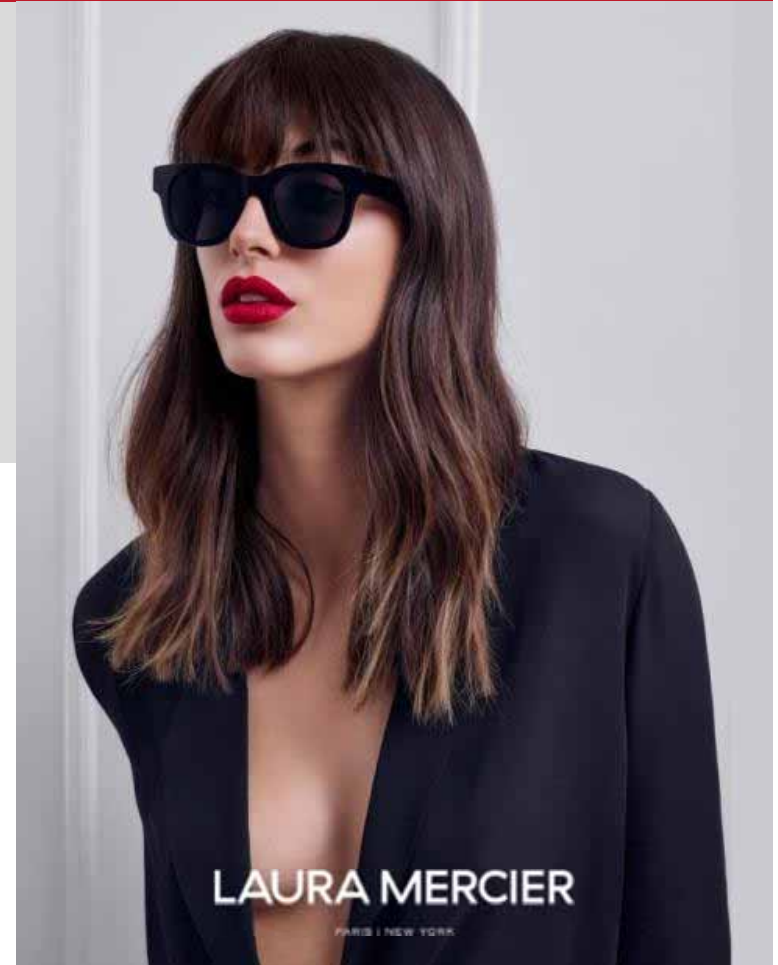
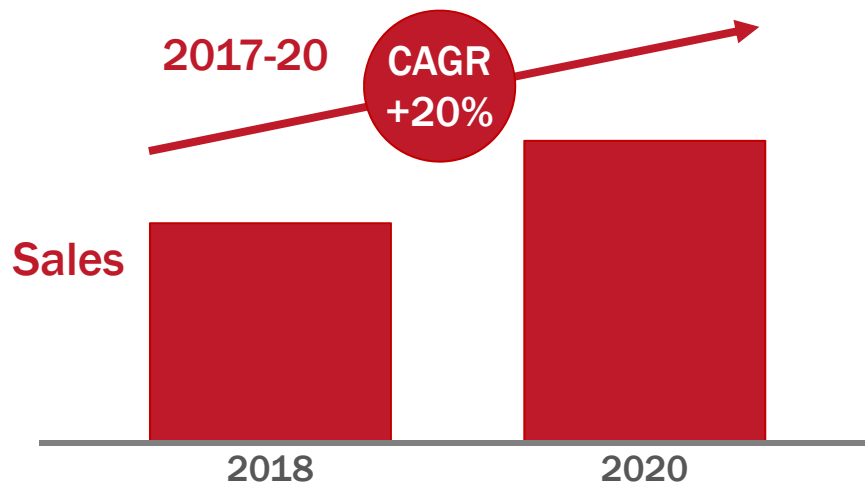


Strategic
Priorities

Become The Next Global ¥100 B+ Brand

- Sharpen Brand Positioning & Codes
- Engage Clients with Innovation
- Step Change Brand Awareness & Trial
- Excellence In Execution
- Drive Global Distribution

Target



Franck Marilly

President and CEO,
Shiseido EMEA

< Career brief >

Joined Shiseido EMEA in 2018 after working for CHANEL (Fragrance and Beauty Dept.), etc.



1 MARKET LANDSCAPE



European mature markets such as France, Italy and Germany will grow at a low single digit rate



Market growth is driven by the United Kingdom, Russia and the Middle-East



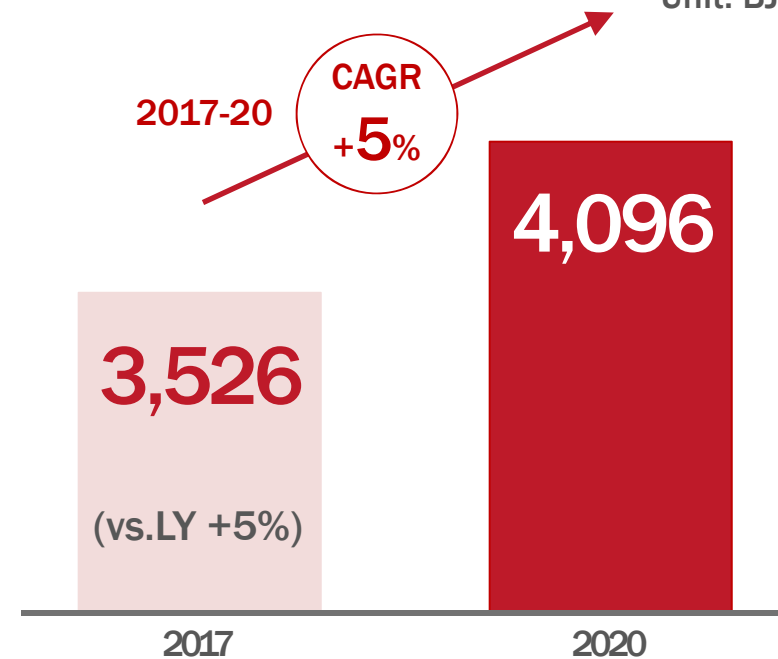
Growth mainly driven by Makeup followed by Fragrance and Skincare

Source

- Euromonitor forecast in 2017
- Premium (Skincare/Suncare/Color/Fragrance)

Market Size Projection – EMEA Premium Beauty Market

Unit: BJPY



② TARGET

Target Market Position in 2020 :

Top 5



#8
2017 ranking*
Top 5 countries

*NPD December 2017 top 4 (FR/UK/ES/IT - IRI for DE)
· Excluding Burberry

Sales

115

+5%
YoY (LC basis)
+8%
YoY (Like for Like*)

OPM
Break
even

2018

143

CAGR
+9%

CAGR 10%
(Like for Like*)

OPM
Double
Digit

2020

Unit: BJPY

3 STRATEGIC PRIORITIES



Fragrance

- Grow fragrance category profitably with double digit growth on Dolce&Gabbana and sustained development of narciso rodriguez
- Adapt each brand business model by market



Skincare

- Reinforce Shiseido brand awareness and equity
- Launch Clé de Peau Beauté in EMEA key countries in premium distribution



Makeup

- Grow category across Europe and Middle East markets
- Develop and elevate our footprint across the region



IMAGE



DIGITAL



PEOPLE

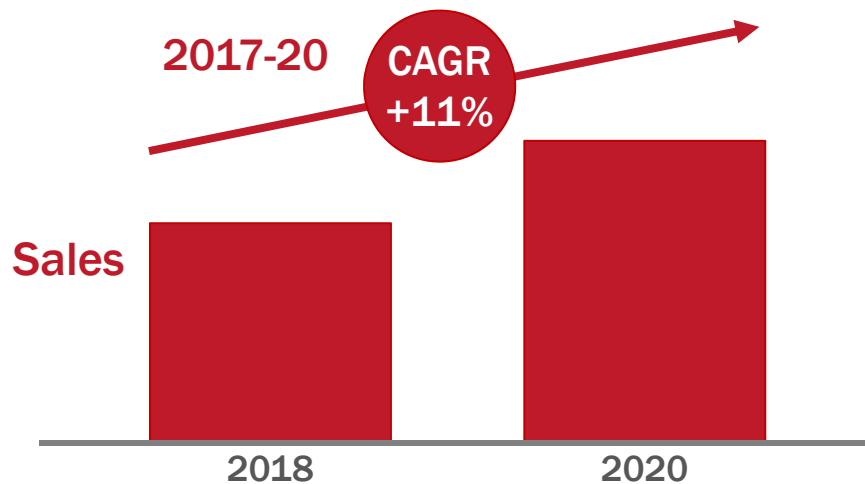
Optimize One Shiseido Organization to Maximize Efficiency

Strategic
Priorities

Rebuild business foundation for long-term business perspective

- Reinforce actions in growing business area
 - Increase and optimize investment on key markets
 - Strengthen the market position of star items such as Light Blue
- Increase efficiency of distribution
- Grow revenue and brand awareness
 - Build strong base for men's fragrance category leveraging new franchise
 - Relaunch makeup category

Target



DOLCE & GABBANA



Jean-Philippe Charrier

President and CEO,
Shiseido Asia Pacific

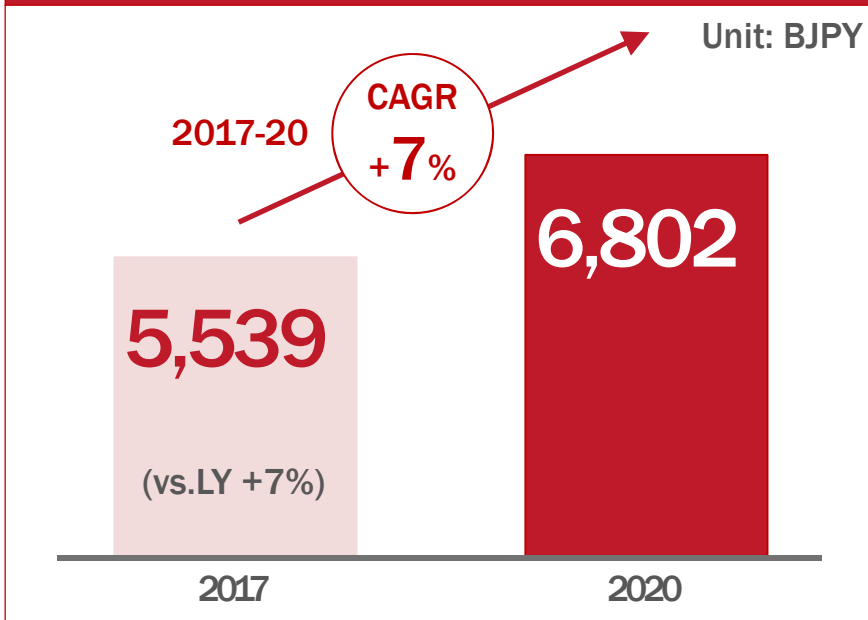
< Career brief >

Joined Shiseido in 2009 after working for L'Oréal Korea, L'Oréal Thailand, L'Oréal Singapore, etc.

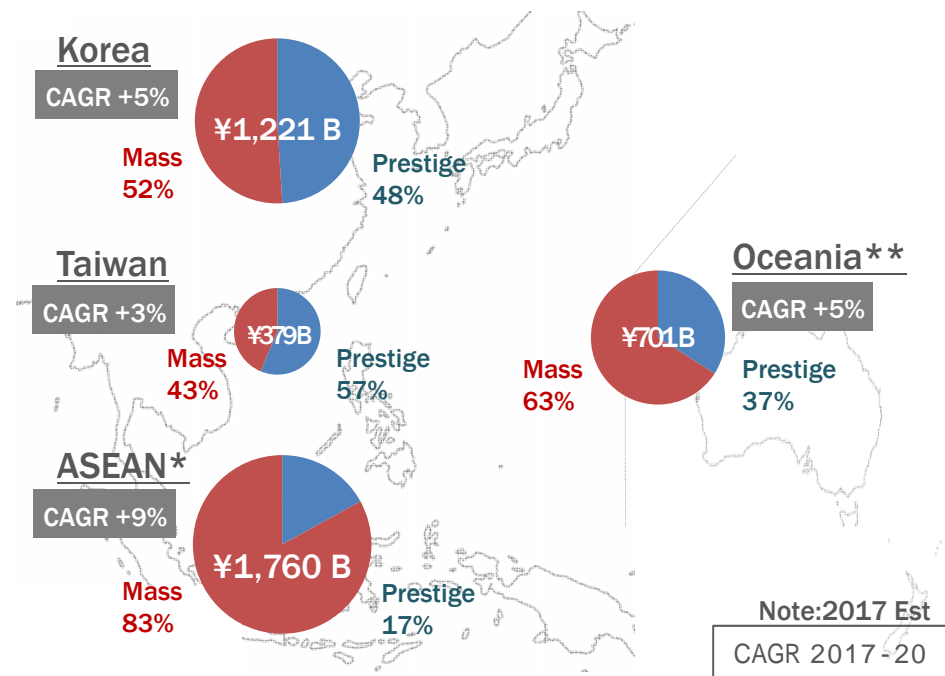


1 MARKET LANDSCAPE

Market Size Projection – Asia Pacific Region



4 focus market clusters / 15 countries



Source

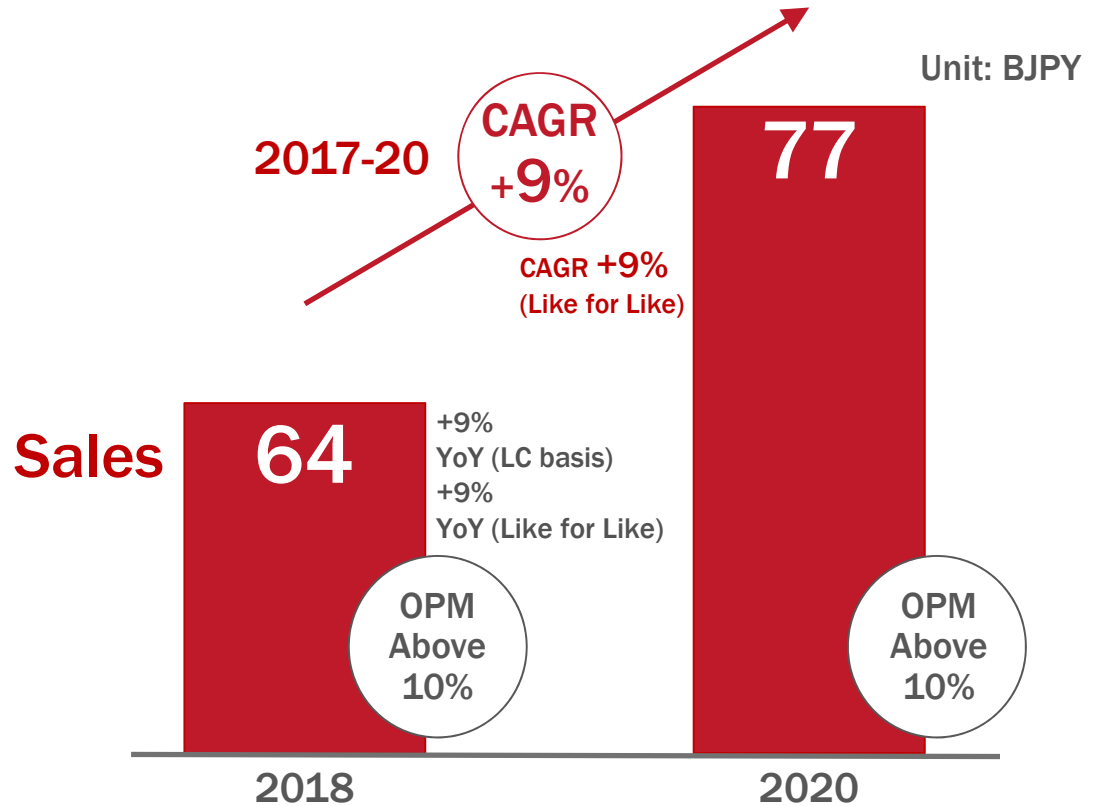
- Euromonitor forecast in 2017
- Premium+Mass (Skincare/Suncare/Color/Fragrance and Hair Care, Deodorant, Bath & Shower, Other Sets/Kits)
- * ASEAN (Thailand, Singapore, Malaysia, Vietnam Indonesia and Philippines) ** Oceania (Australia and New Zealand)

② TARGET

Market Position in 2020

Top 3 in Prestige

FY2017 #5 in Prestige market*



*According to research by Shiseido

3 STRATEGIC PRIORITIES

Omni-channel transformation to drive profitable growth of Prestige business

- Diversify our distribution to be where our consumers are and develop new channels like Boutiques, Open-sell and EC

Dept. stores



Boutiques



Open-Sell



EC

Build CPC Brand portfolio with Japanese origin & strong differentiation

- Build relevant products and communication to fit Asian consumers
- Focus on High growth categories where Shiseido has strong advantage

Cleanser & Moisturizer



UV care



Makeup



Acceleration of EC

- Partnership with major PurePlayers like LAZADA and Retailers.com like Sephora across South East Asia

Pureplayer.com

Retailer.com

**FY2018 Forecast
FY2018-20 Financial Strategy**

Norio Tadakawa

Corporate Executive Officer, CFO
Shiseido Company, Limited





FY2018 Forecast

FY2018 Forecast by Reportable Segment

(Billion yen)	Sales Forecast	Organic growth in Local Currency % (existing business*)	Operating Profitability Forecast %	For reference FY2017 Sales (existing business*)
Japan	459.0	+7	High-teen	430.7
China	163.0	+14	High single digit	144.3
Asia Pacific	64.0	+9	Above 10%	59.9
Americas	125.0	+0	Break even	128.0
EMEA	115.0	+8	Break even	105.2
Travel Retail	74.0	+20	Mid-teen	62.4
Professional	21.0	+3	Low single digit	20.6
Other	12.0	-5	-	12.6
Total	1,033.0	+8	8.7%	963.5

*After reclassification due to organization changes and change of product distribution channels (see Supplemental Data 6-1 and 6-2) as well as excluding special factors such as Zotos business transferred in FY2017

FY2018 Forecasts

(Billion yen)	FY2018		FY2017	YoY Change %	YoY Change in Local Currency %
		% of Net Sales			
Net Sales	1,033.0	100	1,005.1	+2.8	+3
Operating Income	90.0	8.7	80.4	+11.9	
Ordinary Income	90.0	8.7	80.3	+12.0	
Extraordinary Income/Loss	-6.0	—	-41.8	—	
Net Income Attributable to Owners of Parent	54.0	5.2	22.7	+137.4	

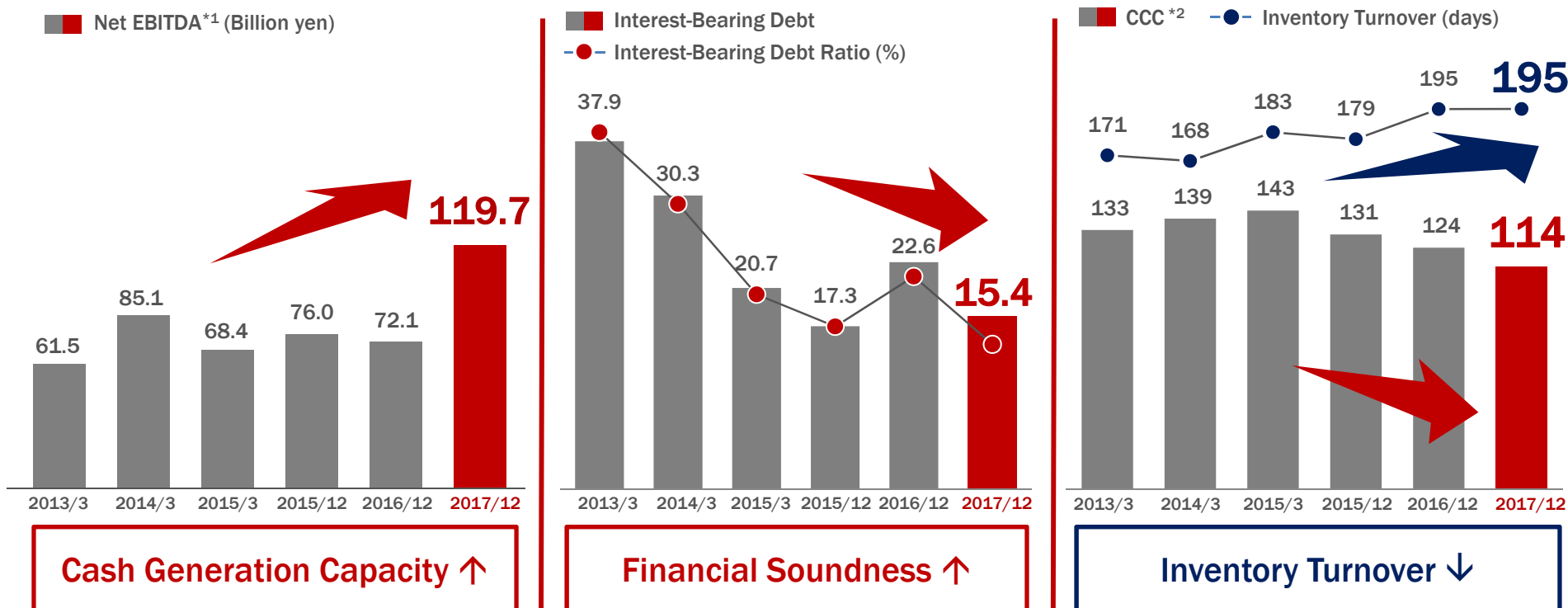
Expected ROE : 12.6%

Exchange rates: FY2018 USD1=JPY110 (-2%), EUR1=JPY128 (+1%), CNY1=JPY16.5 (-1%)



FY2018-20 Financial Strategy

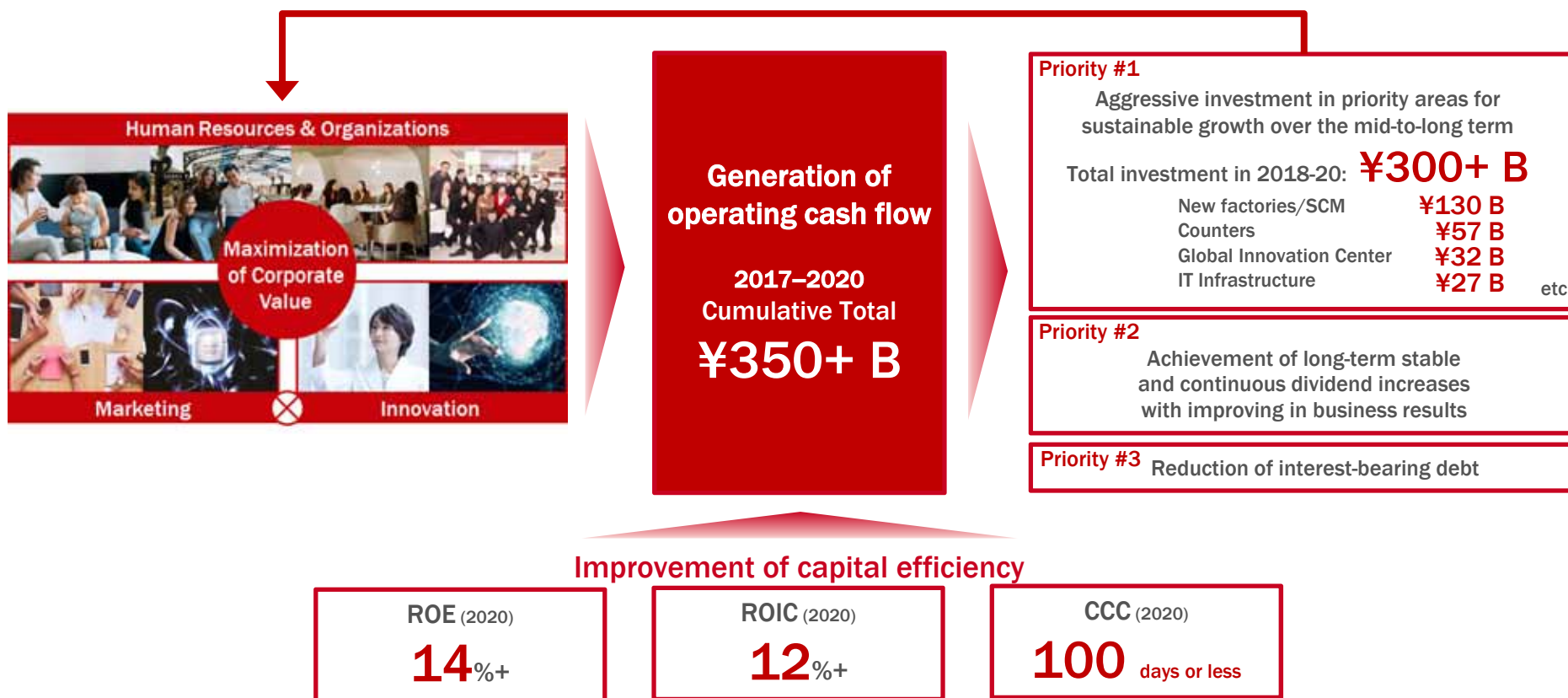
Review of Past 5 Years



*¹ Net EBITDA = Income before income taxes + Interest expense + Depreciation and amortization + Impairment loss on goodwill and other intangible assets. However, in this chart, cash inflows arising due to special factors such as business transfer, etc. are excluded.

*² CCC: Cash Conversion Cycle (days) = Receivables Turnover Period (days) + Inventory Turnover (days) - Payables Turnover Period (days) (average of each indicator during the period is used)

Aiming to Increase Corporate Value over the Medium-to-Long Term



Improving Capital Efficiency

2020 Financial Targets

ROE

14%+

vs. cost of shareholders'
equity*³ **5**%

ROIC*¹

12%+

vs. WACC*³ **4**%

CCC*²

100 days
or less

vs. CCC (2017) **114** days

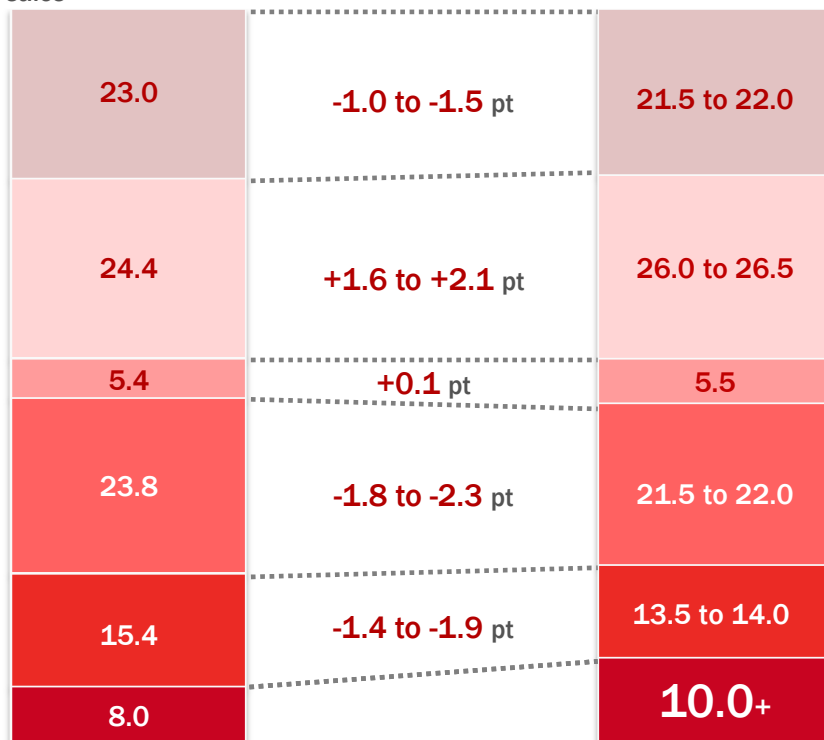
*1 ROIC (Return On Invested Capital) = Operating Income × (1 – Effective Tax Rate) / (Interest-bearing Debt + Shareholders' Equity)

*2 CCC: Cash Conversion Cycle (days) = Receivables Turnover Period (days) + Inventory Turnover (days) - Payables Turnover Period (days) (average of each indicator during the period is used)

*3 The figures for cost of shareholder's equity and WACC (Weighted Average Cost of Capital) are Shiseido's estimates

Enhancing Profitability: Further Cost Structure Improvement

% of Net sales



Expansion of topline through increased marketing investment

Improvement of COGs ratio through expansion of prestige brands/skincare

Reduction of ratio of personnel expenses and other expenses through expansion of topline and improvement of productivity

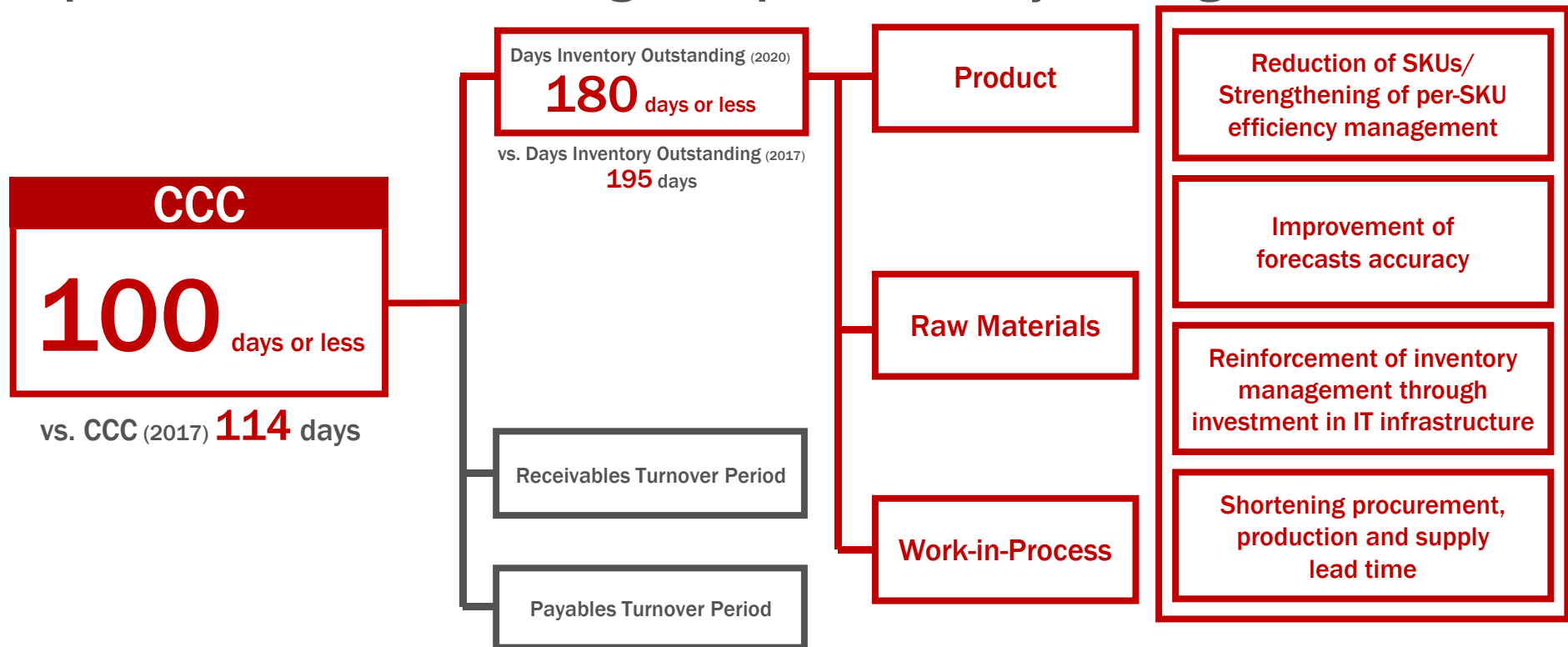
Towards cost structure enabling operating profitability of 10%+

- Cost of sales
- Marketing costs (Excluding BC personnel expenses)
- Brand development expenses and R&D expenses
- Personnel expenses
- Other expenses
- Operating income

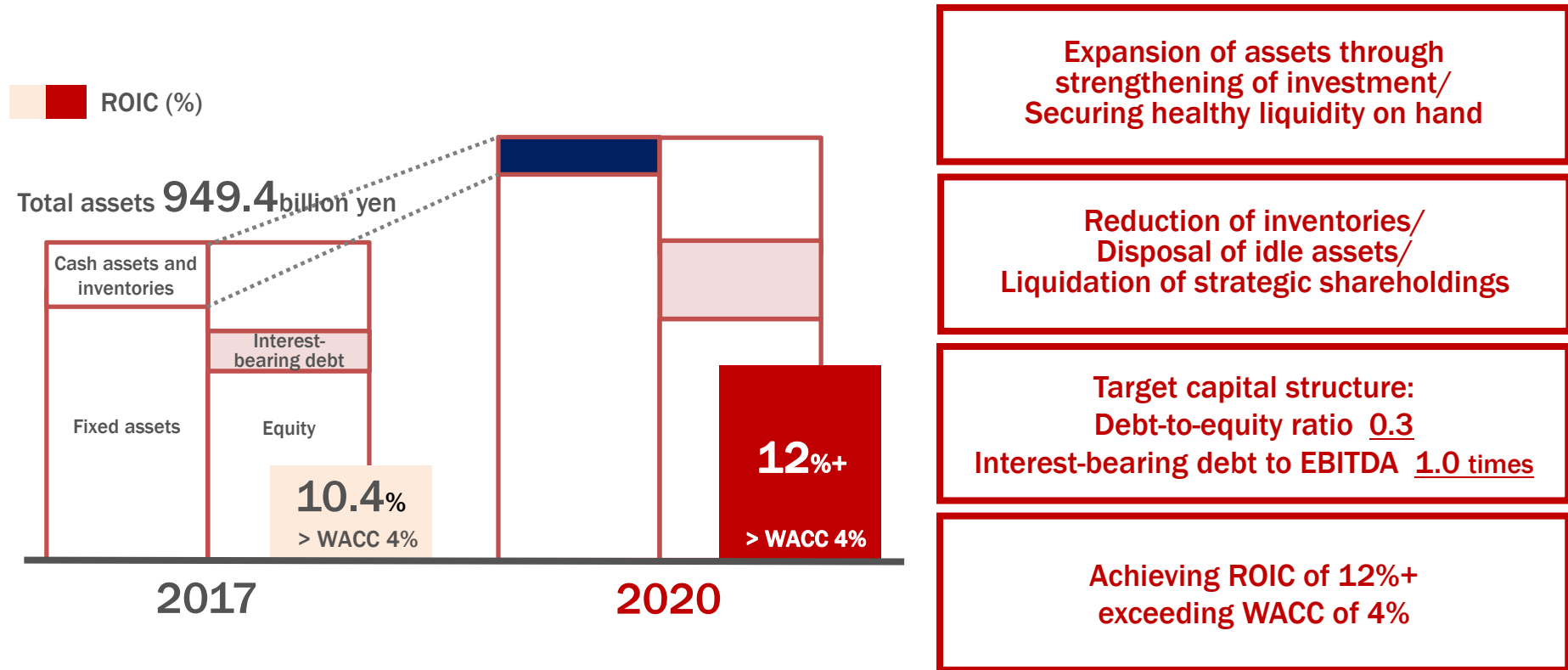
2017

2020 (Basic plan)

Enhancing Capital Efficiency: Improvement of CCC through Proper Inventory Management



Improving ROIC and Efficiency of Balance Sheet towards 2020



Change in Shareholder Return Policy

Realization of total returns comprising direct returns to shareholders and medium-to-long term share price gains

Before

- Consolidated business results
- Free cash flow
- Target medium-term consolidated dividend payout ratio of 40%

After

- Consolidated business results
- **Free cash flow**
- **Long-term, stable and continuous dividend increase targeting: DOE* of 2.5% or higher**

FY2018 Dividend (plan)

¥30 per share
Increase of ¥2.5 from FY2017

* DOE (Dividend On Equity) = Annual Cash Dividend / Equity

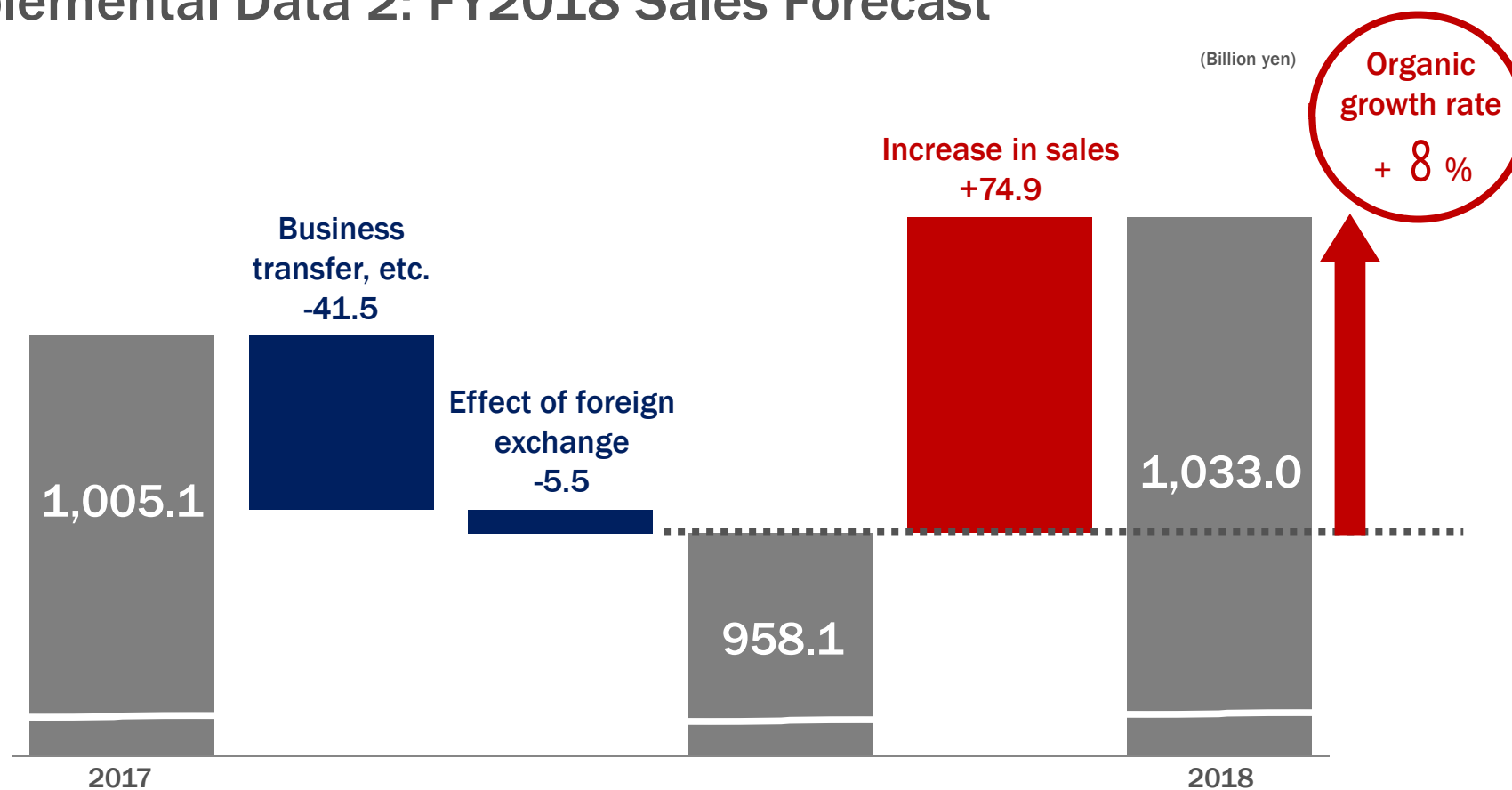
SHISEIDO

Supplemental Data 1: FY2018 Sales Forecast by Reportable Segment

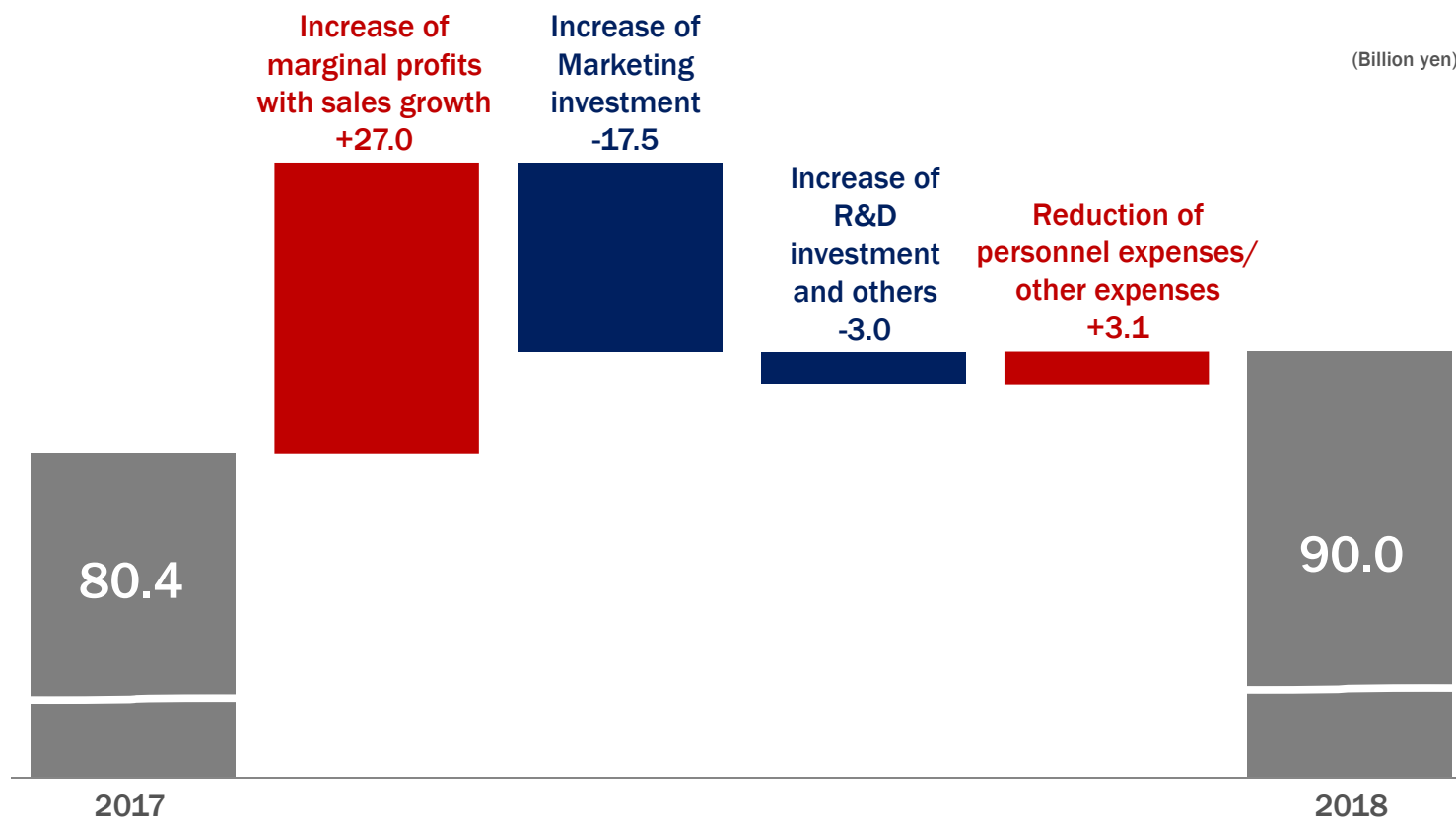
(Billion yen)	FY2018	For reference FY2017 (After reclassification)	YoY Change (After reclassification)	YoY Change % (After reclassification)	YoY Change in Local Currency % (After reclassification)	FY2017 (Before reclassification)
Japan	459.0	431.6	+27.4	+6.3	+6	431.0
China	163.0	144.3	+18.7	+13.0	+14	144.3
Asia Pacific	64.0	59.9	+4.1	+6.9	+9	54.2
Americas	125.0	134.1	-9.1	-6.8	-5	140.4
EMEA	115.0	108.5	+6.5	+6.0	+5	128.4
Travel Retail	74.0	65.0	+9.0	+13.8	+15	44.5
Professional	21.0	48.0	-27.0	-56.2	-56	48.0
Other	12.0	13.7	-1.7	-12.4	-12	14.3
Total	1,033.0	1,005.1	+27.9	+2.8	+3	1,005.1

* YoY change in local currency in real terms excluding special factors such as Zotos business transferred in FY2017: +8%

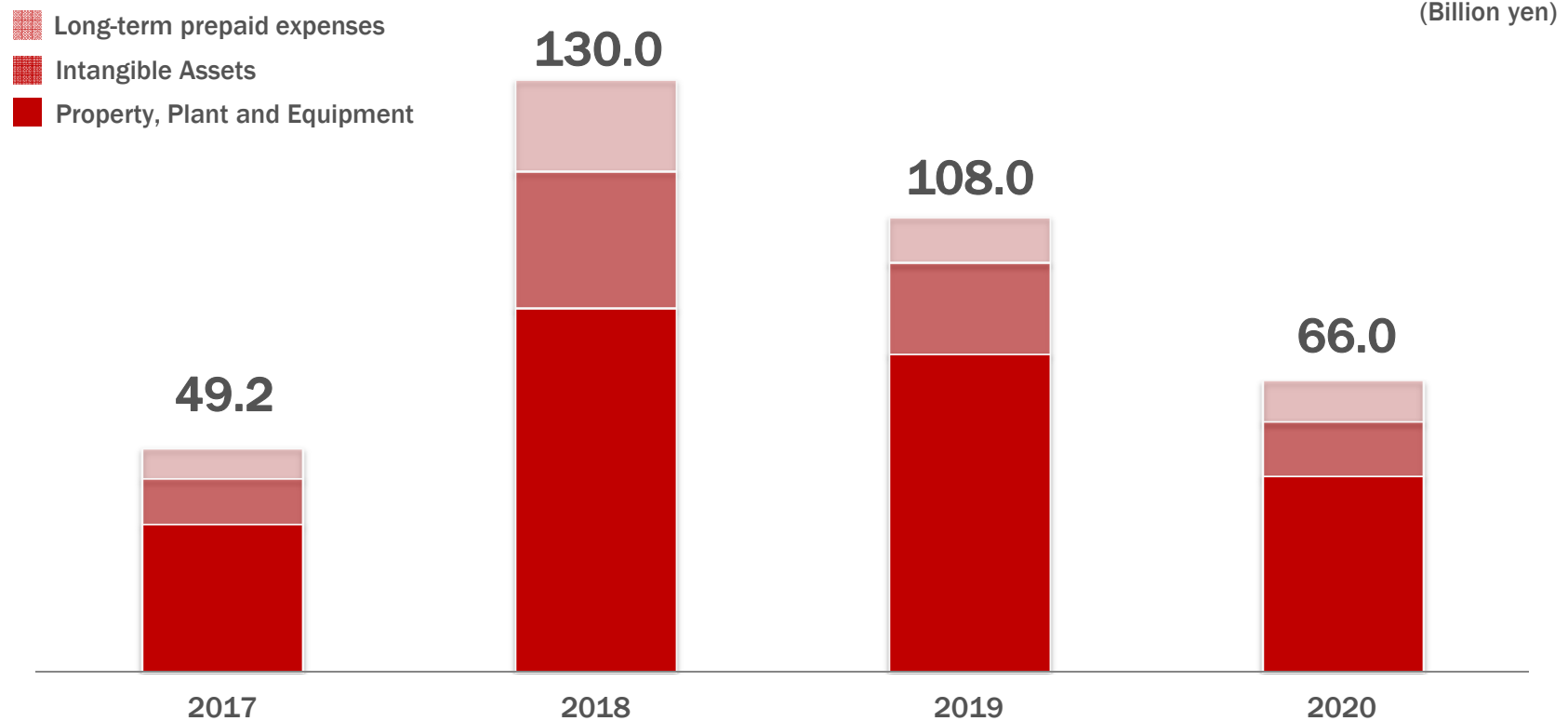
Supplemental Data 2: FY2018 Sales Forecast



Supplemental Data 3: FY2018 Operating Income Forecast



Supplemental Data 4: Capital Expenditure Plan (2018–2020)



Supplemental Data 5: Shareholder Return Policy

We aim to achieve total returns, comprising direct returns to shareholders through dividends and medium-to-long term share price gains. Based on this approach, our basic policy is to focus on making strategic investment for sustainable growth, thus aiming for maximization of corporate value. At the same time we will enhance capital efficiency exceeding capital costs, with a view to increasing dividends and our share price over the medium-to-long term.

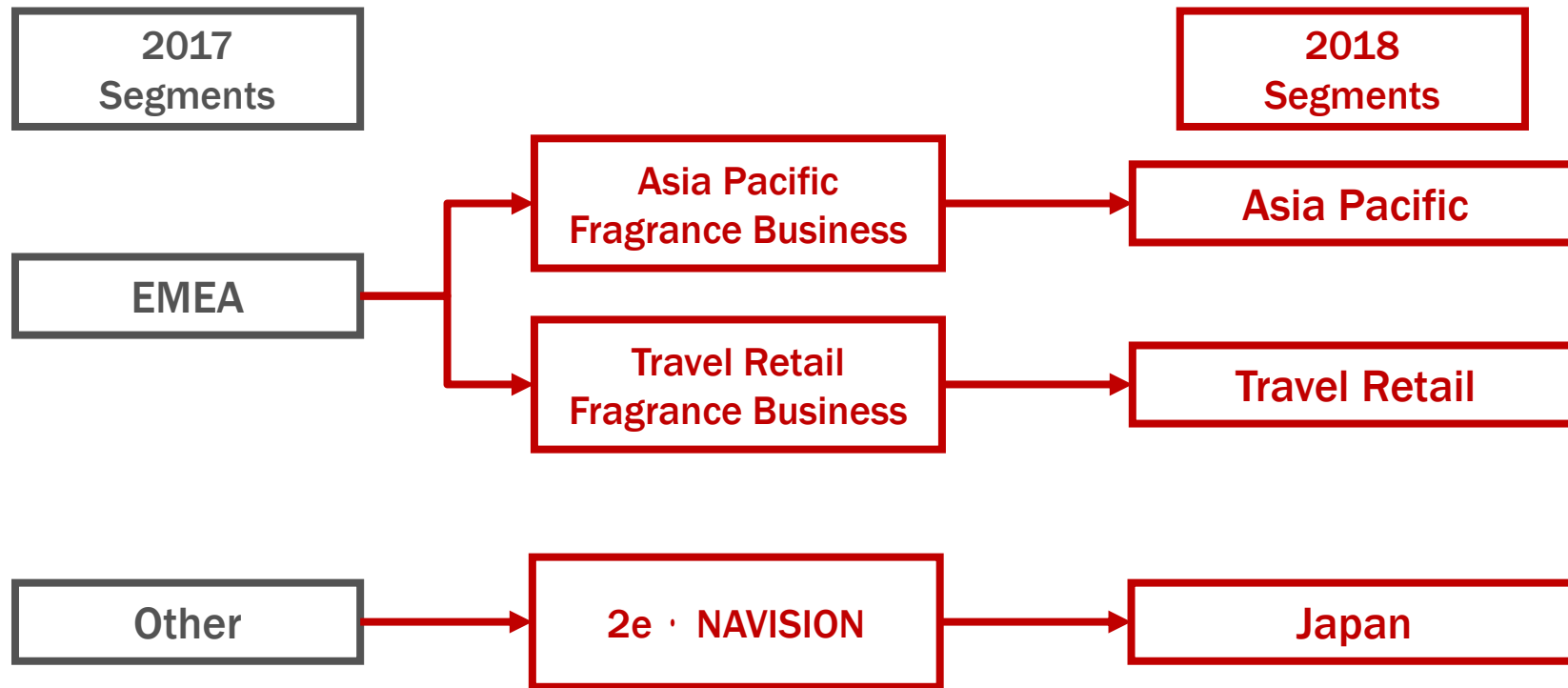
Upon determining dividends, we will achieve long-term, stable and continuous enhancement of returns with emphasis given to consolidated business results and free cash flow, and set the minimum level of Dividend on Equity (DOE*) of 2.5%, which we see as an indicator that reflects our capital policy. We will also buy back shares flexibly taking the market environment into consideration.

In FY2018 (the fiscal year ending December 31, 2018), in accordance with the above policy, we plan to pay an annual dividend of 30 yen (DOE 2.7%), comprising an interim dividend of 15 yen per share and a year-end dividend of 15 yen per share.

*DOE = Annual Cash Dividend/ Equity

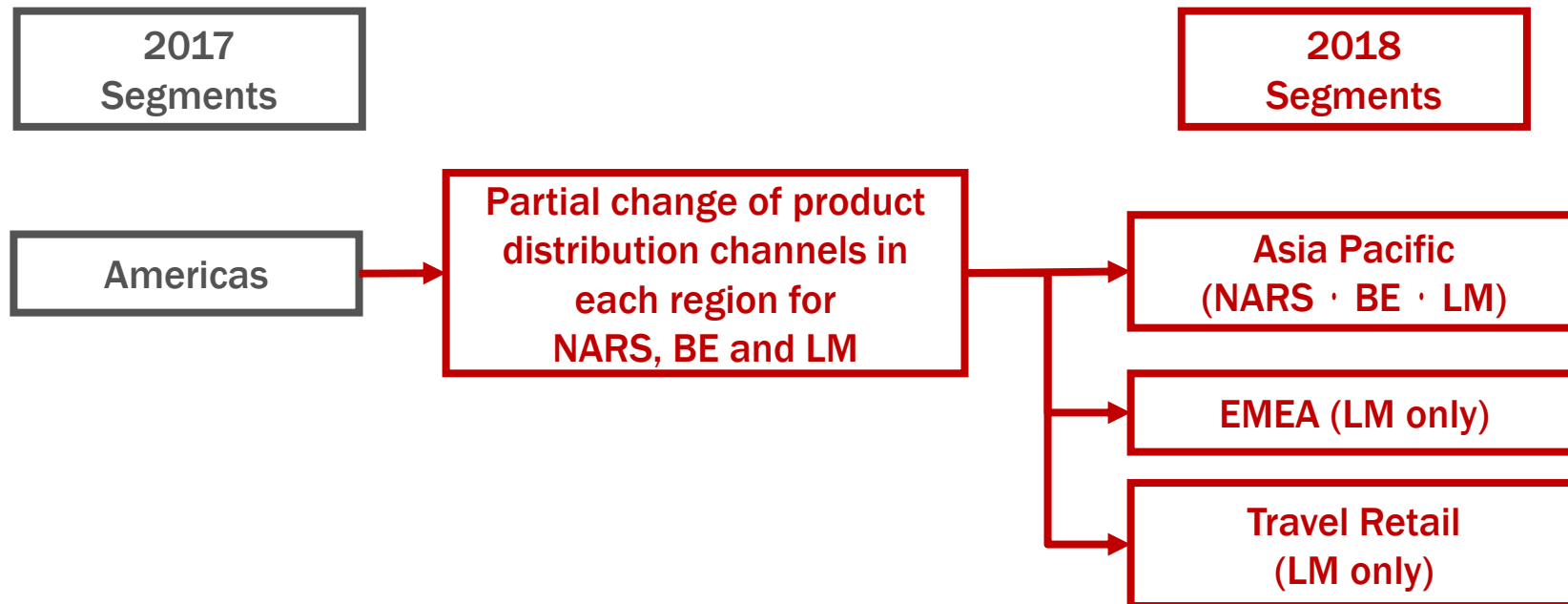
Supplemental Data 6-1: Main Constituents of Old and New Reportable Segments

Organizational Changes

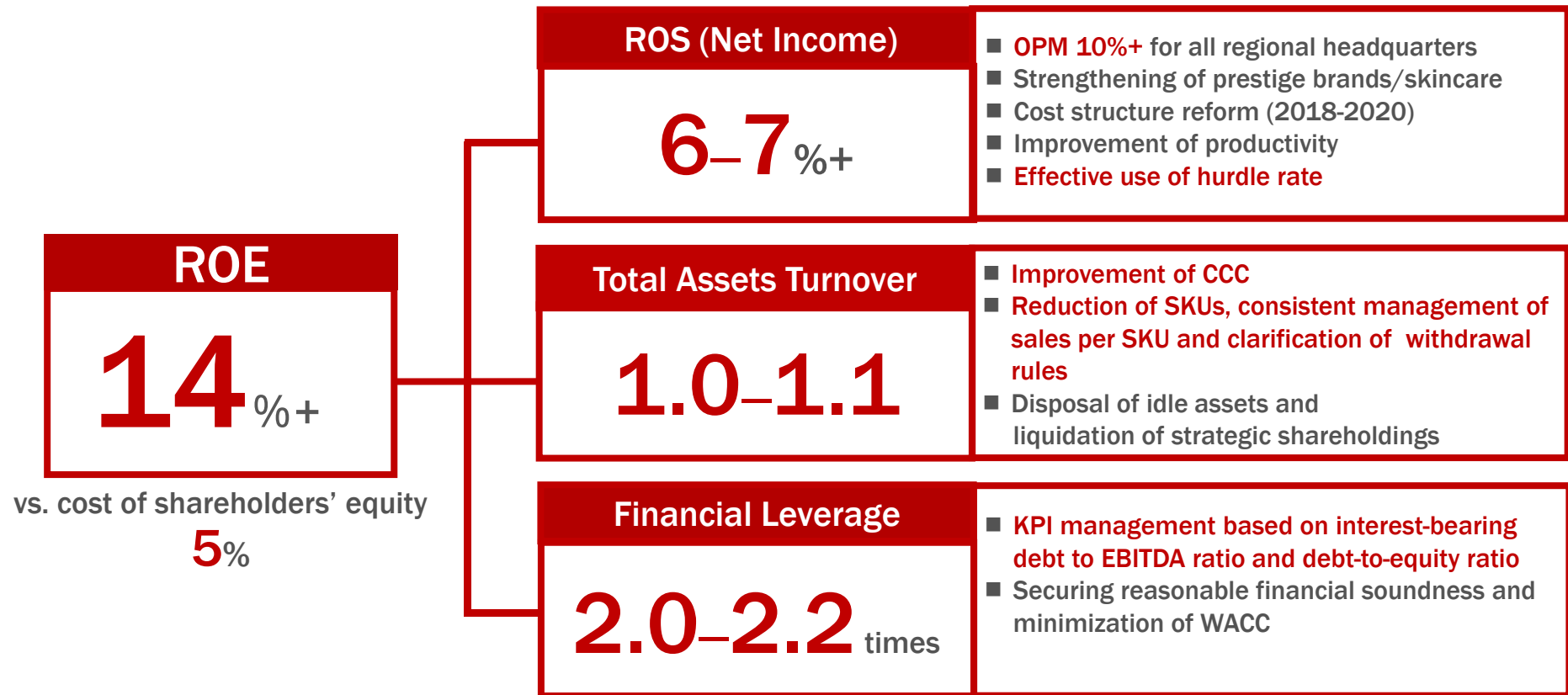


Supplemental Data 6-2: Main Constituents of Old and New Reportable Segments

Change of product distribution channels



Supplemental Data 7: Breakdown of ROE




Supplemental Data 8: Abbreviations of our Brands and Businesses

Brands

Abbreviation	Japanese	English
CPB	クレ・ド・ポー ポーテ	Clé de Peau Beauté
BE	ベアミネラル	bareMinerals
LM	Laura Mercier	Laura Mercier
D&G	Dolce&Gabbana	Dolce&Gabbana

Businesses

Abbreviation	Japanese	English
TR	トラベルリテール	Travel Retail
EC	Eコマース	E-Commerce
GIC	グローバルイノベーションセンター	Global Innovation Center



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.