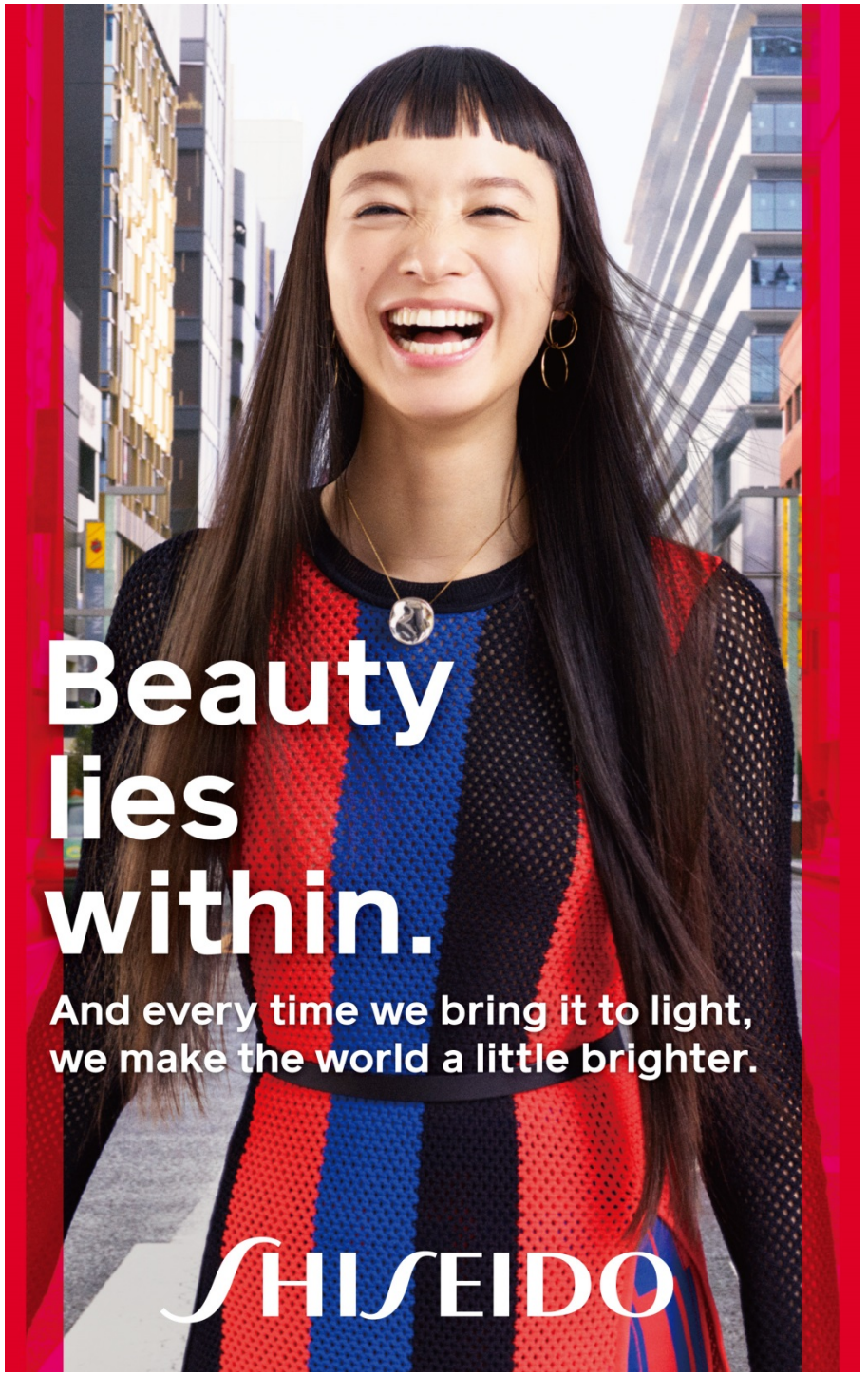
Results for FY2016 and Forecast for FY2017

February 9, 2017

Norio Tadakawa
Corporate Officer, CFO
Shiseido Company, Limited



FY2016: Executive Summary

Net sales: ¥850.3 billion YoY change in local currency: +5.2%
YoY change in yen : -1.5%

- **Growth momentum accelerated, with zero growth behind us**
  - **Increase in sales from existing businesses (Prestige, China business, Travel Retail business): +6% growth**
  - **Acquisition of brands including *Laura Mercier* (LM)**
    License agreement for *Dolce&Gabbana* (DG)

Operating income: ¥36.8 billion YoY change: -17.0% year on year

- **Negative impact in the fiscal year, which was unexpected in the beginning of the year, offset mostly by measures including an increase in sales, cost structure reforms, reduction of one-time cost, and improvement of cost efficiency**
- **The profitability of Prestige brands and China business improved, and Travel Retail business having grown into a second strong earner, making a major contribution to the profit of the overall company**

Net Income Attributable to Owners of Parent: ¥32.1 billion, up 9.0% year on year

ROE 8.2%

Summary of FY2016 Results

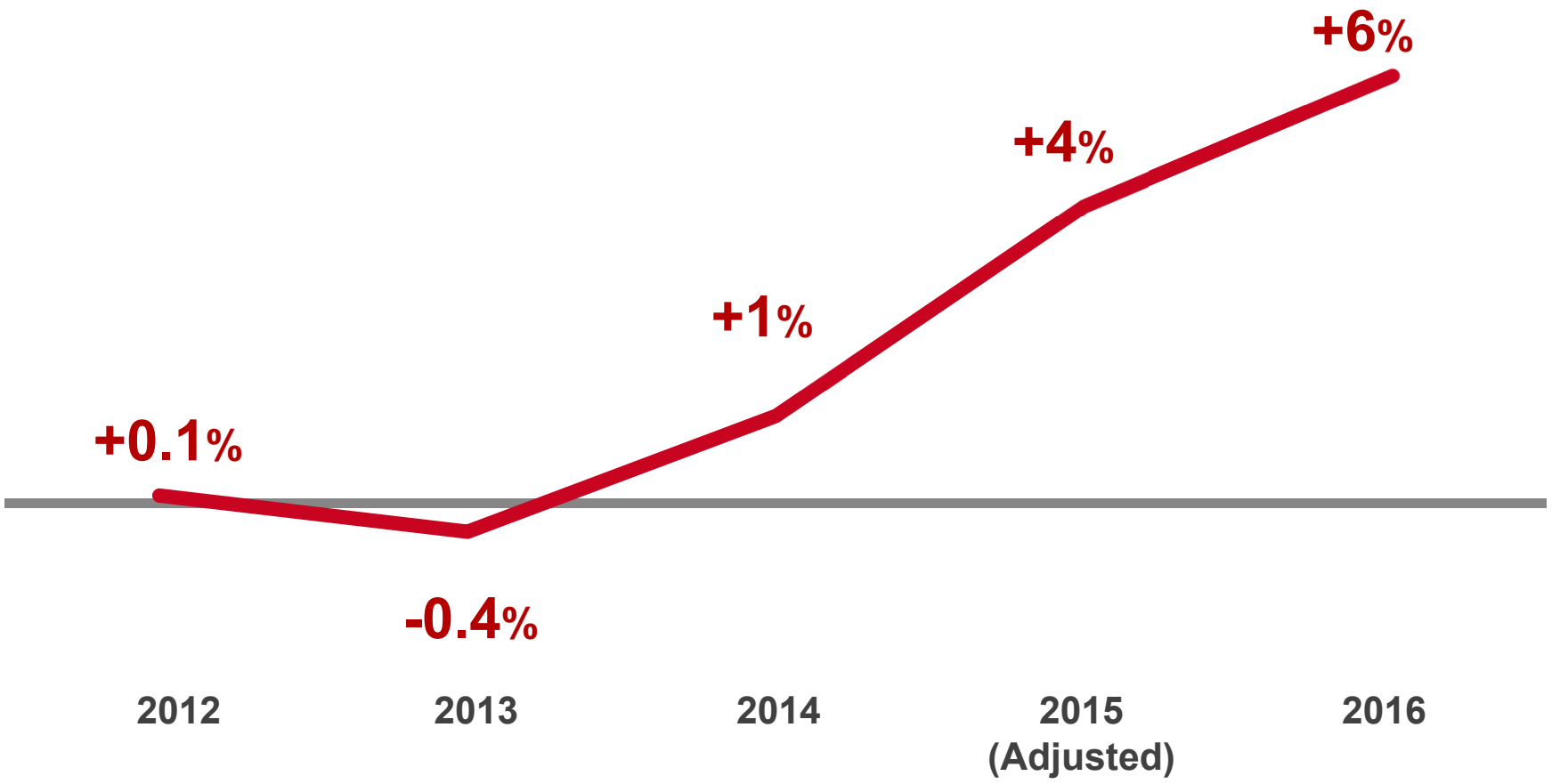
(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change*	YoY Change %	YoY Change in Local Currency	Difference from Nov. 2016 Announcement	Difference from Initial Forecast
Net Sales	850.3	100	863.3	100	-13.0	-1.5	+5.2	+2.3	-21.7
Operating Income	36.8	4.3	44.3	5.1	-7.6	-17.0		+6.8	-1.2
Ordinary Income	37.2	4.4	44.3	5.1	-7.1	-16.0		+8.2	-0.8
Extraordinary Income/Loss (net)	12.7	1.5	8.8	1.1	+3.9	+43.6		-1.8	+6.7
Net Income Attributable to Owners of Parent	32.1	3.8	29.5	3.4	+2.6	+9.0		+2.1	+4.1
EBITDA	90.1	10.6	–	–	–	–			

ROE: 8.2%
Dividends: Year-end ¥10 (plan), Annual ¥20(plan)
Exchange rates: USD 1 = JPY 108.9 (-10.1%), EUR 1 = JPY 120.4 (-10.4%), CNY 1 = JPY 16.4 (-14.8%)

* Effective from FY2016, the "+" and "-" symbols are used to indicate increase and decrease in amount of change, respectively.

Net Sales on Growth Track

Changes in the rate of growth of consolidated net sales



*The figure for 2015 excludes the impact of *Jean Paul GAURTIER*(JPG) while the figure for 2016 excludes the impact of *Laura Mercier* and *Dolce&Gabbana.*

The figure for 2014 excludes the impact of the rebound after the consumption tax hike, distribution and inventory reform in China and Asia, and distribution center problems in the Americas.

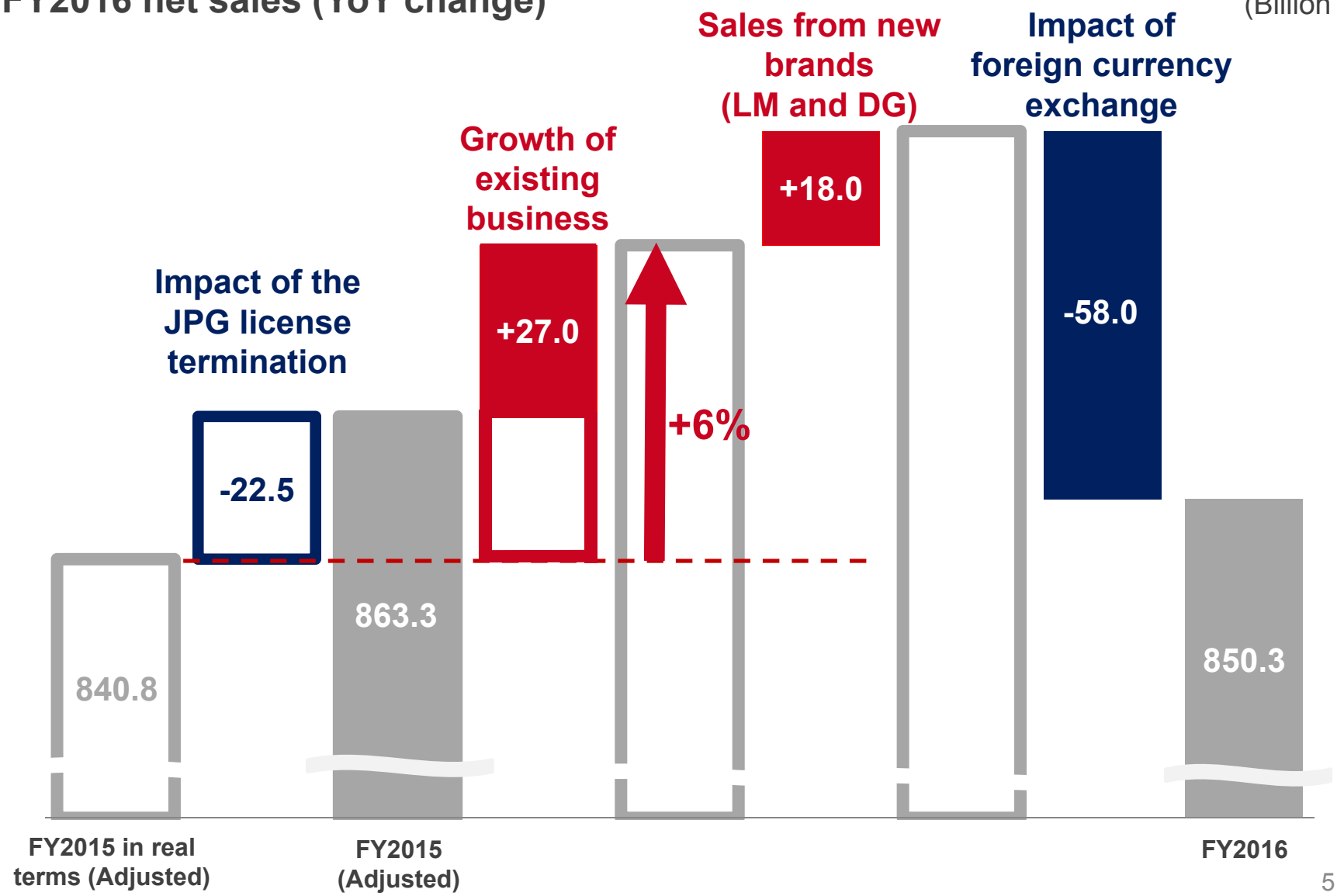
The figure for 2013 excludes the impact of rush demand before the consumption tax hike and the sale of the *DECLÉOR* and *CARITA* brands.

Acceleration of Sales Growth Momentum

Steady growth of existing business at +6% / contribution of sales from new brands

FY2016 net sales (YoY change)

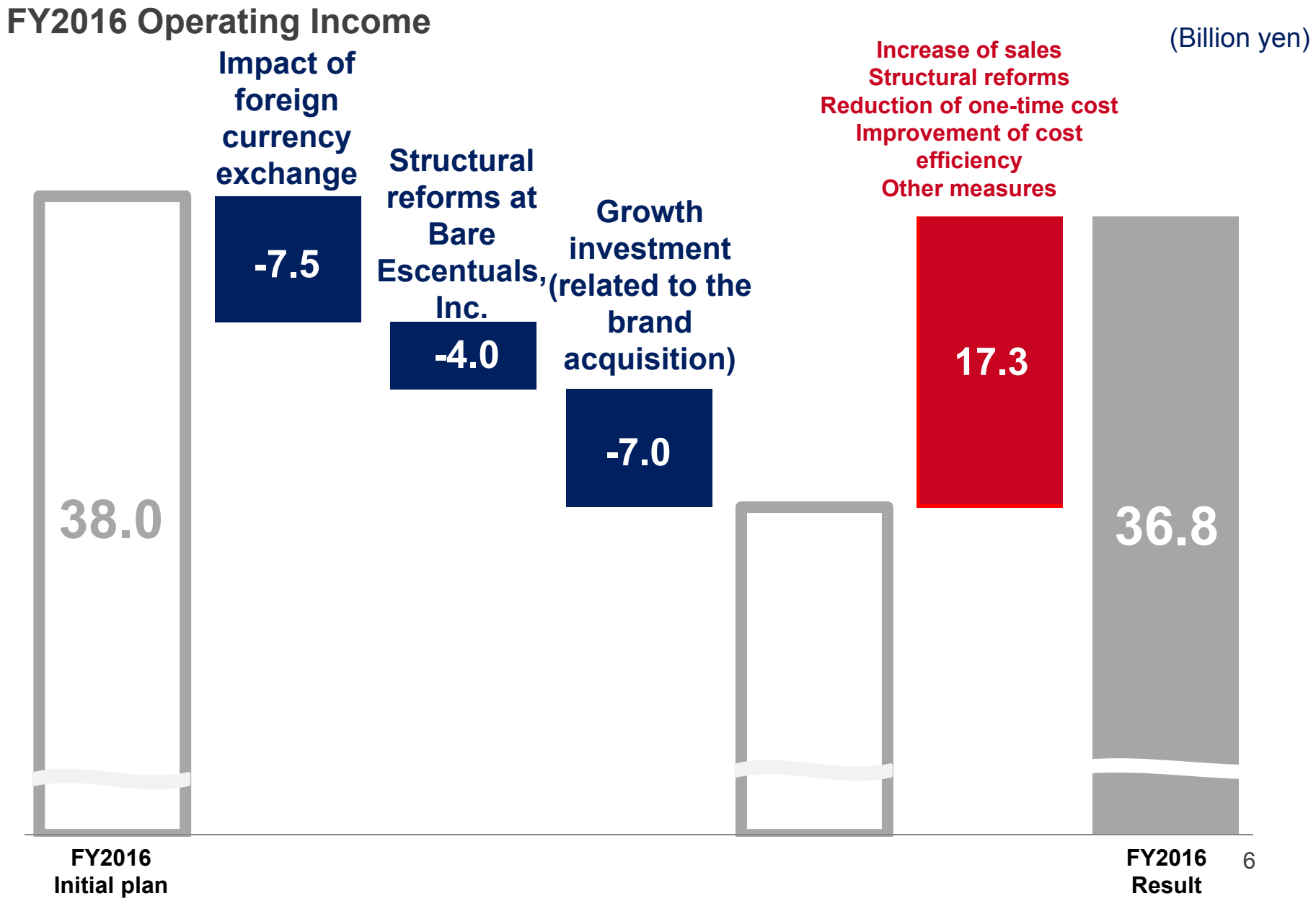
(Billion yen)



* Amount for the previous fiscal year in real terms excluding the impact of the JPG license termination

FY2016: Negative Impact in the Fiscal Year Offset by Existing Businesses

(Difference from the initial plan)



Global Growth of Prestige Brands

Sales by major segments

Regional business x Brand business

(%)	YoY change at the Company	Major businesses			
		Prestige	Fragrance	Cosmetics	Personal Care
Japan	+2.9				
China	+11.4				
Asia Pacific	+7.0				
Americas	+8.0				
	(+0) *1	*1			
EMEA	-8.1				
	(+9) *2		*2		
Travel Retail	+60.4				
Total	+5.2	+15	-15	+1	+2
	(+6) *1,2	(+12) *1	(+6)		

*1 Excluding the impact of *Laura Mercier*
*2 Excluding the impact of *Jean Paul GAURTIER* and *Dolce&Gabbana*

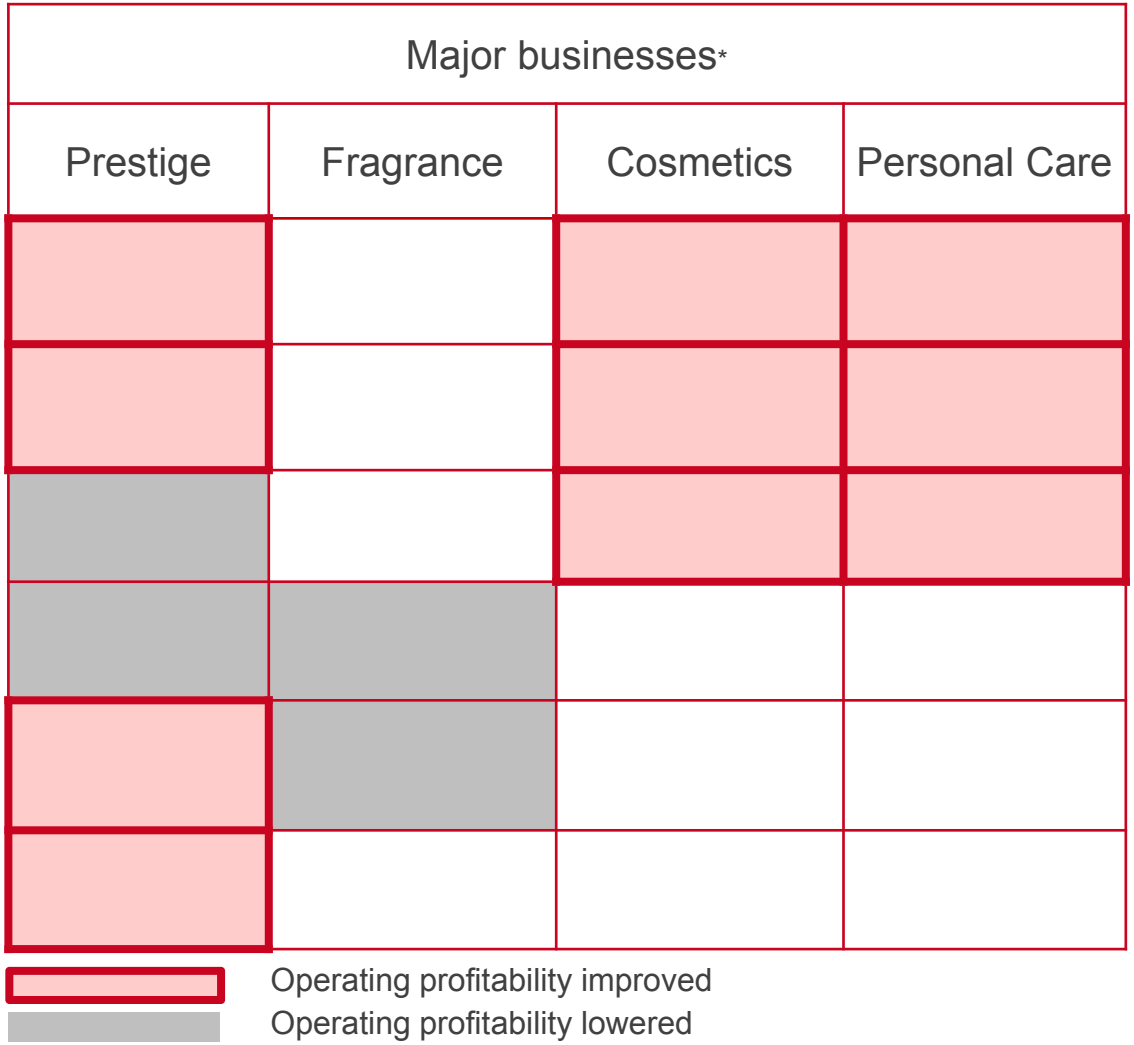
Out-performance against the market growth rate
Underperformance against the market growth rate

Highly-Profitable Prestige, TR, and China Being the Driving Force of Profitability Improvement

Operating profitability by major segments

(%)	Operating profitability for FY2016	Operating profitability for FY2015 (Adjusted)
Japan	12.6	12.6
China	3.5	-0.4
Asia Pacific	2.2	0.8
Americas	-6.8	-3.1
EMEA	-8.1	4.2
Travel Retail	22.1	14.0
Total	4.3	5.1

Regional business x Brand business



Japan: 2.9% in sales growth, 4.4% in profit growth

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %
Prestige[1]	53.9	6.3	47.1	5.5	+6.7	+14.3
Cosmetics Specialty Stores	64.6	7.6	60.1	7.0	+4.4	+7.3
Cosmetics[2]	174.4	20.5	173.0	20.0	+1.4	+0.8
Personal Care[2]	58.3	6.9	60.8	7.0	-2.5	-4.1
Others[4]	56.5	6.7	54.9	6.4	+1.6	+3.0
Japan	407.6	48.0	396.0	45.9	+11.7	+2.9

(Billion yen, %)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	57.4	55.0	+2.4	+4.4
Operating Profitability	12.6	12.6	+0.0pt	
Income Before Amortization of Goodwill, etc.	57.8	55.1	+2.6	+4.8
Operating Profitability	12.7	12.6	+0.1pt	

1. Prestige business is divided into “Prestige” and “ Cosmetics Specialty Stores” in line with the management system of Japan.
2. Three brands *AG+* (renamed *AgDEO24* after the renewal), *uno* and *MA CHÉRIE*, were transferred from Cosmetics to Personal Care in 1Q FY2016. Results for the previous fiscal year have been adjusted based on the post-transfer classification.
3. Results for “Digital” are combined with the results of each business in line with the internal management system. The year-on-year change for Digital is +21%.
4. “Others” include THE GINZA, Frontier Science Business, and Shiseido Parlour, etc.
5. “% of Net Sales” indicates ratio to consolidated net sales.
6. Operating profitability is calculated using net sales including intersegment transactions.

Japan: Growth of Personal Care Being a Challenge

Store sales of store sales of major brands in Japan business



1. Including sales at specialty stores
2. Shipment from wholesalers to retailers

Better result than the previous year
Poorer result than the previous year
Equivalent to the previous year

China: 11.4% in Sales Growth, 3.9pt Profitability Improvement

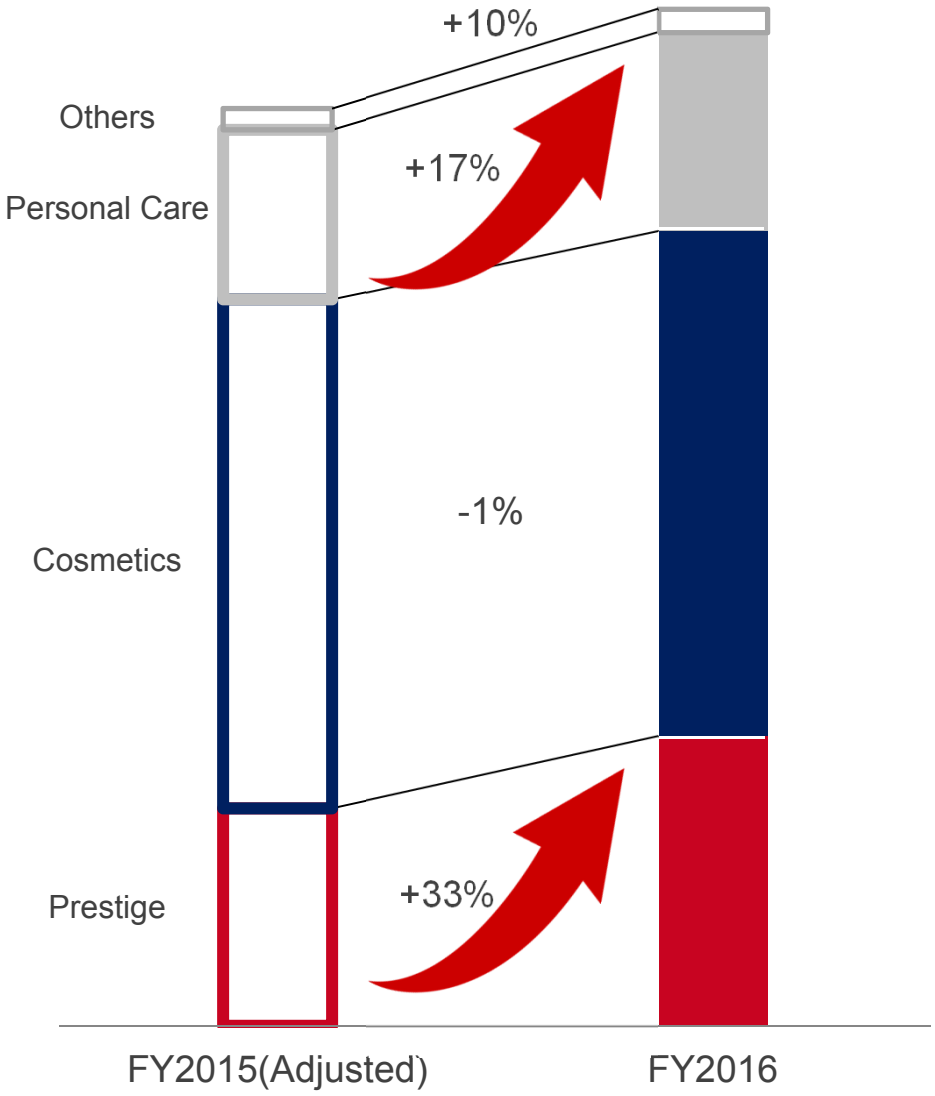
(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency %
China	120.5	14.2	125.7	14.5	-5.2	-4.2	+11.4

(Billion yen, %)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	4.2	-0.5	+4.6	-
Operating Profitability	3.5	-0.4	+3.9pt	
Income Before Amortization of Goodwill, etc.	4.6	-0.0	+4.6	-
Operating Profitability	3.8	-0.0	+3.8pt	

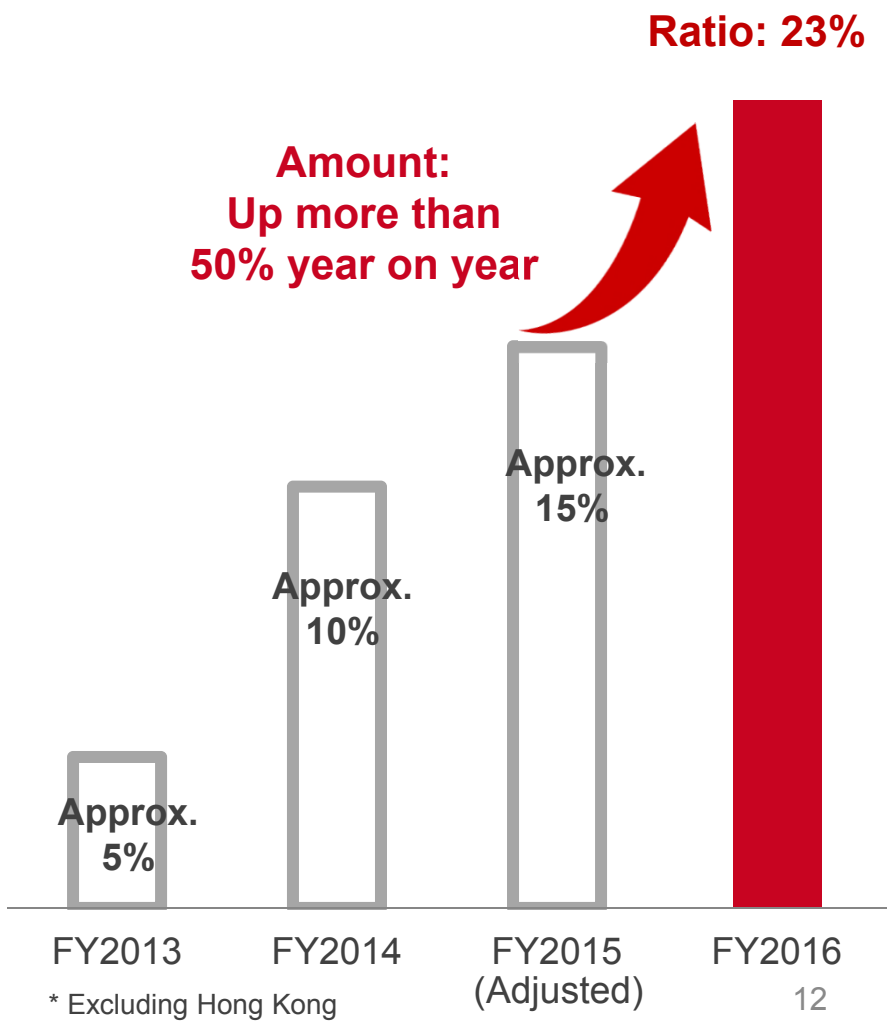
1. “% of Net Sales” indicates ratio to consolidated net sales.
2. Operating profitability is calculated using net sales including intersegment transactions.

China: 33% Growth of Sales from Prestige, and Over 50% Growth of E-Commerce

Sales by business
(Local currency basis)



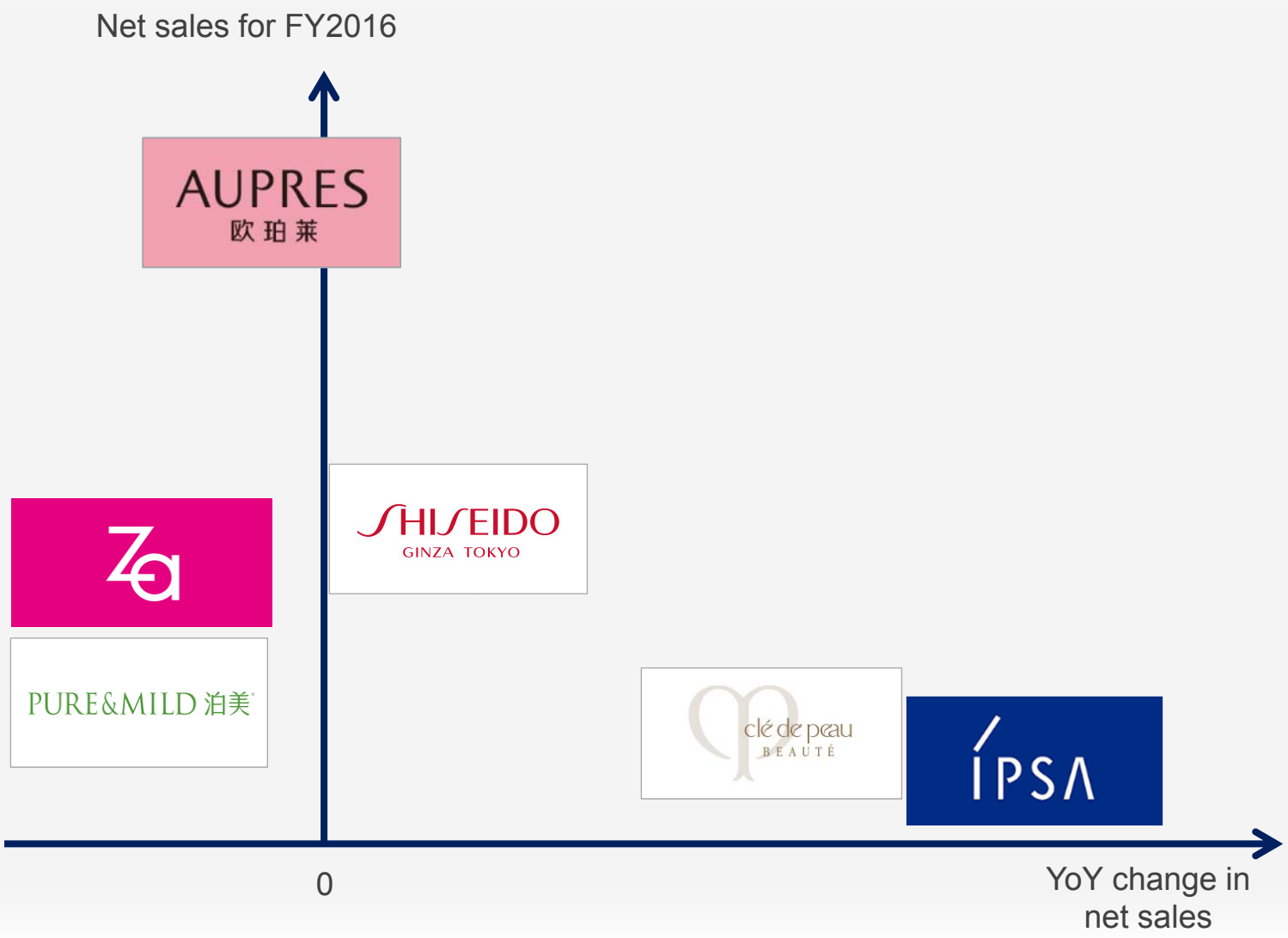
Ratio of sales from e-commerce to total China sales*
(Local currency basis)



* Excluding Hong Kong

China: Great Leap Forward in Prestige and Challenges of Cosmetics

Store sales by brand (Local currency basis)



Asia Pacific: 7% in Sales Growth, 1.4pt Profitability Improvement

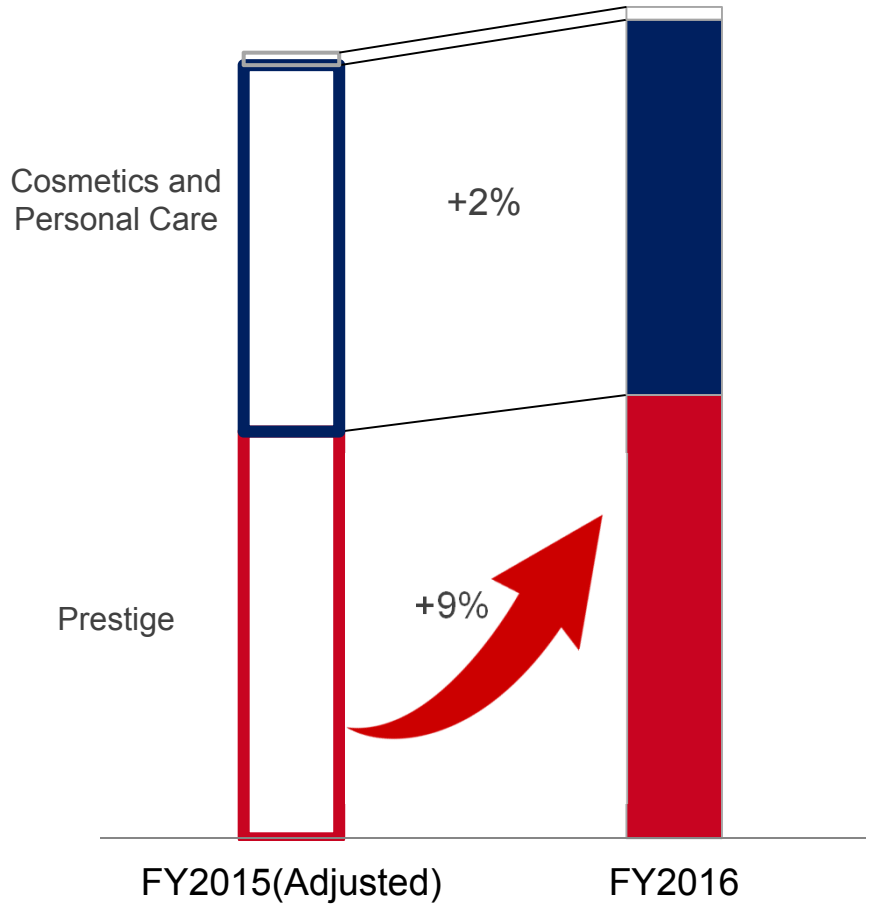
(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency %
Asia Pacific	49.6	5.8	52.7	6.1	-3.1	-5.9	+7.0

(Billion yen, %)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	1.1	0.4	+0.7	+171.8
Operating Profitability	2.2	0.8	+1.4pt	
Income Before Amortization of Goodwill, etc.	1.2	0.5	+0.7	+145.1
Operating Profitability	2.3	0.9	+1.4pt	

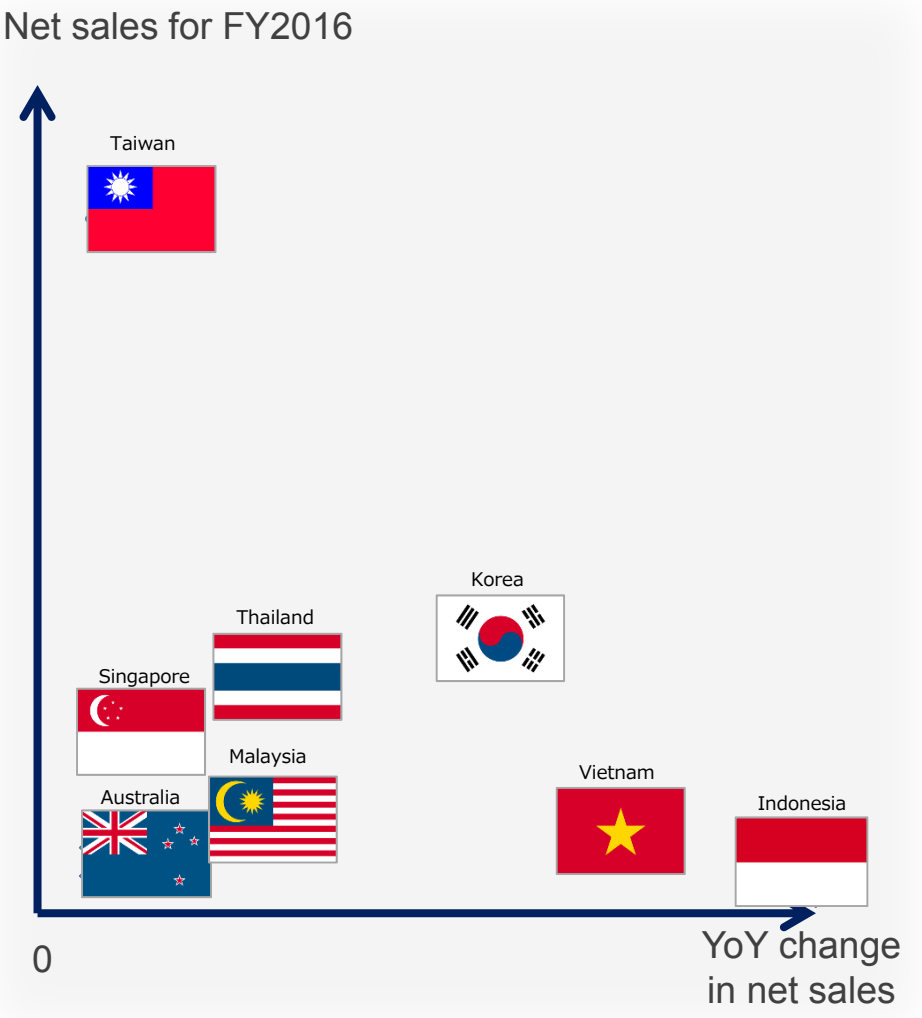
1. “% of Net Sales” indicates ratio to consolidated net sales.
2. Operating profitability is calculated using net sales including intersegment transactions.

Asia Pacific:
Strong Showing of Prestige, with Growth of Sales in All Countries

Sales by business
(Local currency basis)



Sales by country



Americas: 8% in Sales Growth, 3.7pt Decrease in Profitability Given Investments in Growth and Structural Reforms

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency %
Americas	162.6	19.1	167.5	19.4	-5.0	-3.0	+8.0

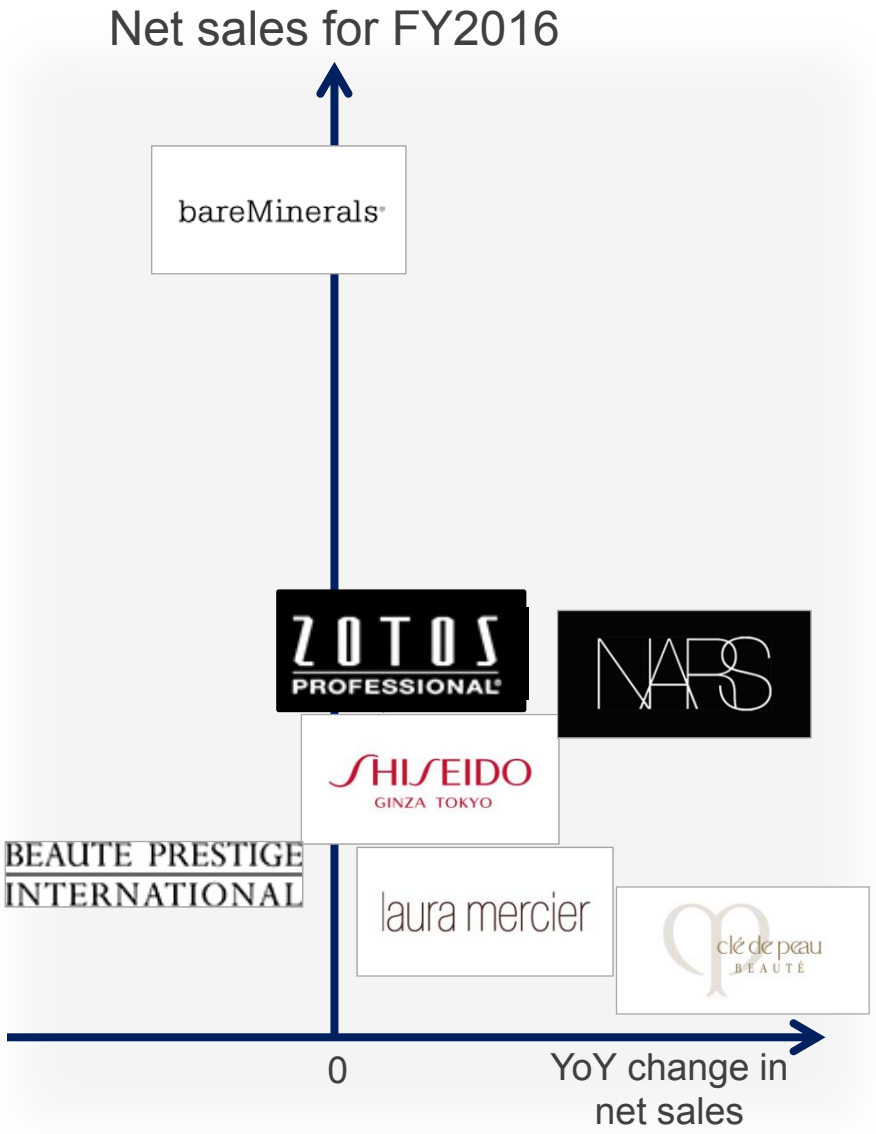
Year-on-year percentage change is +0% excluding the effect of the acquisition of *Laura Mercier.*

(Billion yen, %)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	-11.8	-5.6	-6.2	-
Operating Profitability	-6.8	-3.1	-3.7pt	
Income Before Amortization of Goodwill, etc.	-2.9	-3.8	-6.8	-
Operating Profitability	-1.7	2.2	-3.9pt	

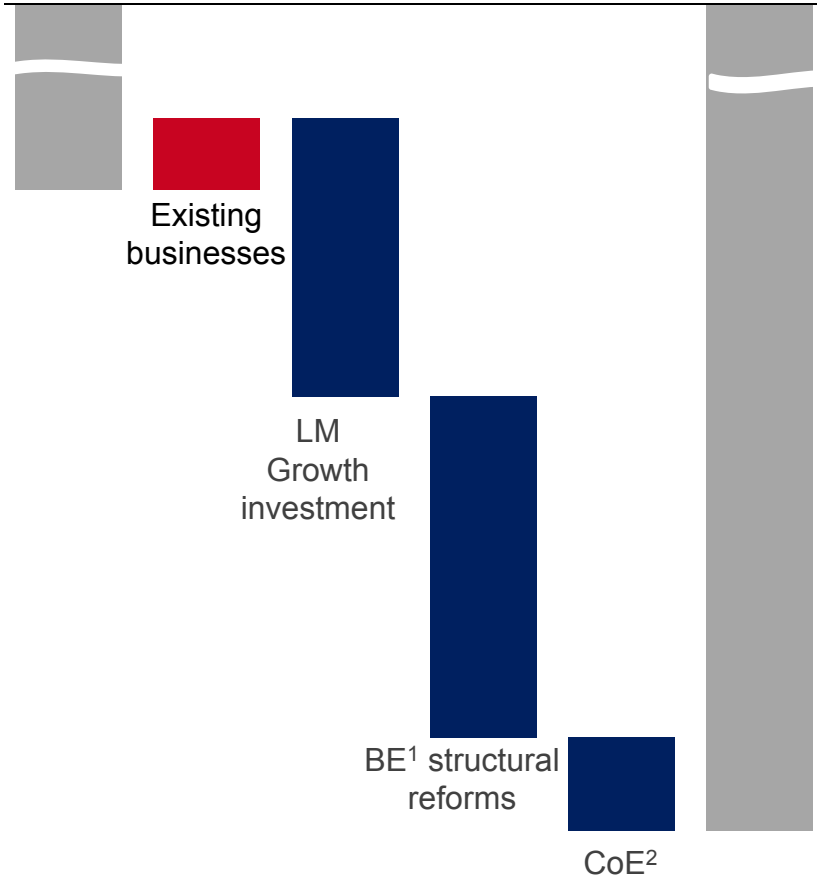
1. “% of Net Sales” indicates ratio to consolidated net sales.
2. Operating profitability is calculated using net sales including intersegment transactions.

Americas: Double-Digit Growth of *clé de peau BEAUTÉ* and *NARS*

Net sales (Local currency basis)



Profit
Factors for increase/decrease



1. BE: Bare Escentuals
2. CoE: Center of Excellence

EMEA (Europe, Middle East and Africa): 8.1% Sales Decline, 12.3pt Decrease in Profitability

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency %
EMEA	85.2	10.0	104.2	12.1	-19.0	-18.2	-8.1

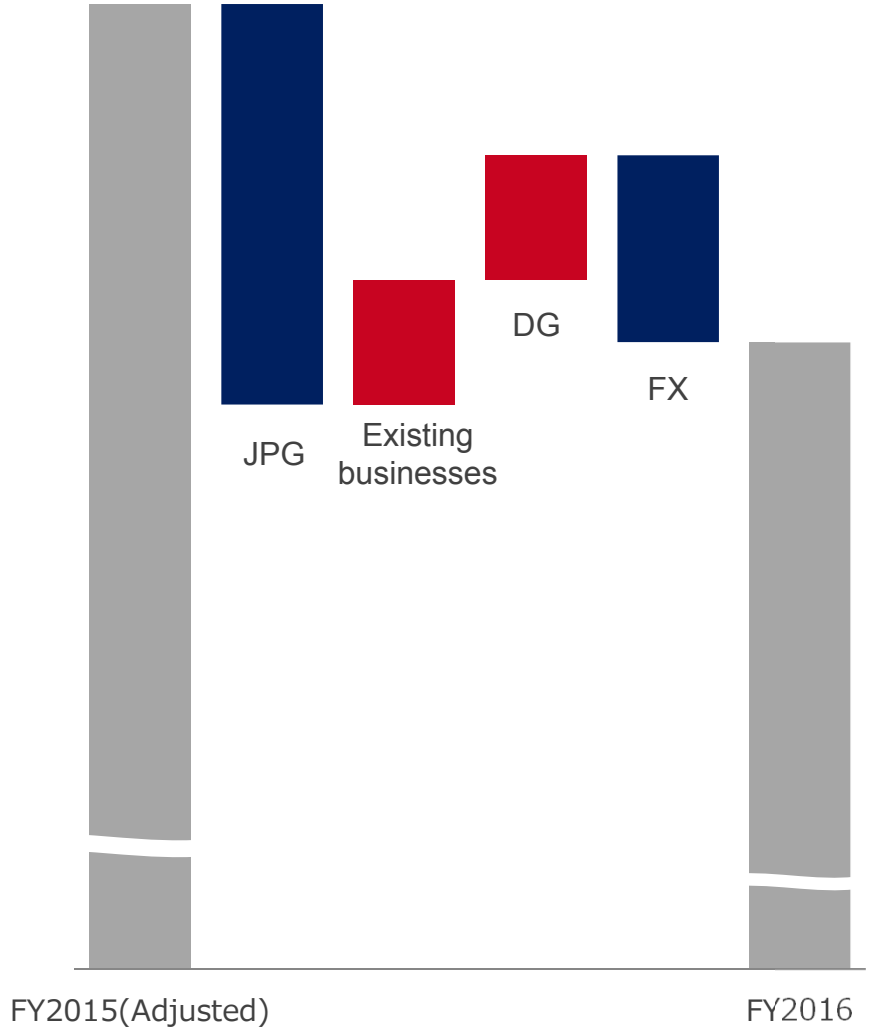
Year-on-year percentage change is +9% excluding the effect of the termination of the *Jean Paul GAULTIER* license and the acquisition of the *Dolce&Gabbanal* license.

(Billion yen, %)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	-7.2	4.6	-11.8	-
Operating Profitability	-8.1	4.2	-12.3pt	
Income Before Amortization of Goodwill, etc.	-6.3	4.6	-10.9	-
Operating Profitability	-7.0	4.2	-11.2pt	

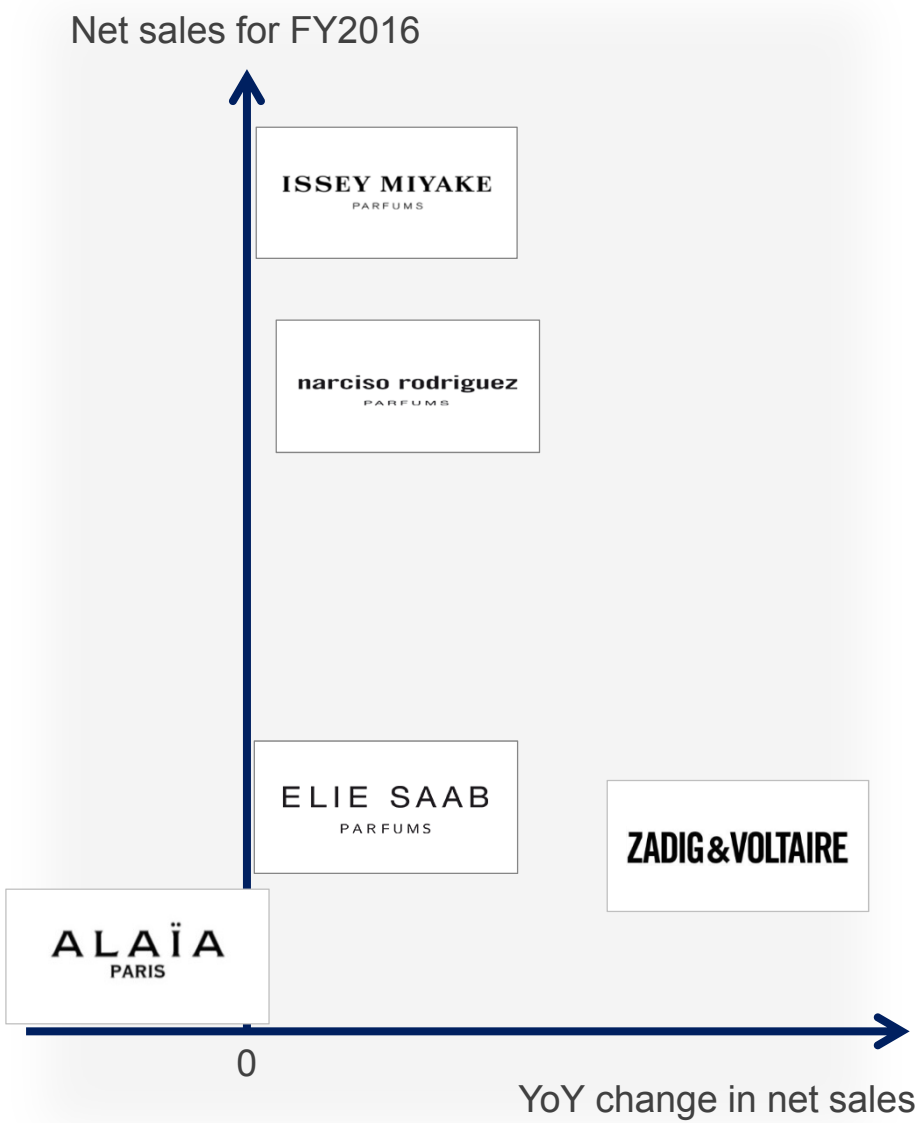
1. "% of Net Sales" indicates ratio to consolidated net sales.
2. Operating profitability is calculated using net sales including intersegment transactions.

EMEA: Decline of Sales Attributed to JPG and Impact of Foreign Currency Exchange

Net sales



JPG: *Jean Paul GAULTIER* DG: *Dolce&Gabbana*



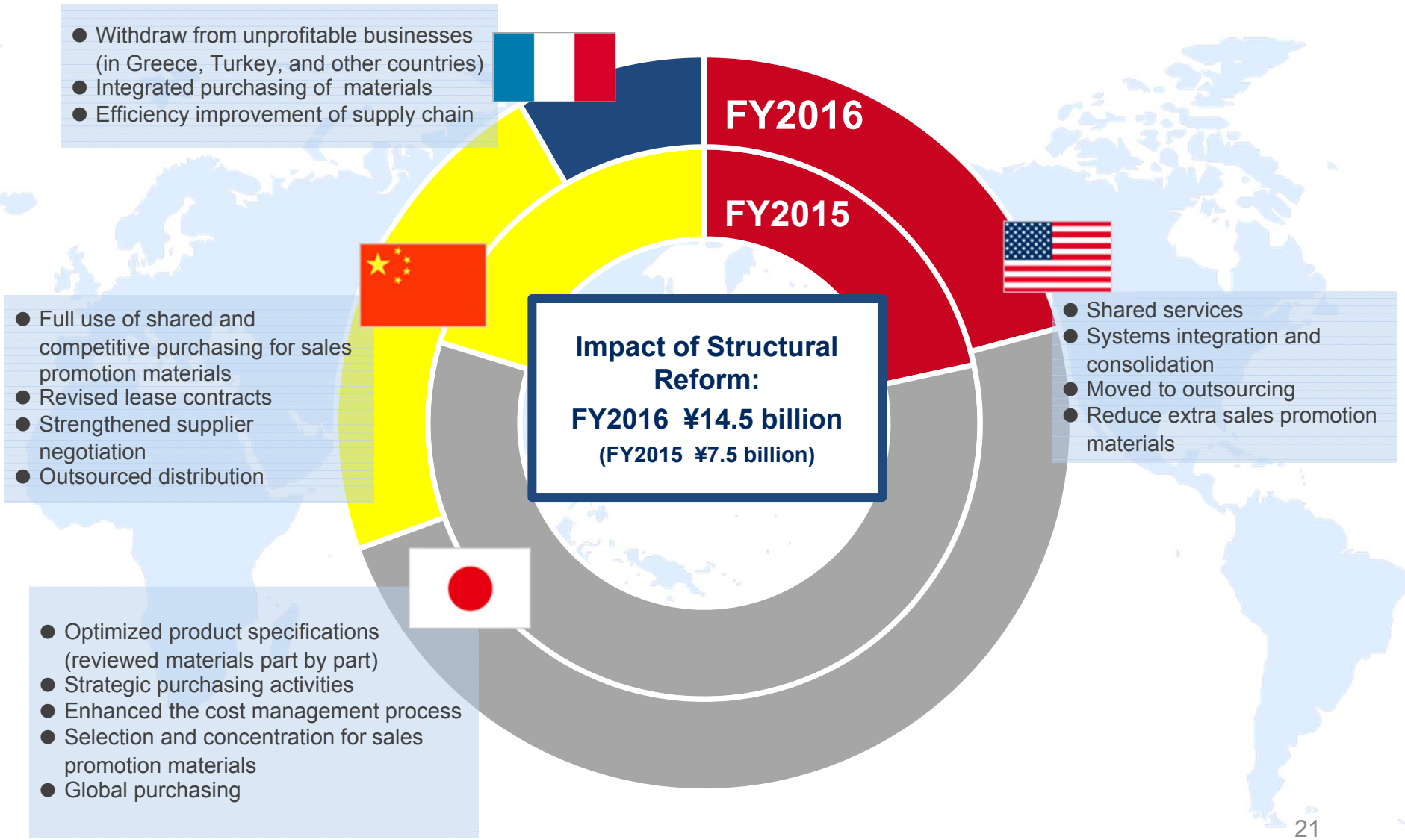
Travel Retail: 60.4% in Sales Growth, 22.1% Operating Profitability

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency %
Travel Retail	24.8	2.9	17.2	2.0	+7.6	+44.2	+60.4

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	5.5	2.4	+3.1	+126.8
Operating Profitability	22.1	14.0	+8.1pt	
Income Before Amortization of Goodwill, etc.	5.5	2.4	+3.1	+126.8
Operating Profitability	22.1	14.0	+8.1pt	

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

Cost Structure Reforms: More Progress than Planned



Cost of Sales and SG&A

(Billion yen)	FY2016	% of Net Sales	Change in % of Net Sales (+: % decrease)	YoY Change %	YoY Change	Change Excluding Impact of Foreign Currency Exchange
Cost of Sales	207.6	24.4	-0.7	-4.0	-8.7	–
SG&A	606.0	71.3	+1.5	+0.5	+3.3	+42.8
Marketing Costs	308.8	36.3	+0.1	-1.1	-3.3	+19.2
Brand Development Cost and R&D Expenses	38.8	4.6	+0.4	+6.7	+2.4	+3.2
Personnel Expenses	112.0	13.2	+0.1	-1.4	-1.6	+5.4
Other Expenses	146.4	17.2	+0.9	+4.1	+5.7	+14.9

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 amount, respectively.

Other Income and Expenses and Extraordinary Income and Losses

Other Income and Expenses

(Billion yen)	FY2016	FY2015 (Adjusted)
Interest Income	0.8	1.2
Interest Expense	-0.8	-0.9
Net Interest Income and Expense	-0.0	0.3
Foreign Exchange Gain/Loss	-1.3	-1.9
Other	1.7	1.6
Total	0.4	-0.1

Extraordinary Income and Losses

(Billion yen)	FY2016	FY2015 (Adjusted)
Gain on Transfer of Business	9.0	5.8
Gain/Loss on Sales or Disposal of Property, Plant and Equipment	8.1	2.9
Gain/Loss on Sales of Investments in Securities and Loss on Revaluation of Investments in Securities	0.4	2.7
Structural Reform Expense	-4.0	-1.5
Impairment Loss	-0.2	-0.2
Information security expenses	-0.6	-
Loss of liquidation of Subsidiaries and affiliates	-	-0.8
Total	12.7	8.8

- Gain on Transfer of Business: Transfer of intellectual property rights associated with the *Jean Paul GAULTIER* brand in 2016
- Gain on Sales or Disposal of Property, Plant and Equipment: Sale of land at the former Kamakura Factory, etc.
- Structural Reform Expenses: Early retirement bonus that were being pursued in all regions of the world as of 2016, etc.

Consolidated Balance Sheets

(Billion yen)	Dec. 31, 2016	Change from Dec. 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Current Assets	443.7	+33.1	+49.0	-16.0
Cash, Time Deposits and Short-Term Investments in Securities	128.0	+3.6	+8.7	-5.2
Notes & Accounts Receivable	136.8	+9.6	+14.8	-5.2
Inventories	115.7	+9.7	+13.5	-3.8
Total Fixed Assets	502.3	+104.4	+118.8	-14.4
Property, Plant and Equipment	156.2	+21.9	+24.7	-2.7
Intangible Assets	246.3	+84.9	+96.1	-11.2
Investments and Other Assets	99.7	-2.5	-2.0	-0.5
Total Assets	946.0	+137.5	+167.9	-30.4

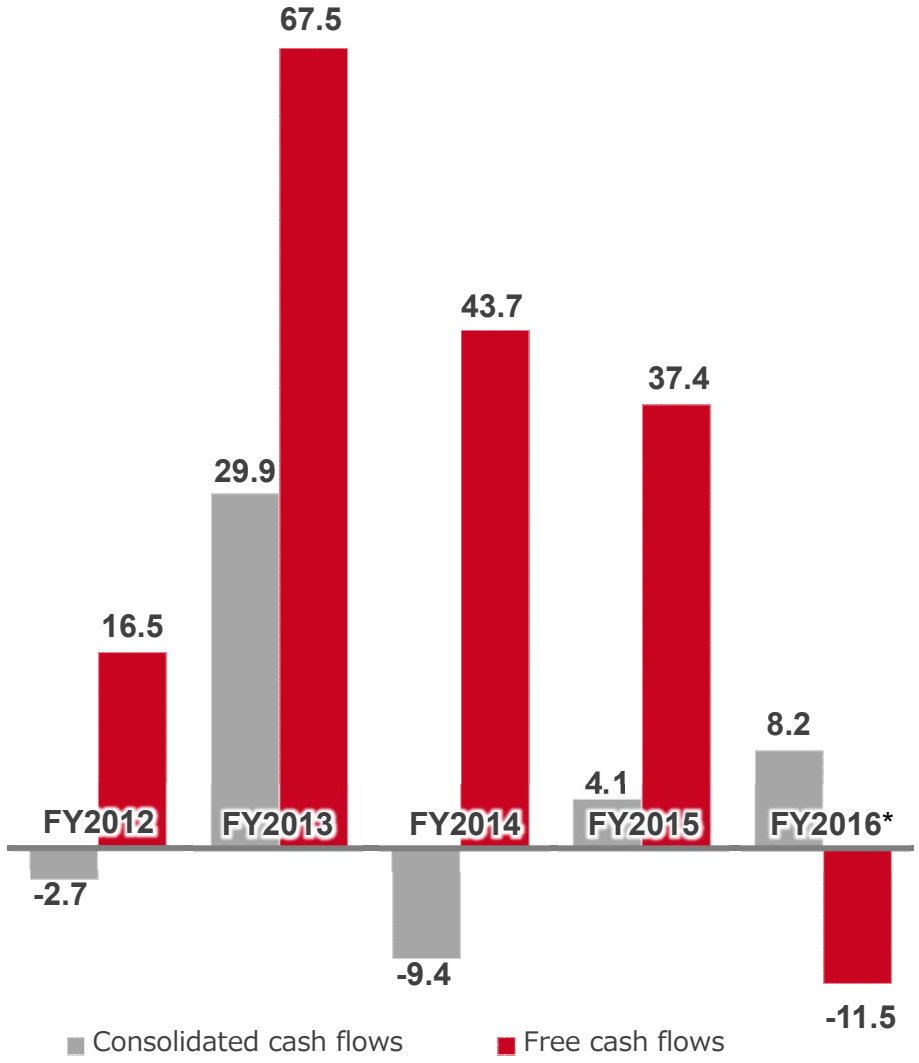
(Billion yen)	Dec. 31, 2016	Change from Dec. 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Liabilities	532.1	+136.9	+149.5	-12.6
Notes & Accounts Payable and Other Payables	124.0	+24.6	+27.2	-2.6
Interest-Bearing Debt	175.8	+89.2	+94.0	-4.8
Liability for Retirement Benefits	94.5	+10.8	+11.1	-0.3
Total Net Assets	413.9	+0.5	+18.4	-17.8
Shareholders' Equity	392.0	+25.0	-	-
Accumulated Other Comprehensive Income	0.9	-23.7	-	-
Non-Controlling Interests	20.1	-0.7	-	-
Total Liabilities and Net Assets	946.0	+137.5	+167.9	-30.4

Exchange Rates:
Dec. 31, 2015: USD 1= JPY 120.5; EUR 1 = JPY 131.7; CNY 1 = JPY 18.3
Dec. 31, 2016: USD 1= JPY 116.5; EUR 1 = JPY 122.7; CNY 1 = JPY 16.8

Equity Ratio: 41.5.%
Interest-Bearing Debt Ratio: 29.8%

*Main line items only

Consolidated Statements of Cash Flows



Cash Flows from Operating Activities	¥59.1 billion
Cash Flows from Investing Activities	-¥70.6 billion
Free Cash Flows	-¥11.5 billion
Cash Flows from Financing Activities	¥22.4 billion
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-¥2.7 billion
Consolidated Cash Flows	¥8.2 billion

* FY2016 Domestic: Jan.-Dec., Overseas: Jan.-Dec.
FY2012-2015 Domestic: Apr.-Mar., Overseas: Jan.-Dec.
See Supplement 1.

FY2017: Full-Year Forecast

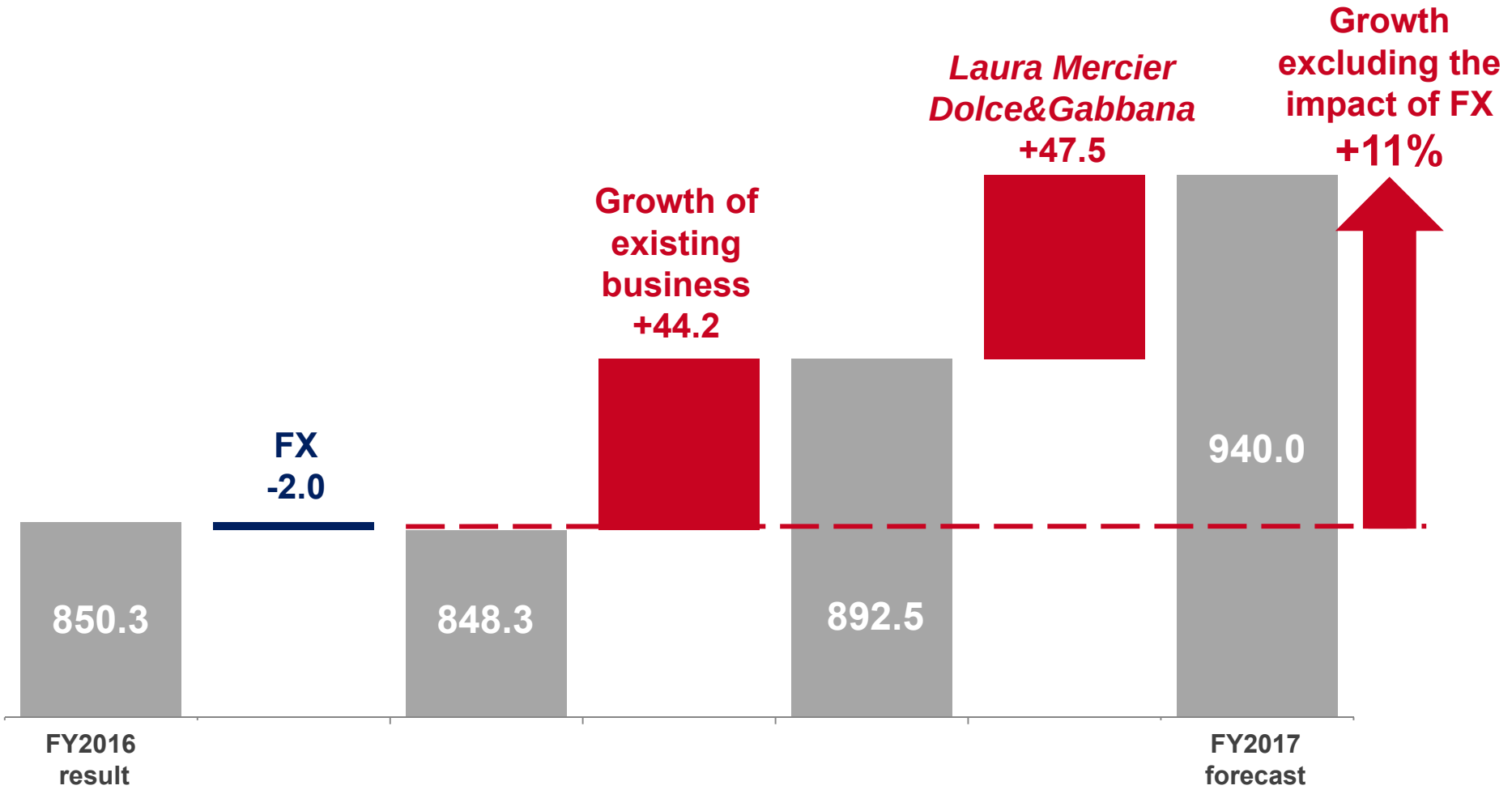
(Billion yen)	FY2017	% of Net Sales	FY 2016	YoY Change %	Change Excluding Impact of Foreign Currency Exchange %
Net Sales	940.0	100	850.3	+10.5	+11
Operating Income	45.5	4.8	36.8	+23.7	
Ordinary Income	45.5	4.8	37.2	+22.4	
Extraordinary Income/Loss (Net)	-2.5	-0.3	12.7	-	
Net Income Attributable to Owners of Parent	26.0	2.8	32.1	-19.0	

Expected ROE: 6.5%
Exchange rates: FY2017: USD 1 = JPY 110 (+1%), EUR 1 = JPY 118 (-2%), CNY 1 = JPY 16 (-2%)
Dividends: Interim ¥10, Year-end ¥10 (plan)

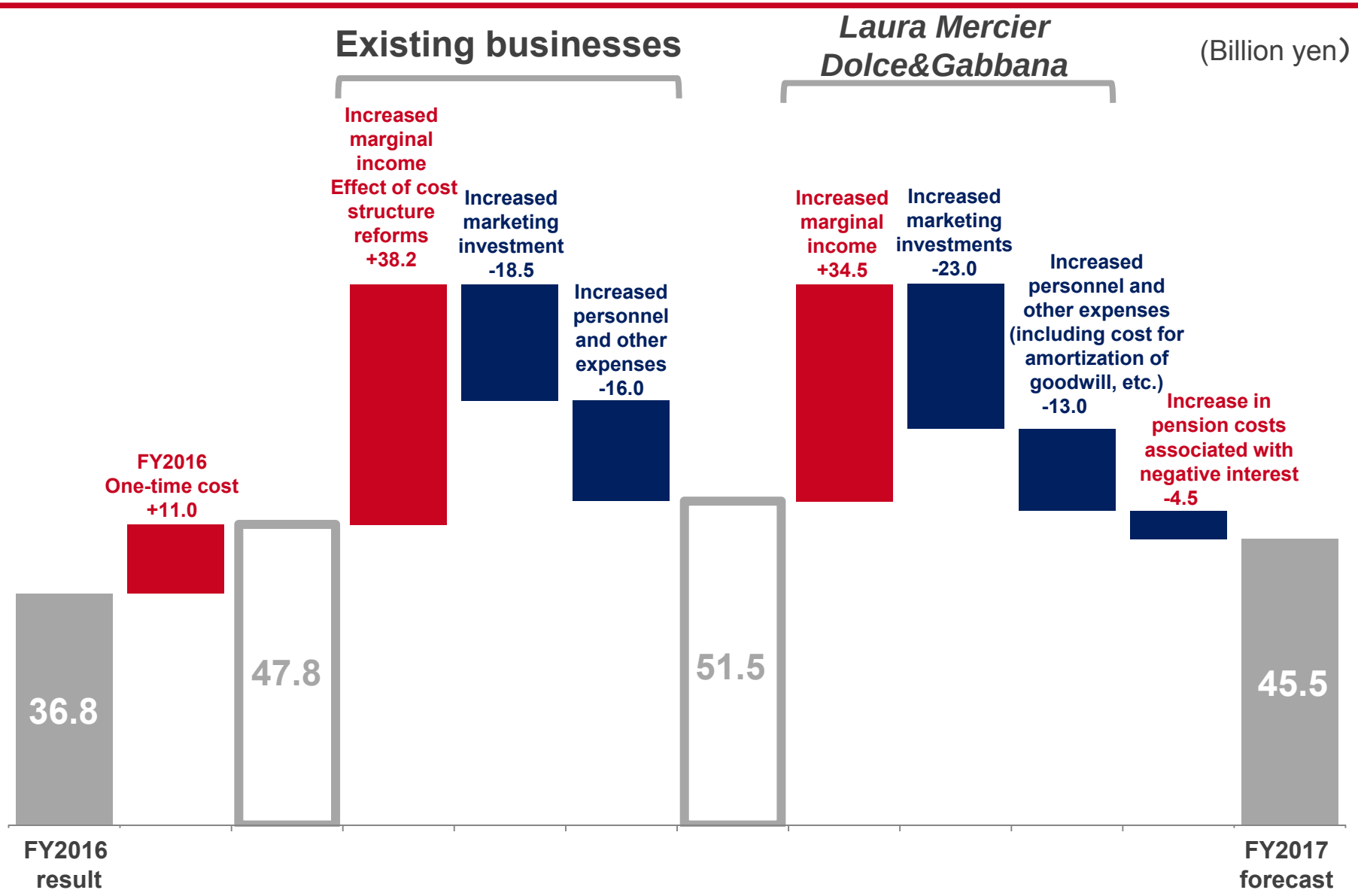
For Driving the Growth Further

Sales forecast for FY2017

(Billion yen)



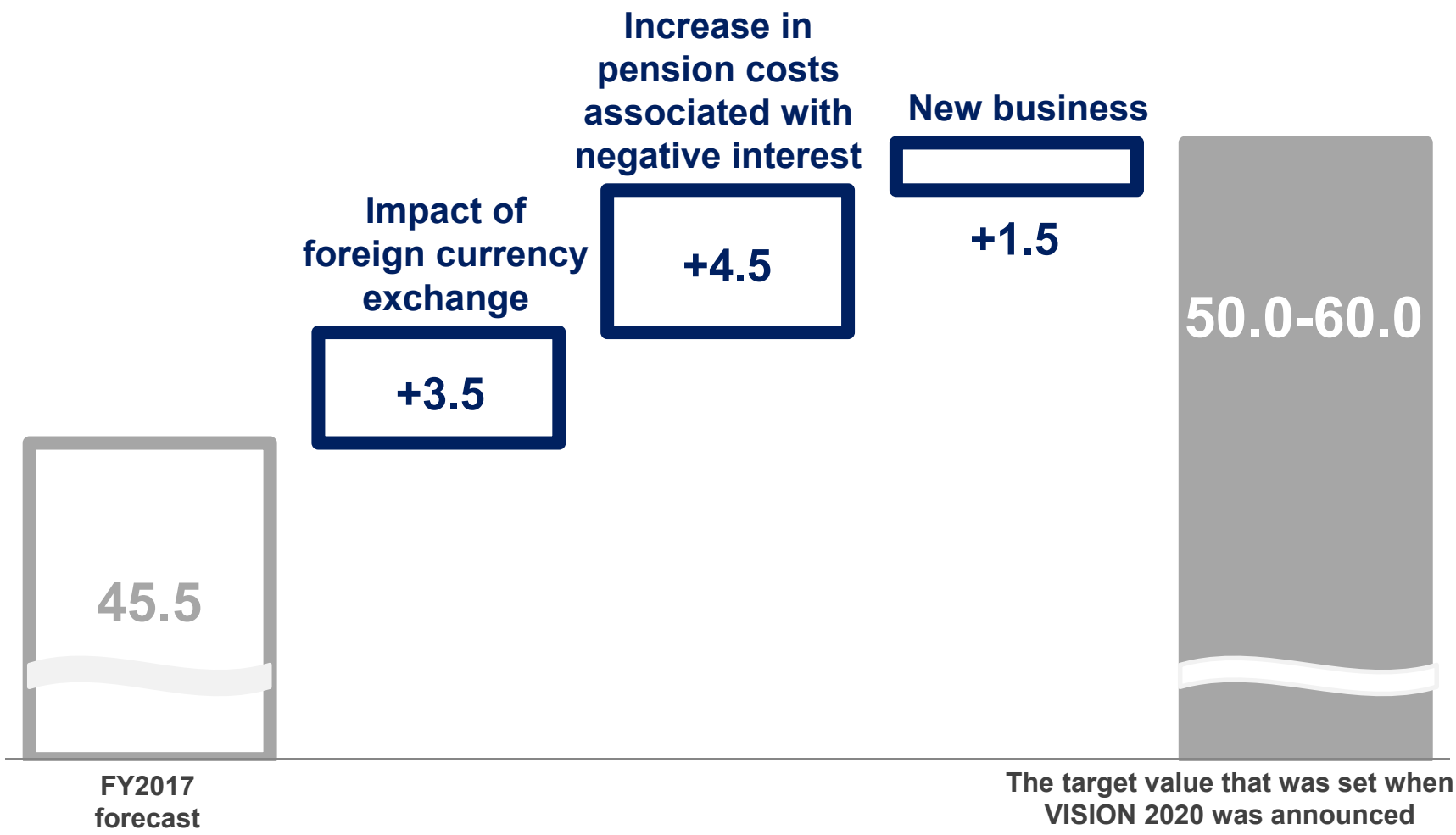
Operating Income Forecast for FY2017



Operating Income Forecast for FY2017

Almost as planned, excluding special factors

(Billion yen)



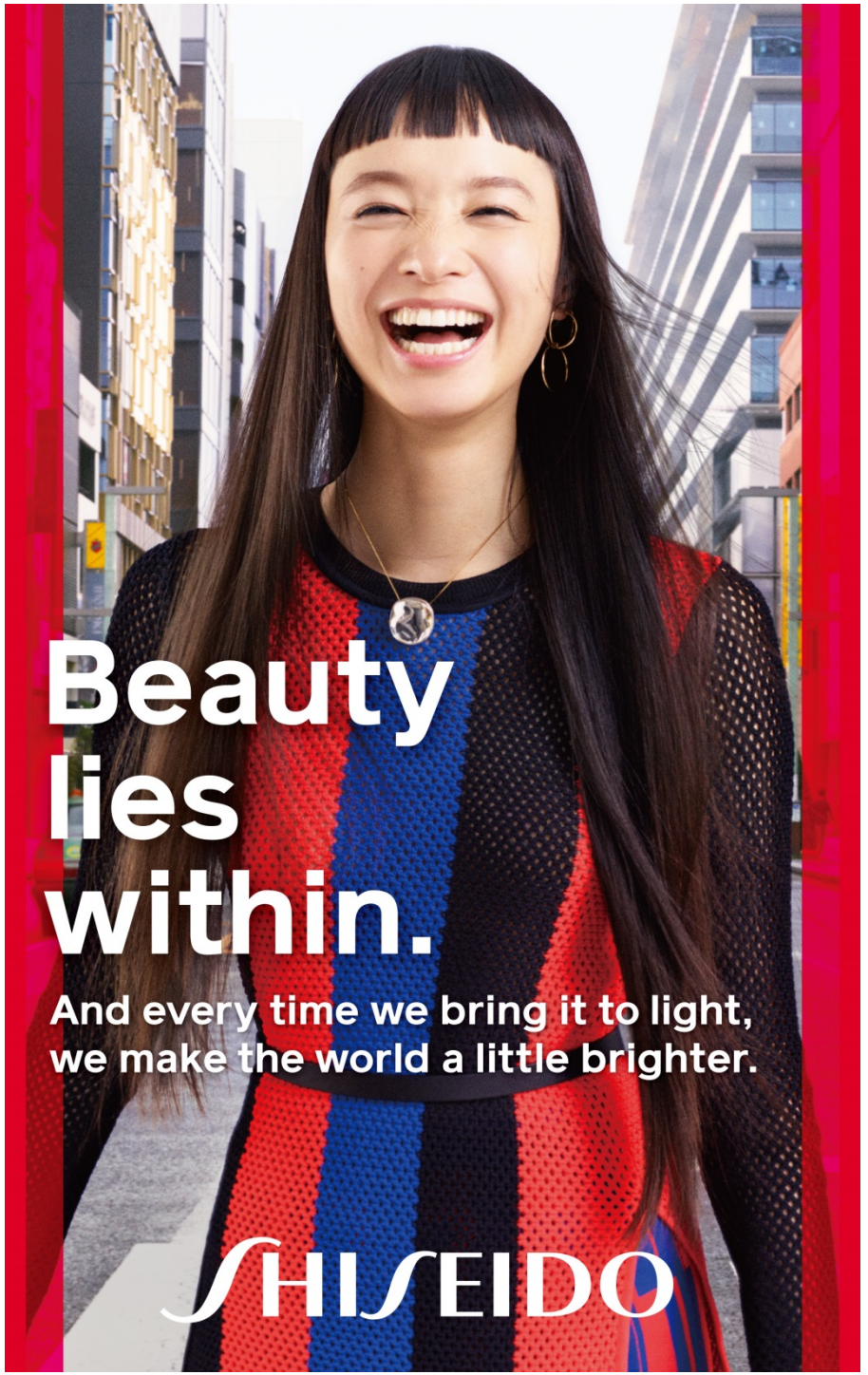

SHISEIDO

FY2017 Policies

Building Business Foundation for VISION 2020 and Taking Further Steps

February 9, 2017

Masahiko Uotani
Representative Director,
President and CEO



Progress Seen in the Resolution of Legacy Issues and Creation of a Virtuous Circle in the Three Years

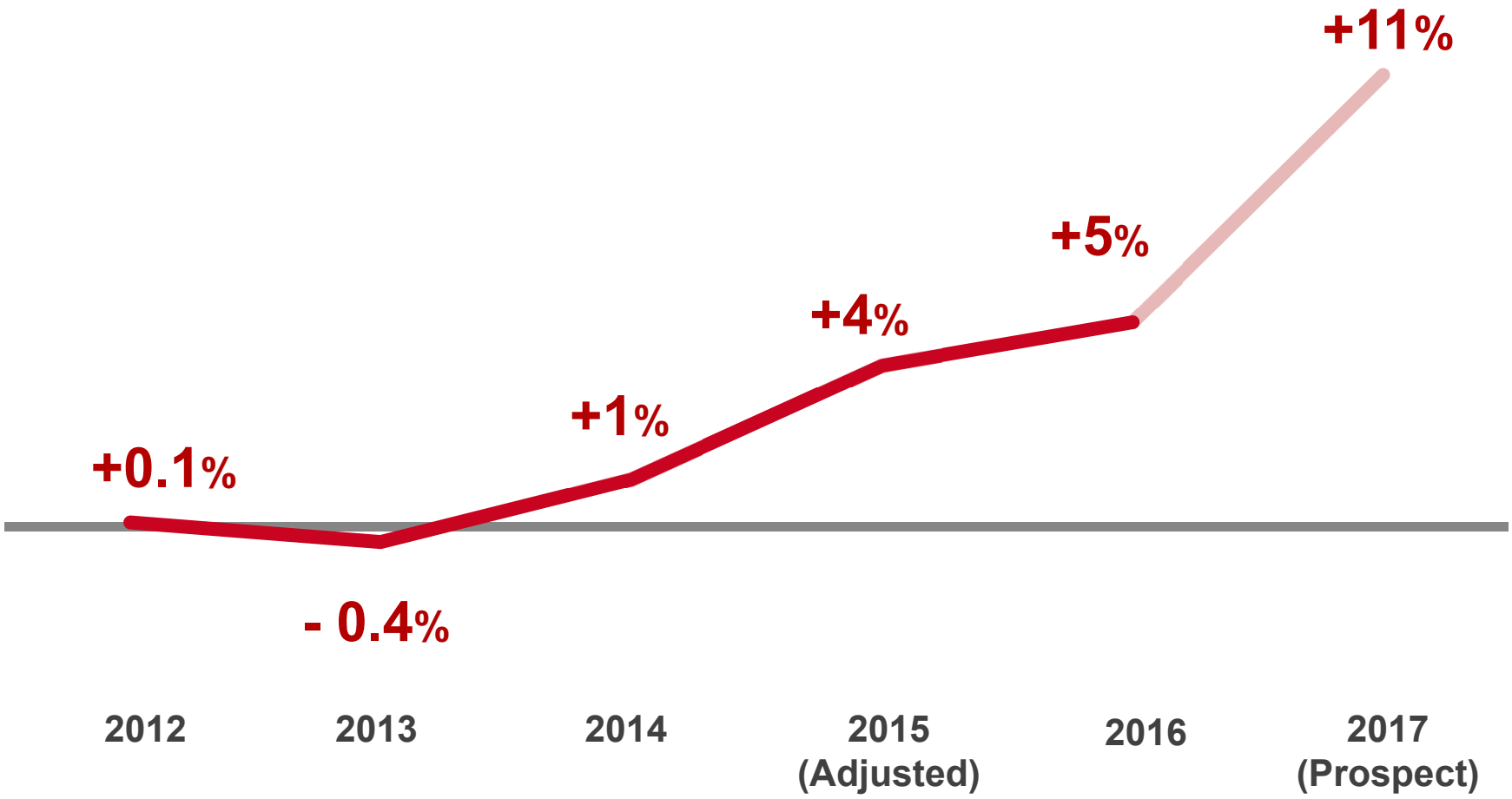
Summary of the period from FY2014 to FY2016

Rebuilding Business Foundation (2014/2015, 2016, 2017) → **New Strategy to Accelerate Growth** (2018, 2019, 2020)

Address and Resolve Legacy Issues	Create a Virtuous Cycle
● China and Asia: Reduce store inventory ● Withdraw from unprofitable businesses: Greece, Turkey, and the *Za* business in India ● Integrate organization and raise efficiency Integration of back offices and IT systems in EMEA and Americas ● Promote structural reforms in EMEA and the Americas EMEA: Integration of cosmetics and fragrance organizations Americas: Structural reforms at Bare Escentuals, Inc.	● Implement strategies for brand selection, concentration and enhancement Renew key brands ● Start operation of Global Matrix Organization and Center of Excellence ● Acquire new brands ***Dolce&Gabbana* and *Laura Mercier*** ● Increase investment in marketing and innovation ● Cost structure reforms

Sales on Growth Track

Changes in the rate of growth of consolidated net sales



*The figure for 2014 excludes the impact of the rebound after the consumption tax hike, market inventory optimization in China and Asia, and distribution center problems in the Americas.

The figure for 2013 excludes the impact of the rush demand before the consumption tax hike and sales of *DECLÉOR* and *CARITA* brands.

Complete the Rebuilding of Business Foundation

Continue to increase investments
Ensure net sales exceed ¥1 trillion and operating income exceeds ¥100 billion

Key actions for 2017

- **Focus further on areas of focus**
  - Give top priority to Prestige
  - Accelerate growth of Japan brands
  - Strengthen Digital communication and e-commerce
- **Address potential risks**
  - *Bare Escentuals*
  - *AUPRES*
  - Japan: Review strategies for low-priced products
- **Improve productivity**



Give Top Priority to Prestige

Intensive investment in the global Prestige brands, which continue to expand



Skin Care

SHISEIDO,
***clé de peau BEAUTÉ*, *IPSA*, and others**



Makeup

NARS,
Laura Mercier,
***bareMinerals,* and others**

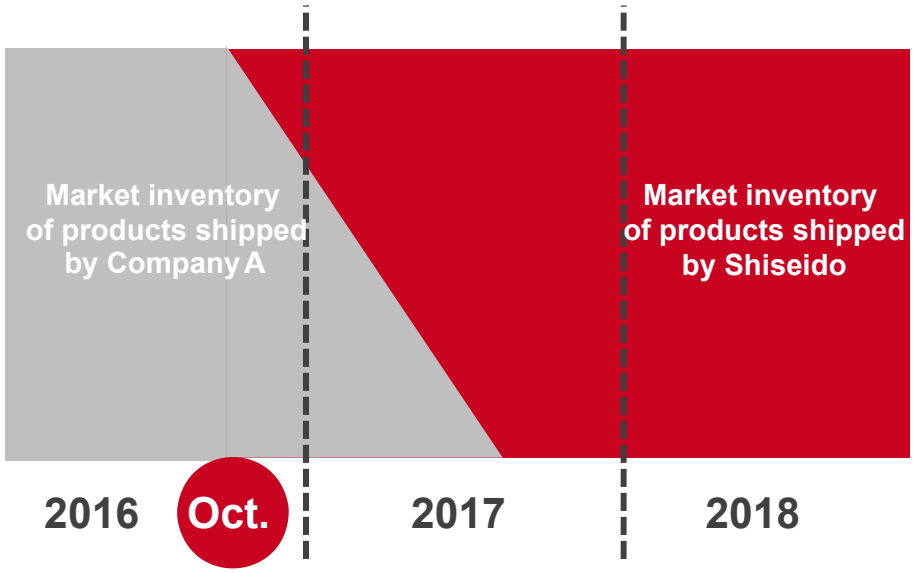


Fragrance

Dolce&Gabbana
ISSEY MIYAKE
***narciso rodriguez*, and others**

Dolce&Gabbana

Market inventory expectation



Beginning of sales by Shiseido

Increasing marketing investments

More than double the amount of investments made by Company A

Start of production

Spring of 2017 or later

- Significant increase in advertising investment
- Profitability improvement that resulted from transfer of production Production will start in the spring of FY2017 or later
- Optimization of market inventories

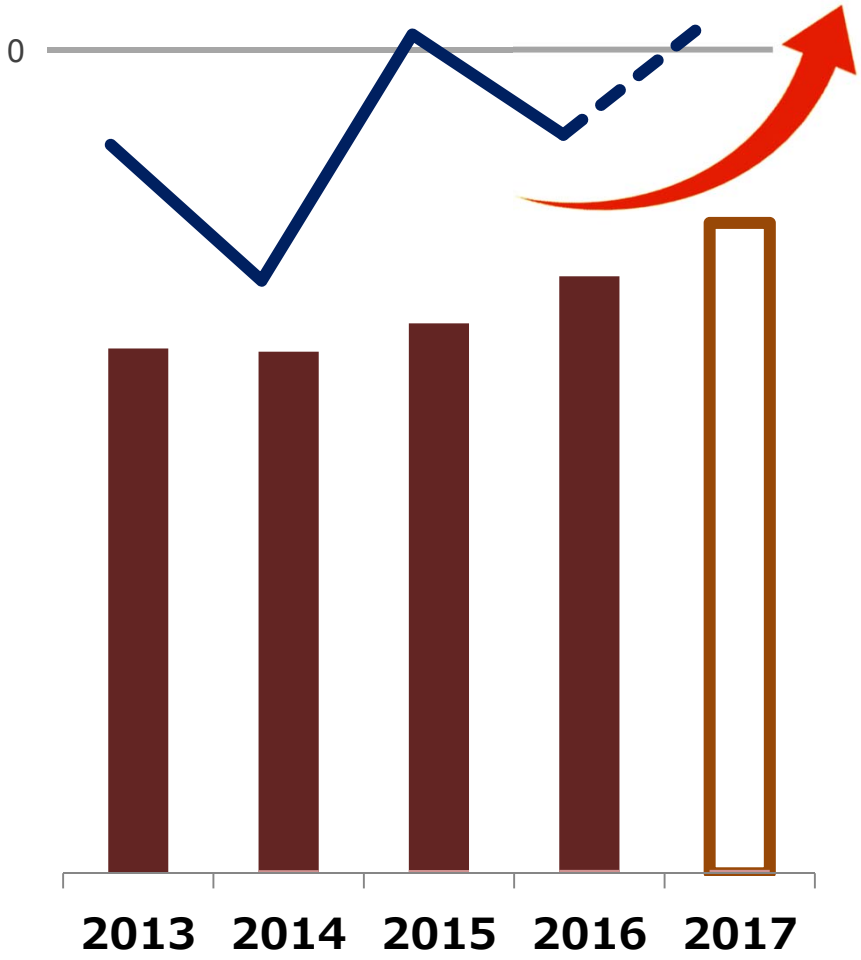
Shipments to match the marketing investment in the second half of FY2017

Moving into the black in FY2018



Laura Mercier

Sales and Profit Growth Trend Expectations



Bar graph: Net sales (on a local currency basis)
Line graph: Operating profitability before amortization of goodwill, etc.

- Significant increase in advertising investment
- Focusing on core products and growth channels
- Further utilization of shared services

2017 sales: Up over 10% year on year

2017 profit: Turn profitable

(Before amortization of goodwill, etc.)



Accelerate Growth of Japan Brands

Select brands from Cosmetics and Personal Care and strengthen them in Asia

Foster them in Japan

Increase their brand equity

Japan quality



Expand them to China and Asia

Promote local communication further



Strengthen Borderless Marketing

Increase interfaces with Chinese customers with high demand

Japan

- Inbound
- Cross-border e-commerce

Travel Retail

- Airport duty free shops
- Downtown duty free shops
- Inflight sales

Promote CRM

China

- Stores
- e-commerce







Strengthen Digital Communication and E-Commerce Globally

Prestige business: Ratio of e-commerce sales

2020: Above 20%

Digital communication

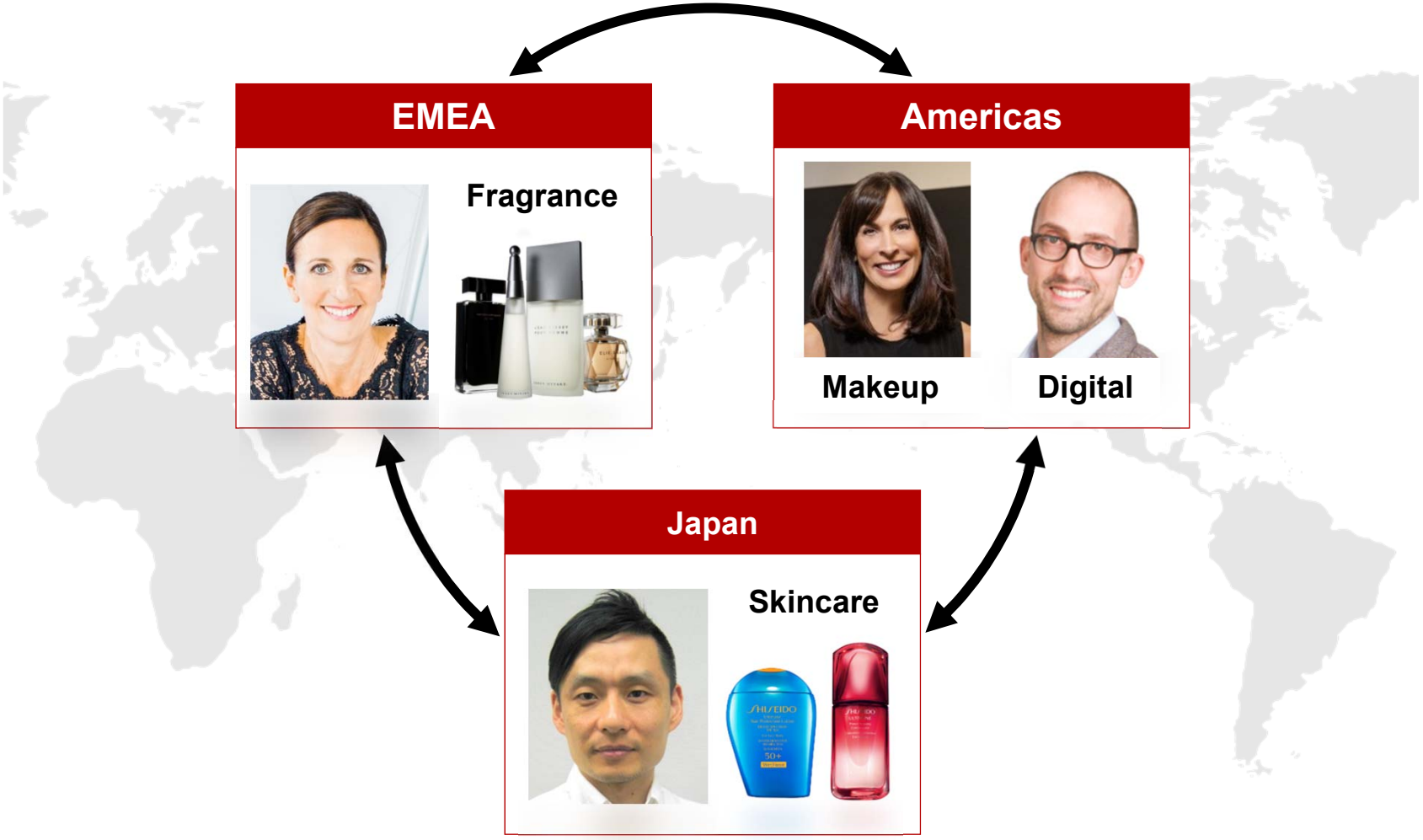
- Own e-commerce site
- External e-commerce sites

Digital Center of Excellence

- Formulate a global digital strategy and share knowledge globally
- Hold the “Digital Academy” to improve the digital literacy of all employees
- Build a CRM platform and encourage its use
- Form alliances in the digital domain and acquire knowledge from outside the company (MATCHCo.)

Centers of Excellence

Collect information and create value across regions.



MATCHCo.


MATCHCo
My PERFECT COMPLEXION
CUSTOM TINTED HYDRATING FORMULA
Exclusively Formulated for
Love Charlie Inez
1 Fl. Oz. / 30 mL
MALIBU | PALO ALTO
Welcome to the future of beauty.
Jessie May

Accelerate Open Innovations

SHISEIDO
VENTURE
PARTNERS

Shiseido Venture Partners

- Invest in strengthening innovations while working with the Center of Excellence
- Promote partnerships and collaborations with promising venture companies

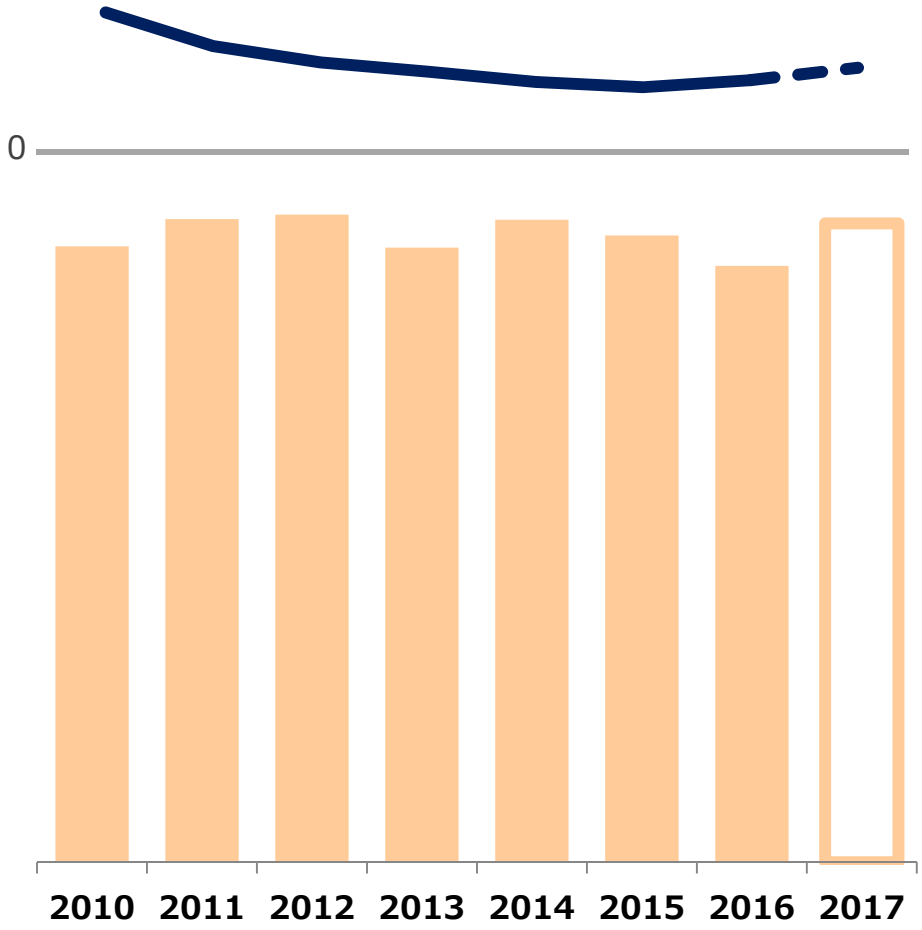
The first project:
dricos, Inc.

dricos



Bare Escentuals

Net sales and operating profitability in the past seven years
(Before amortization of goodwill, etc.)



- **Failure to make progress in accordance with the business plan made at the time of acquisition**
- **Insufficient skills and expertise for growing brands acquired overseas**

2016: Fundamental structural reform

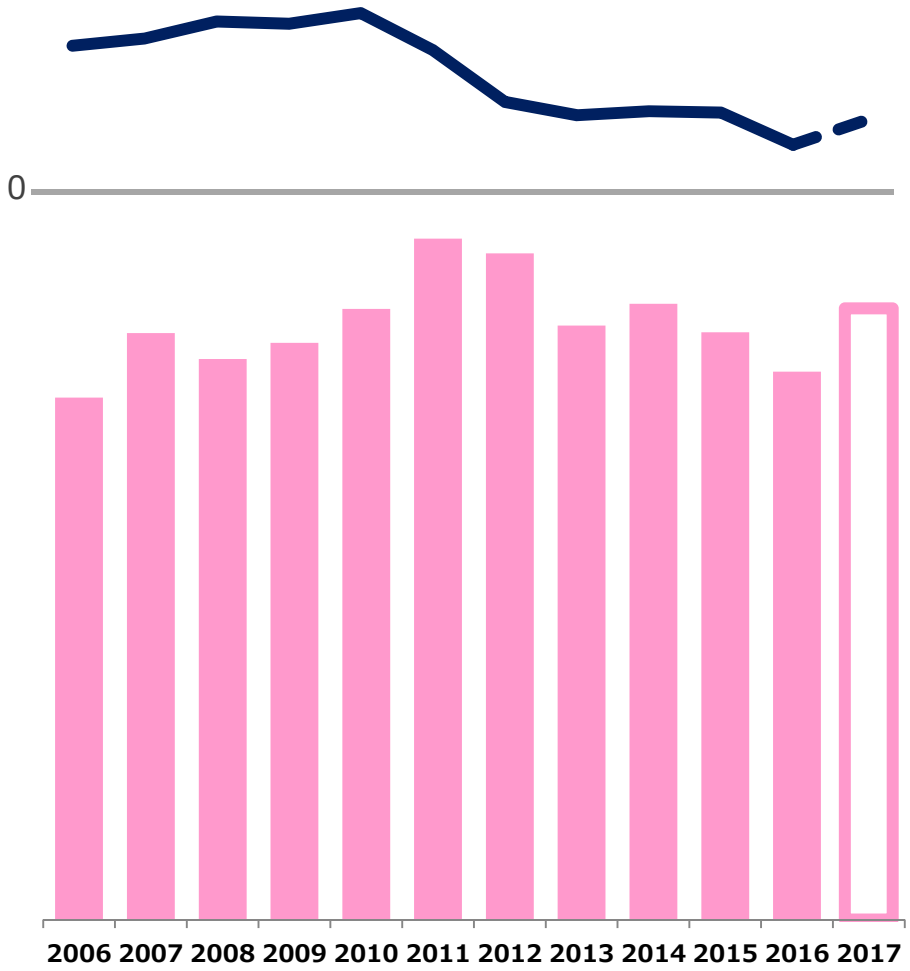
2017: Start of operation under new management
Toward growth in both sales and profits

2018: Moving into the black
(After amortization of goodwill, etc.)

Bar graph: Net sales (on a local currency basis)
Line graph: Operating profitability before amortization of goodwill, etc. (excluding one-time cost)

AUPRES

Net sales and operating profitability in the past ten years



Bar graph: Net sales (on a local currency basis)
Line graph: Operating profitability

- Growth achieved by increasing the number of counters and lines
- Loss of clarity of the brand value
- Insufficient response to changes in customers
  Changes to the brand image, which does not resonate with target consumers

2016: Start of rebranding
Closure of unprofitable counters
Strengthening measures for expanding to new channels

2017: Overall renewal of products
Toward growth of both sales and profits

Increase the speed of response with certainty by identifying accelerating changes in customers.

Shiseido Japan: Policies of the New Management



Shigekazu Sugiyama
President and CEO, Shiseido Japan Co., Ltd.

- Concentrate on the main business
- Change the main business
- Be sure to compete successfully and achieve milestones

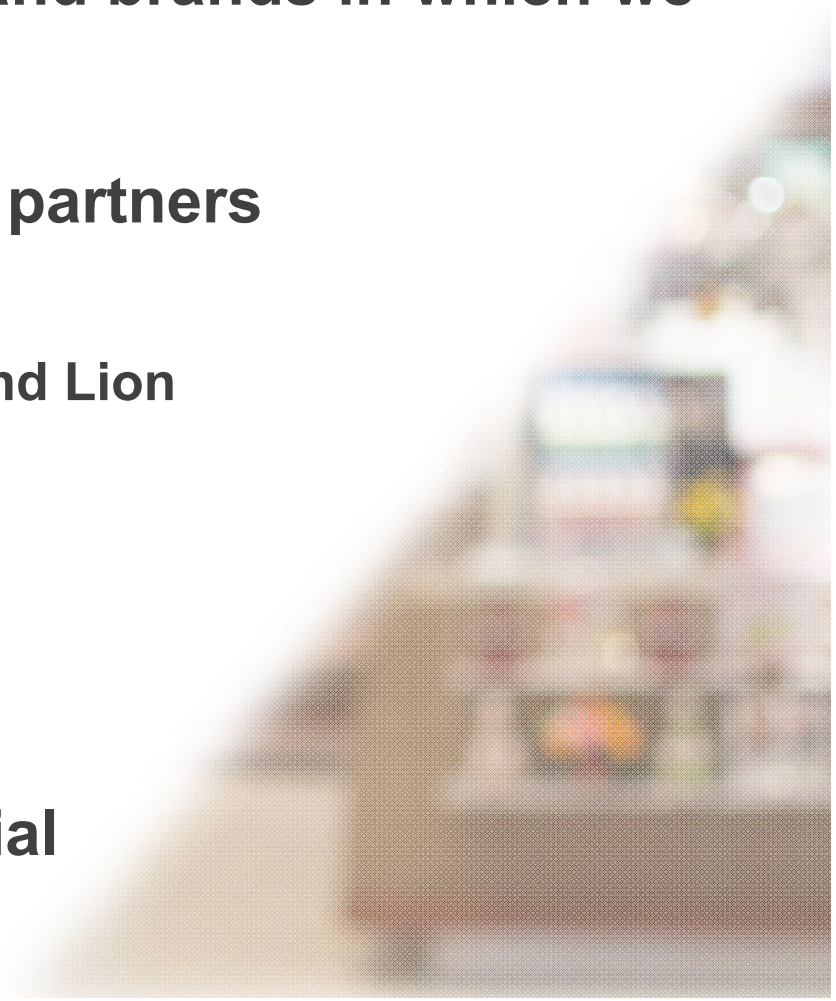


Japan: Fundamentally Review Strategies for Low-Priced Products

- Rebuild the strategy
  - Concentrate on categories and brands in which we have strengths.
- Strategic alliance with external partners
  - Japan Retail Innovation
    Collaboration with Unicharm and Lion
  - Collaboration with retailers

Refine our focus

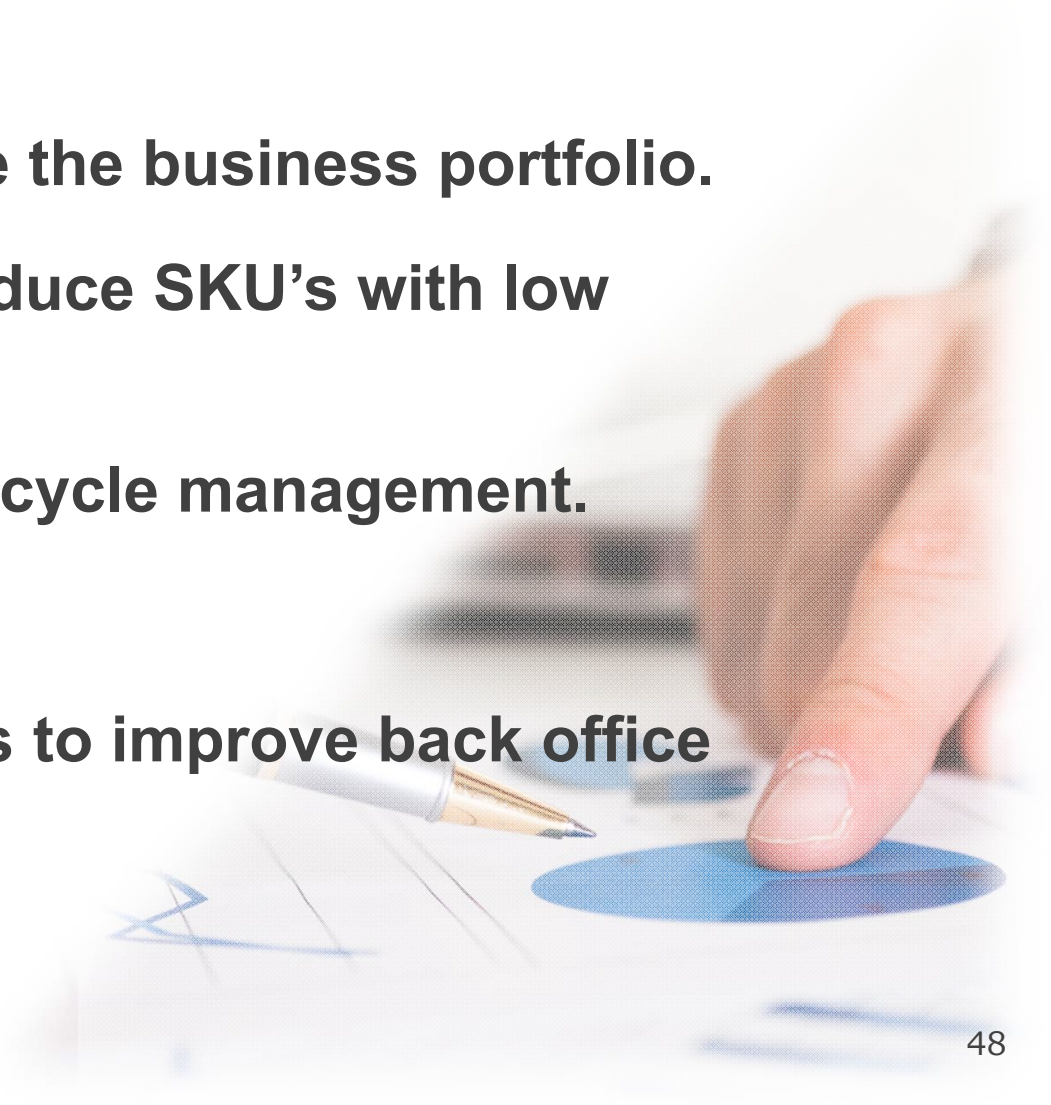
to segments where sales and profits have the greatest potential for increase



Improve Productivity

Developing strategies and specific activities aimed at improving profitability

- **Radically restructure the business portfolio.**
- **Comprehensively reduce SKU's with low productivity.**
- **Ensure thorough lifecycle management.**
- **Manage brand ROI.**
- **Accelerate measures to improve back office productivity.**



Key Points in the Plan for FY2017

- **Earnings power gained by existing businesses, with positive growth achieved by increasing investments**
  - **Net sales CAGR at 5% expected to be achieved for three years (2015 to 2017)**
  - **Operating income between ¥50 billion and ¥60 billion expected to be achieved if one-time cost and impact of foreign currency exchange are excluded**
- **Spur the growth and secure the growth**
  Investments to be made even more aggressively in FY2017
- **Sell assets and restructure brands and the business portfolio boldly for improving the productivity**

Policies to Improve Profitability (by Region)

	2016 OP Margin	Policies / Actions Taken by 2020	2020 OP Margin Target
Japan	12.6%	● Nurture core brands and improve their ROI ● Selection, concentration, and reduction of SKUs ● Strategies to capture new customers	15%+α
China	3.5%	● Shift to a business model that uses digital marketing ● Strengthen relationships among and pursue efficiency of local subsidiaries ● Aggressive expansion of Japan quality products / Japan brands	10%+α
Asia Pacific	2.2%	● Boost of “top line” growth by enhancing localized marketing ● Aggressive expansion of Japan quality products / Japan brands ● Enhance regional headquarters functions	Double Digit Growth
Americas	-6.8% *(-1.7%)	● Improve profitability of Bare Escentuals ● Grow sales and improve productivity through organizational functions enhancement ● Improve makeup brands ROI utilizing digital communications	Double Digit Growth
EMEA	-8.1% *(-7.0%)	● Improve ROI by strengthening brands and expanding sales of fragrance ● Enhance productivity by the integration of organizations ● Expand Businesses in UK and Middle East	Double Digit Growth
Travel Retail	22.1%	● Invest further to enhance brand portfolio and increase chances to meet customers ● Strengthen organizational functions and marketing capabilities	Over 20%

*Figures in parentheses indicate OP margins before amortization of goodwill, etc.

ESCG

Environment



Social



Culture



Governance

Directors

External (Independent)



Internal



Audit & Supervisory Board Members

Internal



External (Independent)



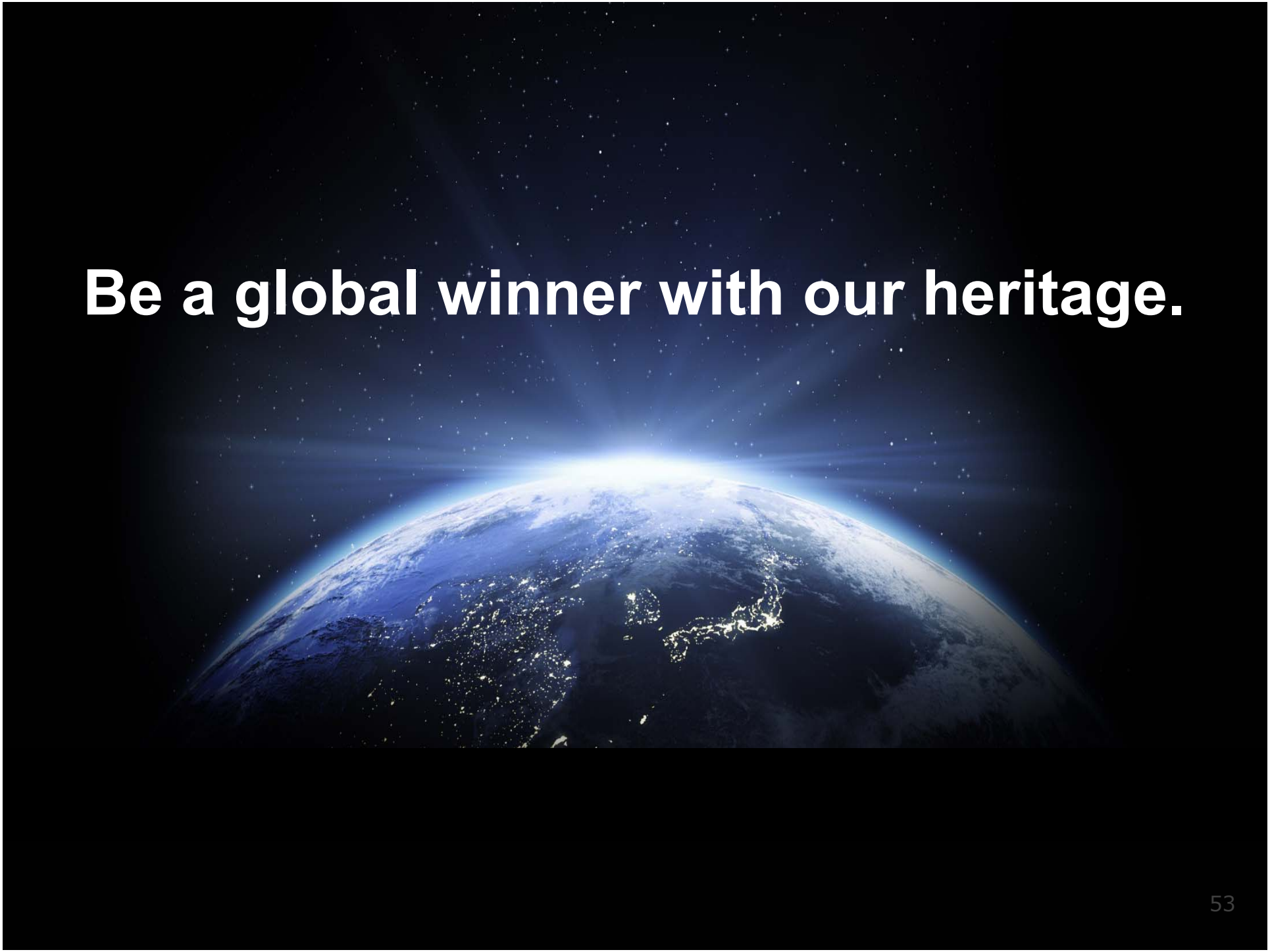
Develop Globally Competitive Human Resources and Organizations

Have the Company grow together with employees by accelerating talent development

- Globally unified organizational and human resource principles
- Accelerate global mobility (international personnel transfers)
- Increase investments in training
  - Management training
  - Leadership training
  - MBA program
- Acquire competitive human resources in the industry



Be a global winner with our heritage.




SHISEIDO

Supplement 1: Change in the Fiscal Year End

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

Fiscal Year				
FY2016	Domestic	: Jan.-Dec. 2016		: Jan.-Dec. 2016
FY2015 (Adjusted)[1]	Domestic	: Jan.-Dec. 2015	Overseas	: Jan.-Dec. 2015
FY2015	Domestic[2]	: Apr.-Dec. 2015	Overseas	: Jan.-Dec. 2015

1. Adjusted figures have not been audited by the auditing firm. They are provided as reference for comparison purposes only.
2. Excluding some subsidiaries

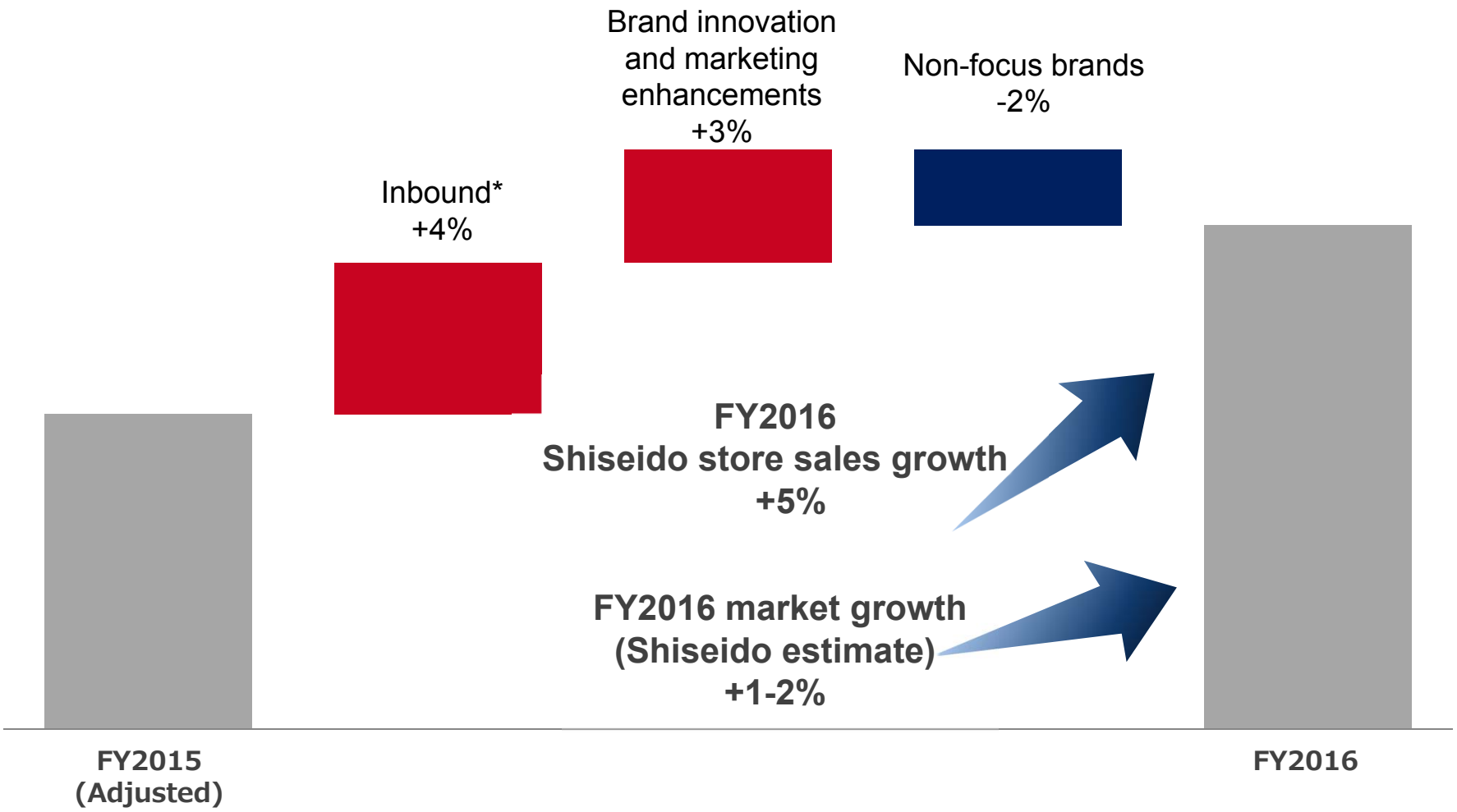
In this document, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause actual results and achievements to differ from those anticipated in these statements.

Supplement 2: Sales by Reportable Segment

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency %
Japan	407.6	48.0	396.0	45.9	+11.7	+2.9	+2.9
China	120.5	14.2	125.7	14.5	-5.2	-4.2	+11.4
Asia Pacific	49.6	5.8	52.7	6.1	-3.1	-5.9	+7.0
Americas	162.6	19.1	167.5	19.4	-5.0	-3.0	+8.0[1]
EMEA	85.2	10.0	104.2	12.1	-19.0	-18.2	-8.1[2]
Travel Retail	24.8	2.9	17.2	2.0	+7.6	+44.2	+60.4
Total	850.3	100	863.3	100	-13.0	-1.5	+5.2

1. Year-on-year percentage change is +0% excluding the effect of the acquisition of *Laura Mercier.*
2. Year-on-year percentage change is +9% excluding the effect of the termination of the *Jean Paul GAULTIER* license and the acquisition of the *Dolce&Gabbanal* license
3. See Supplement 10 for details about changes in reportable segment.

Supplement 3:
Japan: Inbound Demand and Brand Innovation Supported Growth



*Applicable businesses: Prestige, Cosmetics Specialty Stores, and Cosmetics in the Japan Business excluding three brands that were transferred to Personal Care.

Supplement 4: Operating Income by Reportable Segment

(Billion yen, %)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
		Operating Profitability		Operating Profitability		
Japan	57.4	12.6	55.0	12.6	+2.4	+4.4
China	4.2	3.5	-0.5	-0.4	+4.6	-
Asia Pacific	1.1	2.2	0.4	0.8	+0.7	+171.8
Americas	-11.8	-6.8	-5.6	-3.1	-6.2	-
EMEA	-7.2	-8.1	4.6	4.2	-11.8	-
Travel Retail	5.5	22.1	2.4	14.0	+3.1	+126.8
All Regions	49.1	5.4	56.3	6.1	-7.2	-12.8
Adjustments	-12.3	-	-12.0	-	-0.4	-
Total	36.8	4.3%	44.3	5.1	-7.6	-17.0

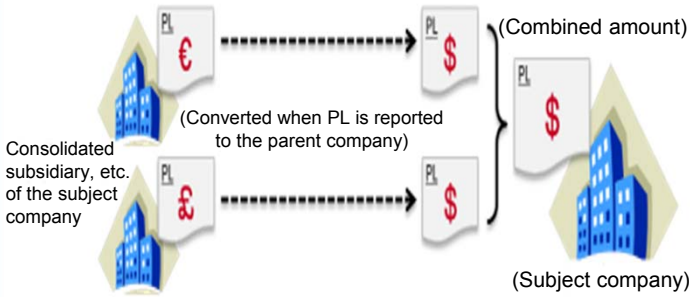
*Operating profitability is calculated using net sales including intersegment transactions.

Supplement 5:
Impact of Foreign Currency Exchange on Operating Income
Impact of Translation and Transaction

FY2016 results of the impact of foreign currency exchange (operating income)

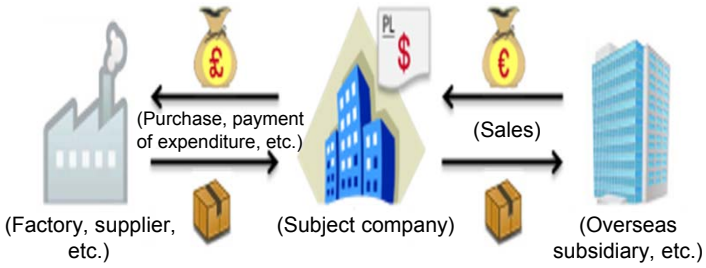
■ Impact of foreign currency exchange on profit/loss (PL) generates mainly from the following two factors.

Pattern (1): Generated at the time of translation from PL of a consolidated subsidiary/branch to the PL of the subject company



→ Generated where the currency used for creating PL differs between the subject company and its consolidated subsidiary, etc.

Pattern (2): Generated from a transaction itself (sales/ purchase/ payment of expenditure)



→ Generated where the currency used for the transaction differs from the currency used for creating PL (local currency)

FY2016 result compared to the previous year
Total of (1) and (2): ¥6.1 billion

	2015	2016	Change
Dollar/ Yen	121.1	108.9	-10.1%
Euro/ Yen	134.3	120.4	-10.4%
Yuan/ Yen	19.2	16.4	-14.8%

Major regions where the impact generated
EMEA, Americas, Asia Pacific and China

	2015	2016	Change
Pound/ Dollar	1.53	1.36	-11.2%
Euro/ Dollar	1.11	1.11	-0.4%
100 Ruble/ Euro	1.49	1.35	-9.0%
Yuan/ Dollar	0.16	0.15	-5.3%

Supplement 6:
Net Income Attributable to Owners of Parent and Comprehensive Income

(Billion yen, %)	FY2016	FY2015 (Adjusted)
Net Income before Income Taxes	49.9	53.1
Income Taxes (Tax Rate)	15.9 (32.0)	21.2 (40.0)
Net Income Attributable to Non-Controlling Interests	1.8	2.4
Net Income Attributable to Owners of Parent	32.1	29.5

	FY2016	FY2015
Comprehensive Income	9.0	13.6

Supplement 7:
FY2017: Full-Year Forecast (Reportable Segment)

(Billion)	FY2017	YoY Change %	YoY Change in Local Currency	(Reference) FY2016
Net Sales	940.0	+10.5	+11	850.3
Japan	391.0	+2.6	+3	381.2
China	132.0	+11.8	+14	118.1
Asia Pacific	48.5	+6.4	+6	45.6
Americas	164.0	+19.3	+19	137.5
EMEA	111.0	+31.9	+34	84.1
Travel Retail	32.5	+31.0	+30	248
Professional	47.0	+4.5	+4	45.0
Others	14.0	0	0	14.0

Exchange rates: FY2017: USD 1 = JPY 110(+1%), EUR 1 = JPY 118.8 (-2%), CNY 1 = JPY 16 (-2%)

*See Supplement 11 for details about changes in reportable segment.

Supplement 8:
Capital Expenditures, Depreciation and Amortization

(Billion yen)	FY2016	FY2015 (Adjusted)	FY2017 Forecast
Capital Expenditures*	56.5	37.0	57.9
Property, Plant and Equipment	42.4	20.3	35.5
Intangible Assets, etc.	14.1	16.7	22.5
Depreciation and Amortization	34.5	35.1	40.6
Property, Plant and Equipment	17.5	18.8	19.3
Intangible Assets, etc.	16.9	16.2	21.4
R&D Expenses	18.3	16.6	20.9

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

Supplement 9:
Changes in Financial Indicators and Other Figures

			2012/3	2013/3	2014/3	2015/3	2015/12		2016/12
							Irregular account settlement	After adjustment	
Financial indicators	OP Margin	%	5.7	3.8	6.5	3.6	4.9	5.1	4.3
	EBITDA Margin	%	11.3	9.1	12.0	11.7	10.6	-	10.6
	EPS	Yen	36.5	-36.9	65.7	84.4	58.2	73.8	80.4
	BPS (book value per share)	Yen	729.9	721.2	849.4	970	981.4	-	984.1
	Dividend per share	Yen	50	50	20	20	20	-	20
	ROE	%	4.9	-5.1	8.4	9.4	6.0	7.6	8.2
	Ratio of interest-bearing debt[1]	%	37.9	37.9	30.3	20.7	17.3	-	22.6
	Dividend payout ratio	%	137.1	-	30.5	23.7	34.4	-	24.9
Share price indicators	PER	Times	39.2	-	27.7	25.3	43.5	34.2	36.8
	PBR (price book-value ratio)	Times	2.0	1.9	2.1	2.2	2.6	-	3.0
	Market capitalization	Billion yen	568.3	528.2	723.8	850.7	1,009.3	-	1,181.3
	Year-end share price	Yen	1,428.0	1,327	1,816	2,133	2,529	-	2,959
	Rate of increase/decrease	%	-0.8	-7.6	+26.9	+14.9	+15.7	-	+14.5
	(Reference)								
	TOPIX (year-end)	Yen	854.35	1,034.71	1,202.89	1,543.11	1,547.30	-	1,518.61
	Rate of increase/ decrease	%	-1.8	+17.4	+14.0	+22.0	+0.3	-	-1.9

Strategic shareholdings			2012/3	2013/3	2014/3	2015/3	2015/12		2016/12
							Irregular account settlement	After adjustment	
	Number of holdings	Companies	112	106	103	97	90	–	84
	Amount	Billion yen	19.0	21.7	18.0	21.5	21.5	–	19.4

1. Interest-bearing debt ratio = Interest-bearing debt ÷ Invested capital*
*Invested capital = Interest - bearing debt + Total net assets

Supplement 10:
Main Constituents of Former and New Segments

2015 Segments		Major Businesses
Japan		Prestige, Cosmetics, Personal Care, Digital, Healthcare, etc.
Global	Cosmetics	China, Asia Pacific, Americas, EMEA[3] (TR[2] included in all regions)
	Professional[1]	Japan, Global
Others		THE GINZA, Frontier Science, Shiseido Parlour, etc.

2016 Segments	Major Businesses
Japan	Overall business in Japan, TR[2] in Japan (Excluding BE and LM[2])
China	Overall business in China (Excluding BE, LM and TR[2])
Asia Pacific	Overall business in Asia and Oceania excluding Japan and China (Excluding BE, LM and TR[2])
Americas	Overall business in the Americas, BE[2], LM[2] and ZOTOS (Excluding TR[2])
EMEA	Overall business in EMEA[3] and the fragrance business[4] (Excluding BE, LM and TR[2])
Travel Retail	Overall business at duty-free stores worldwide outside Japan (Excluding TR[2] in the fragrance business[4])

1. Starting from FY2016, the Professional Business, which was included in the Global Business in FY2015, is included in all regions with the exception of Travel Retail business.
2. BE: Bare Escentuals
   LM: *Laura Mercier* and *RéVive*
   TR: Travel Retail Business
3. EMEA: Europe, the Middle East and Africa
4. The fragrance Business includes such brands as *Dolce&Gabbana, ISSEY MIYAKE* and *narciso rodriguez* and excludes *SHISEIDO* fragrance.

Supplement 11:
Main Constituents of Former and New Segments

2016 Segments	Major Businesses
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2017 Segments	Major Businesses
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Asia Pacific	Overall business in Asia and Oceania excluding Japan and China (Excluding BE, LM, TR and PF[2])
Americas	Overall business in the Americas (Excluding TR and PF[2])
EMEA	Overall business in EMEA[3] (Excluding BE, LM and TR[2])
Travel Retail	Overall business at duty-free shops worldwide outside Japan (Excluding TR[2] in the fragrance business[4] and PF[2])
Professional	Overall global professional business
Others	Manufacturing operations, Frontier Science business, Restaurant business, etc.

1. Starting from FY2016, the Professional Business, which was included in the Global Business in FY2015, is included in all regions with the exception of Travel Retail business.
2. BE: Bare Escentuals
   LM: *Laura Mercier* and *RéVive*
   TR: Travel Retail Business
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3. EMEA: Europe, the Middle East and Africa
4. The fragrance Business includes such brands as *Dolce&Gabbana, ISSEY MIYAKE* and *narciso rodriguez* and excludes *SHISEIDO* fragrance.

Supplement 12: Major Public Announcements

News Releases

- **Jan. 2017** Notice of Acquisition of U.S.-based Start-Up, MATCHCo
- **Dec. 2016** Shiseido Renews Products of *AUPRES* Brand Designed Exclusively for Chinese Market
- **Dec. 2016** Notice of Issuance of Shiseido Company, Limited 9th Unsecured Bonds
- **Dec. 2016** Announcement of Launch of New Business; Shiseido Establishes "Shiseido Venture Partners"; First Investment in dricos, Inc.
- **Dec. 2016** Notice and Apology Regarding Possible Leakage of Consumer Information Due to Illegal Access to Wholly Owned Subsidiary's Official Website
- **Nov. 2016** Shiseido Wins Poster Award at 29th IFSCC Congress in Orlando; The 6th Consecutive IFSCC Award
- **Nov. 2016** Joint Venture with JP-HOLDINGS, INC. on Operation of Nursery
- **Oct. 2016** Commencement of Cooperation with Unicharm Corporation and Lion Corporation
- **Jul. 2016** Completion of Acquisition of Gurwitch Products, LLC
- **Jul. 2016** License Agreement Signed with DOLCE&GABBANA S.r.l.
- **Jun. 2016** Acquisition of Gurwitch Products, LLC; Addition of *Laura Mercier* and *RéVive* to Shiseido's Global Portfolio
- **May 2016** Shiseido Enhances Global R&D Structure