FY2017 Third Quarter Results and Full-Year Forecast

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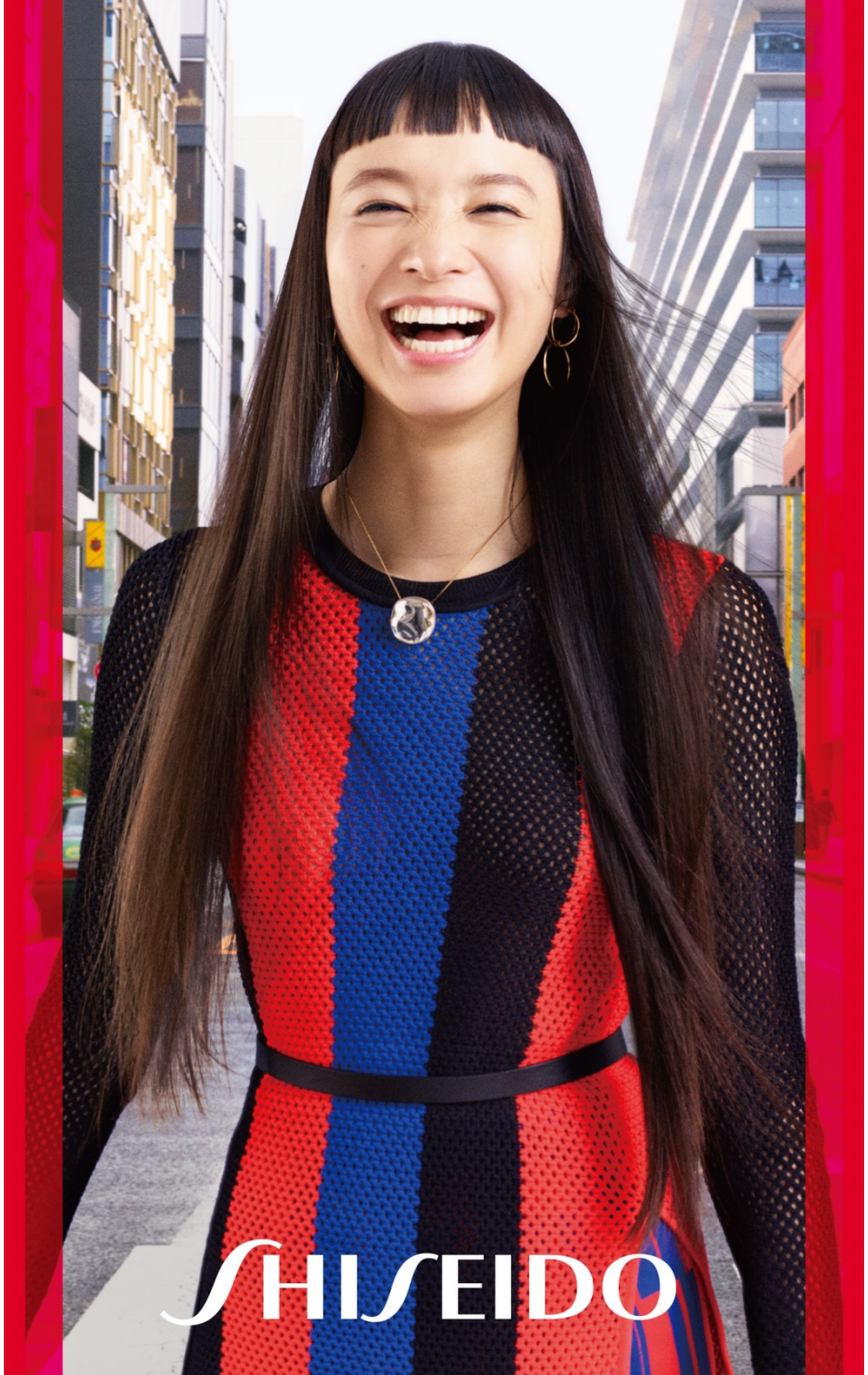


In this document, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause actual results and achievements to differ from those anticipated in these statements.

FY2017 Q3 (First Nine Months): Executive Summary

- **Record third-quarter (first nine-month) results for both net sales and operating income**

  Net sales: ¥731.2 billion YoY change in local currency: +15.8%
  YoY change in yen: +17.4%
  - Growth in the Prestige business continued to accelerate at a remarkable pace on a global level

  Operating income: ¥70.7 billion YoY change: +82.4%
  - The profitability of existing businesses increased, reflecting continued strengthening of marketing investment in growth

  Extraordinary income/ loss: -¥74.7 billion YoY change: -¥90.6 billion
  - Expenses related to voluntary recall of products: -¥3.3 billion
  - Impairment loss on assets associated with Bare Escentuals: -¥70.7 billion

  Quarterly net income attributable to owners of parent: -¥17.0 billion YoY change: -¥54.1 billion

- **Full-year forecast – Record results for net sales and operating income expected**

  Net sales: ¥985.0 billion YoY change: +15.8% (+¥20.0 billion from August announcement)
  Operating income: ¥65.0 billion YoY change: +76.7% (+¥9.0 billion)
  Extraordinary income/ loss: -¥39.0 billion (-¥35.0 billion)
  - Gain on transfer of Zotos: +¥36.0 billion

  Net income attributable to owners of parent: ¥5.0 billion YoY change: -84.4% (-¥27.5 billion)

Summary of FY2017 Q3 Results

(Billion yen)	FY2017 First nine months	FY2017 % of Net Sales	FY2016 First nine months	FY2016 % of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency %
Net Sales	731.2	100	622.7	100	+108.5	+17.4	+15.8
Cost of Sales	168.4	23.0	150.6	24.2	+17.8	+11.8	
SG&A	492.1	67.3	433.4	69.6	+58.8	+13.6	
Operating Income	70.7	9.7	38.7	6.2	+31.9	+82.4	
Ordinary Income	70.4	9.6	38.2	6.1	+32.2	+84.2	
Extraordinary Income/Loss (net)	-74.7	—	15.9	2.6	-90.6	—	
Net Income Attributable to Owners of Parent	-17.0	—	37.2	6.0	-54.1	—	
EBITDA	100.9	13.8	83.0	13.3	+17.8	+21.5	

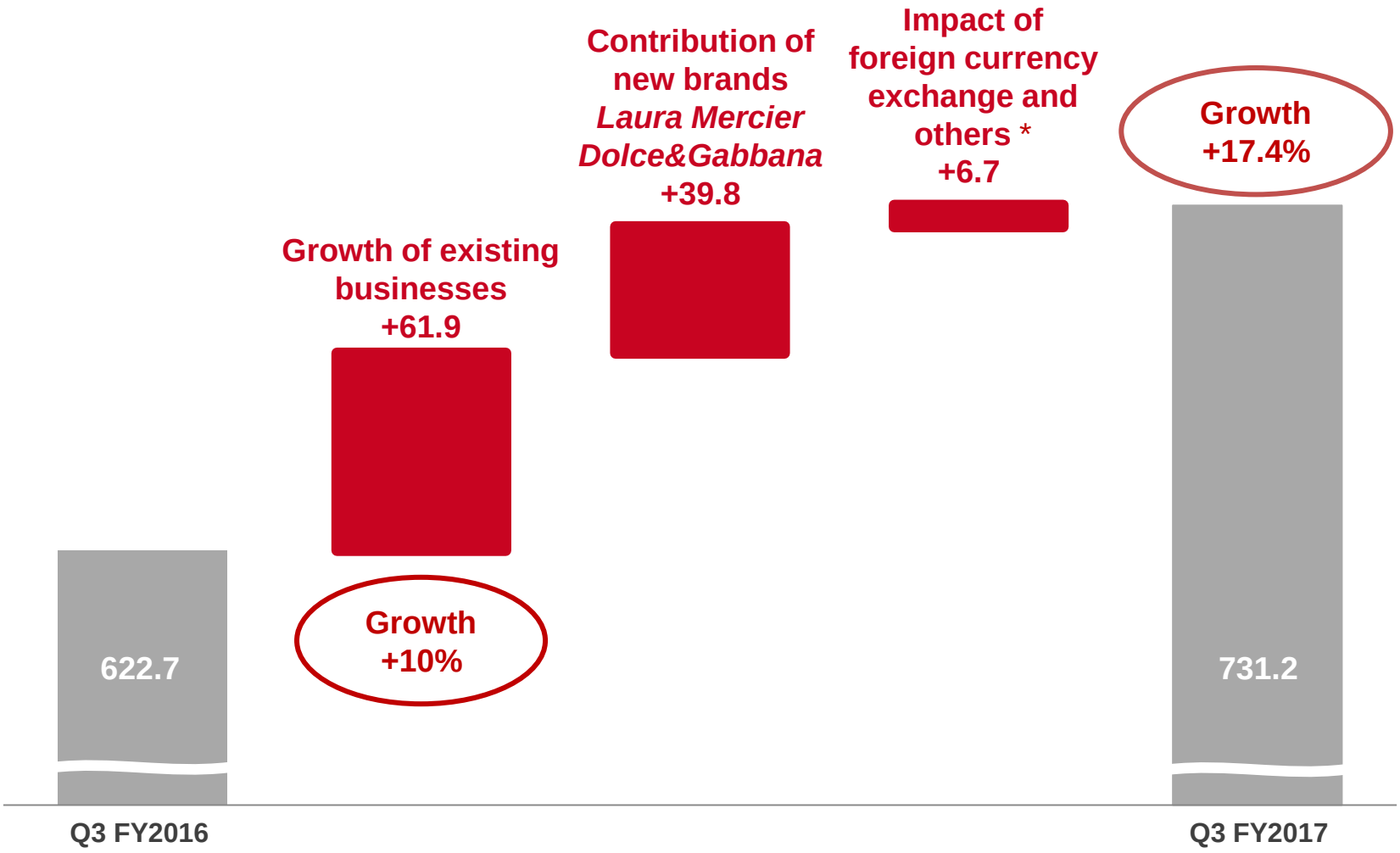
Exchange rates: USD 1 = JPY 111.9 (+3.0%), EUR 1 = JPY 124.6 (+2.8%), CNY 1 = JPY 16.5 (-0.2%)

*1. The “+” and “-” symbols in YoY Change indicate increase and decrease in amount, respectively.
*2. Gain on transfer of intellectual property rights in connection with the *Jean Paul GAULTIER* and gain on sale of land at the former Kamakura Factory were included under extraordinary income for FY2016.

Growth Momentum Accelerated

Net sales in the first nine months of FY2017

(Billion yen)

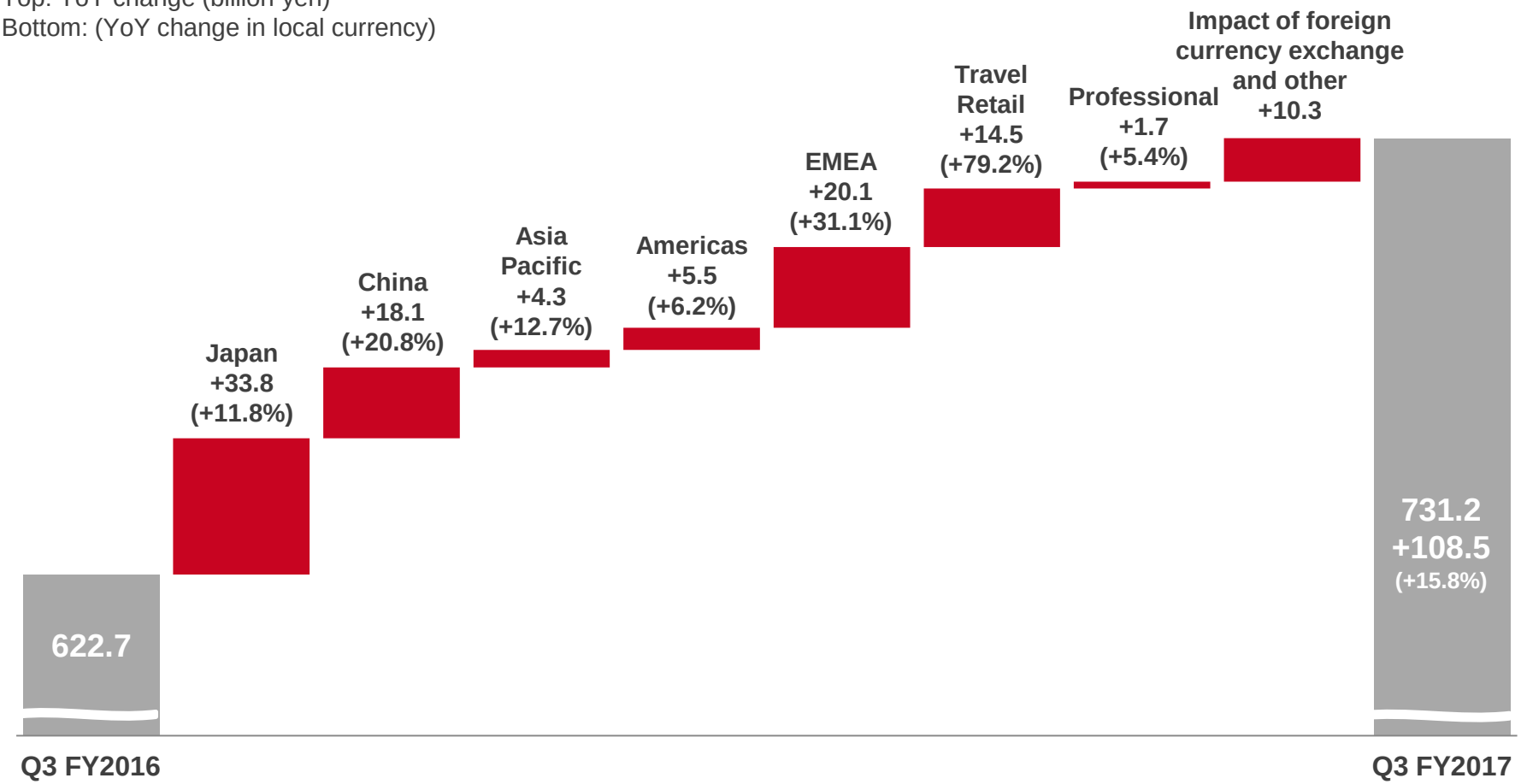


*1. Impact of foreign currency: +9.9 billion yen, and the impact of the previous year's sales of *Jean Paul GAULTIER*: -3.2 billion yen

Net Sales Increased in All Regions

YoY breakdown of change in net sales by reportable segment (first nine months)

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

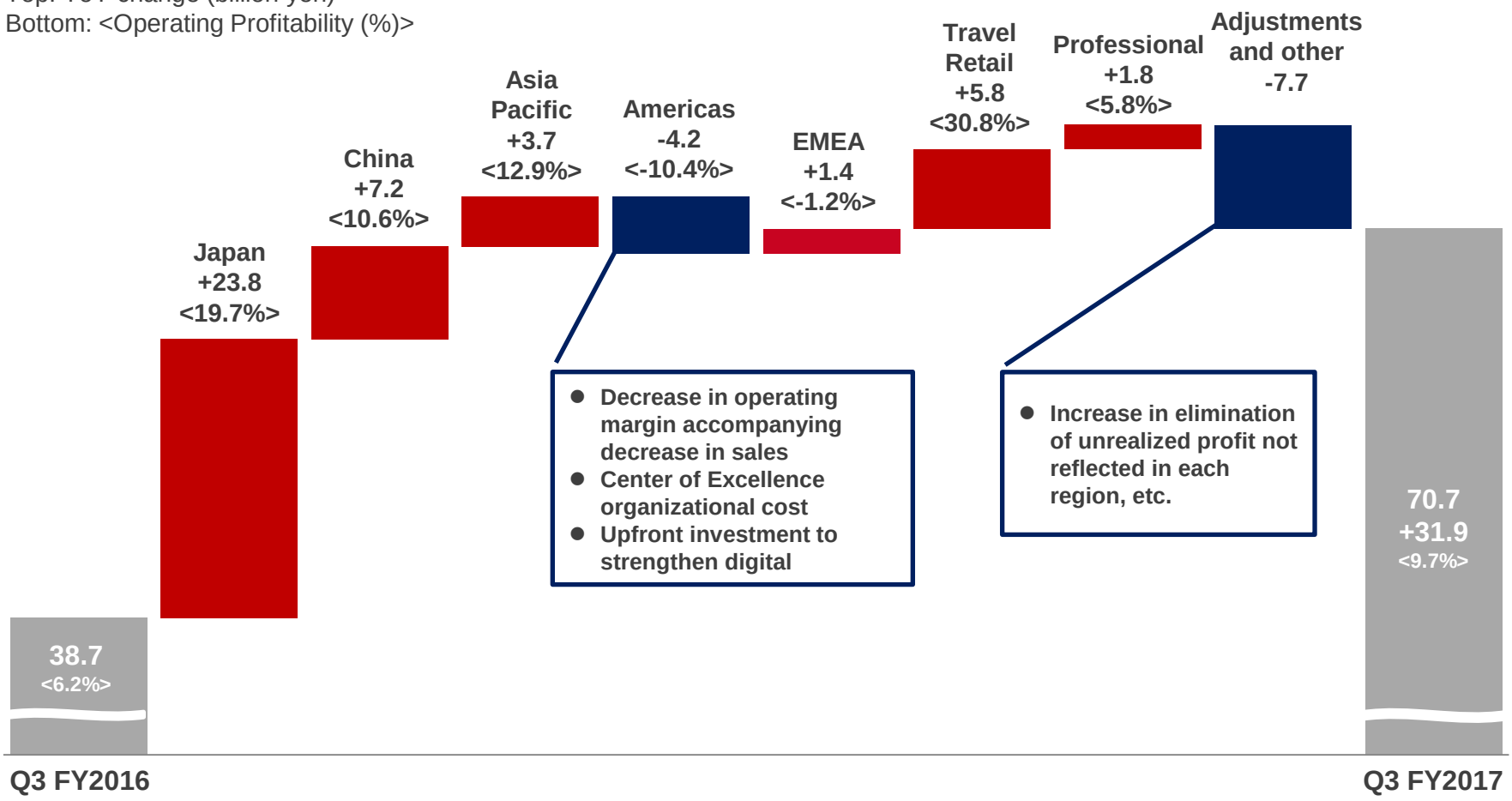


*1. The year-on-year change, and year-on-year change in local currency terms for each business were calculated based on the actual exchange rates.
*2. See Supplemental Data 8 for details about segment classifications.
*3. “Impact of foreign currency exchange and other” includes results of “Other” as a reportable segment.

Operating Income Increased in All Regions Except the Americas

YoY breakdown of change in operating income by reportable segment (first nine months)

Top: YoY change (billion yen)
Bottom: <Operating Profitability (%)>



*1. See Supplemental Data 8 for details about segment classifications.
*2. “Adjustments and other” includes results of “Other” as a reportable segment.

Japan: Performance Remained Strong Overall

First nine months performance

- **Growth of the cosmetics market in Japan: +2% (Shiseido estimate)**

- **Shiseido store sales (YoY change): +11%**
  Including: Sales to Japanese consumers: +4%, Inbound sales: +7%
  - **"ELIXIR SUPERIEUR Enriched Wrinkle Cream S"**
    Jun.-Sep. shipment sales: 1.02 million units
    New consumer acquisition rate: approx. 47%
    FY2017 plan: revised upward to 1.3 million units
  - **November 1: launch of "Wrinklelift Deep Retinowhite 4" from brand SHISEIDO**
    Strong start with sales within first week after launch outstripping sales at launch of "ULTIMUNE"
    Second launch under "Shiseido Facial Expression Project": promotions through trial events, TV commercials, outdoor ads, etc.
  - **Inbound sales results**
    First nine months Jan.-Sep.: ¥42.5 billion (+57% YoY)
    Full-year forecast: ¥53.5 billion (+55% YoY)

Japan: Growth Achieved in All Businesses

(Billion yen)	FY2017 First nine months	FY2017 % of Net Sales	FY2016 First nine months	FY2016 % of Net Sales	YoY Change	YoY Change %
Prestige	64.8	20.2	49.0	17.1	+15.7	+32.0
Cosmetics Specialty Stores	52.8	16.5	50.9	17.8	+1.9	+3.7
Cosmetics	147.6	46.0	133.7	46.6	+13.9	+10.4
Personal Care	40.4	12.6	38.8	13.5	+1.6	+4.1
Others*3	15.0	4.7	14.3	5.0	+0.7	+5.1
Japan	320.5	100	286.7	100	+33.8	+11.8

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %
Operating Income	67.9	44.1	+23.8	+54.0
Operating Profitability (%)	19.7	14.6	+5.1 pt	
Income Before Amortization of Goodwill, etc.	68.0	44.2	+23.8	+53.8
Operating Profitability (%)	19.8	14.7	+5.1 pt	

*1. In line with the management system of Japan, THE GINZA, etc. which were previously included in “Others” of Japan business, are classified as “Prestige” starting from FY2017.
In addition, Shiseido Amenity Goods Co., Ltd., which was included in “Personal Care,” is now classified as “Others.”
*2. See Supplemental Data 8 for details about changes in reportable segments.
*3. “Others” include Healthcare Business, Shiseido Amenity Goods Co., Ltd. and others.
*4. % of Net Sales indicates percentage of Japan business sales.
*5. Operating profitability is calculated using net sales including intersegment transactions.

China: The Prestige Business Continued to Drive Growth

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %	YoY Change in Local Currency %
China	105.4	86.9	+18.5	+21.3	+20.8

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %
Operating Income	11.2	4.0	+7.2	+181.3
Operating Profitability (%)	10.6	4.6	+6.0 pt	
Income Before Amortization of Goodwill, etc.	11.4	4.3	+7.2	+169.2
Operating Profitability (%)	10.9	4.9	+6.0 pt	

- **Prestige brands and Personal Care brands continued to perform strongly**
- ***NARS* made a strong start**
- ***AUPRES* had strong e-commerce sales offset by sluggish store sales**
- **E-commerce ratio: approx. 25%**

*1. See Supplemental Data 8 for details about changes in reportable segments.
*2. Operating profitability is calculated using net sales including intersegment transaction.

Asia Pacific: Growth Maintained in All Businesses

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %	YoY Change in Local Currency %
Asia Pacific	40.9	34.0	+6.8	+20.1	+12.7

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %
Operating Income	5.4	1.7	+3.7	+212.1
Operating Profitability (%)	12.9	5.1	+7.8 pt	
Income Before Amortization of Goodwill, etc.	5.5	1.8	+3.7	+206.5
Operating Profitability (%)	13.0	5.2	+7.8 pt	

- **Performance was strong in the Prestige and Personal Care businesses**
  - **Growth outpacing the market and expansion of market share were achieved in South Korea, Taiwan and Thailand**
  - **Growth was driven by *clé de peau BEAUTÉ, NARS* and *SENKA***

*1. See Supplemental Data 8 for details about changes in reportable segments.
*2. Operating profitability is calculated using net sales including intersegment transactions.

Americas: *bareMinerals* Sales Trended Below Plan

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %	YoY Change in Local Currency %
Americas	98.4	89.9	+8.5	+9.5	+6.2

* The year-on-year change in real terms excluding the acquisition of *Laura Mercier* and the licensing of *Dolce&Gabbana* is -15%.

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %
Operating Income	-11.4	-7.2	-4.2	—
Operating Profitability (%)	-10.4	-7.5	-2.9 pt	
Income Before Amortization of Goodwill, etc.	-5.0	-1.2	-3.8	—
Operating Profitability (%)	-4.6	-1.2	-3.4 pt	

- **Both positive and negative tendencies in stores, depending on the brand:**
  - **Changes in the market and in consumers are accelerating**
  - ***NARS* and *clé de peau BEAUTÉ* are performing well, but *bareMinerals* is struggling**

*1. See Supplemental Data 8 for details about changes in reportable segment.
*2. Operating profitability is calculated using net sales including intersegment transaction.
*3. Effective from the fiscal year ending December 31, 2017, *bareMinerals, NARS* etc. in the U.K. included in the “Americas Business” under the Company’s previous segment classification structure have been included in the “EMEA Business.”
Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the “EMEA Business” under the Company’s previous segment classification structure has been included in the “Americas Business.”

Bare Escentuals: Facing the Reality of Vicious Cycle After Acquisition

- **Surging brand hit peak at time of acquisition**
- **Failure to achieve further brand development after acquisition**
- **Annual amortization expenses for goodwill and other intangible assets**
  - **At acquisition: approx. 95 million US dollars**
  - **2016 (before impairment loss): approx. 70 million US dollars**

A vicious cycle of non-attainment of plans and falling profitability

*1. Annual amortization expense for intangible assets after impairment loss (from 2018): approx. 30 million US dollars

bareMinerals: Very High Brand Equity



- Sales to the tune of 50 billion yen
- Consumer base: more than 12 million
- Awareness rate in the Americas market: 78%, with 23-43% of consumers having tried out the brand (approx.19 – 36 million people)
- Brand association:
  “Enhances your natural beauty, without hiding it”
- The Group’s only natural brand
- Among the top 10 brands in the U.S., U.K., and Northern European markets
- Natural cosmetics market continues to grow globally

An important brand with strong growth potential

bareMinerals: Priority Initiatives to Turn the Brand Around

Restructuring

Expand profitability and raise funds for investment

- Closure of some 100 boutiques focusing on unprofitable stores
- Reduction of fixed costs

Marketing

Concentrate investments on innovation and digital marketing

- Product innovation
- Strengthening of communication with Millennials and Generation Z
- Utilization of data through new CRM system

Strengthening of organizational and human resources

Clarify priority issues and steadily implement measures to address them

EMEA: Steady Growth in Existing Businesses

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %	YoY Change in Local Currency %
EMEA	87.3	64.8	+22.5	+34.8	+31.1

***** The year-on-year change in real terms excluding the licensing of *Dolce&Gabbana* is +5%.

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %
Operating Income	-1.2	-2.6	+1.4	—
Operating Profitability (%)	-1.2	-3.8	+2.6 pt	
Income Before Amortization of Goodwill, etc.	0.1	-2.6	+2.7	—
Operating Profitability (%)	0.1	-3.8	+3.9 pt	

- **Existing Businesses grew +5%**
  - ***NARS* and *narciso rodriguez* performed strongly**
- ***Dolce&Gabbana***
  - **Sales fell short of plan due to supply problems despite start of full-scale production by Shiseido**

*1. See Supplemental Data 8 for details about changes in reportable segment.
*2. Operating profitability is calculated using net sales including intersegment transaction.
*3. Effective from the fiscal year ending December 31, 2017, *bareMinerals, NARS* etc. in the U.K. included in the “Americas Business” under the Company’s previous segment classification structure have been included in the “EMEA Business.”
Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the “EMEA Business” under the Company’s previous segment classification structure has been included in the “Americas Business.”
*4. Method for calculating Income Before Amortization of Goodwill, etc. was revised from the first half of FY2017.

Travel Retail: Growth Continued, Especially in Asia

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %	YoY Change in Local Currency %
Travel Retail	33.8	18.3	+15.5	+84.5	+79.2

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %
Operating Income	10.4	4.6	+5.8	+127.2
Operating Profitability (%)	30.8	25.1	+5.7 pt	
Income Before Amortization of Goodwill, etc.	10.4	4.6	+5.8	+127.2
Operating Profitability (%)	30.8	25.1	+5.7 pt	

- **Proactive marketing including advertising and events at airports (strengthening of investment)**
- **Strengthening of relationships with retailers**
- **Strengthening of organizational functions and human resources**

*1. Operating profitability is calculated using net sales including intersegment transaction.



Professional: Both Sales and Profitability Increased in China

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %	YoY Change in Local Currency %
Professional	34.8	32.4	+2.5	+7.6	+5.4

(Billion yen)	FY2017 First nine months	FY2016 First nine months	YoY Change	YoY Change %
Operating Income	2.0	0.2	+1.8	+973.8
Operating Profitability (%)	5.8	0.6	+5.2 pt	
Income Before Amortization of Goodwill, etc.	2.3	0.7	+1.6	+236.2
Operating Profitability (%)	6.5	2.1	+4.4 pt	





*1. See Supplemental Data 8 for details on changes in reportable segments.
*2. Operating profitability is calculated using net sales including intersegment transactions.

Q3 Results of Other Income and Expenses and Extraordinary Income and Losses

Other Income and Expenses

(Billion yen)	FY2017	FY2016
Interest Income	0.6	0.6
Interest Expense	-0.7	-0.6
Net Interest Income and Expense	-0.1	-0.0
Foreign Exchange Gain/Loss	-0.4	-2.0
Other	0.2	1.5
Total	-0.3	-0.5

Extraordinary Income and Losses

(Billion yen)	FY2017	FY2016
Gain on Transfer of Business	0.2	8.9
Gain/Loss on Sales or Disposal of Property, Plant and Equipment	0.0	8.5
Gain/Loss on Sales of Investments in Securities and Loss on Revaluation of Investments in Securities	0.3	0.0
Structural Reform Expenses, etc.	-1.3	-1.4
Impairment Loss	-70.7	-0.2
Voluntary Product Recall-Related Expenses	-3.3	–
Total	-74.7	15.9

*1. Gain on Transfer of Business: Transfer of intellectual property rights associated with the *Jean Paul GAULTIER* brand in 2016
*2. Gain/Loss on Sales or Disposal of Property, Plant and Equipment: Sale of land at the former Kamakura factory in 2016
*3. Structural Reform Expenses, etc.: Early retirement premiums that were being pursued in all regions, etc.

Full-Year Forecast for FY2017

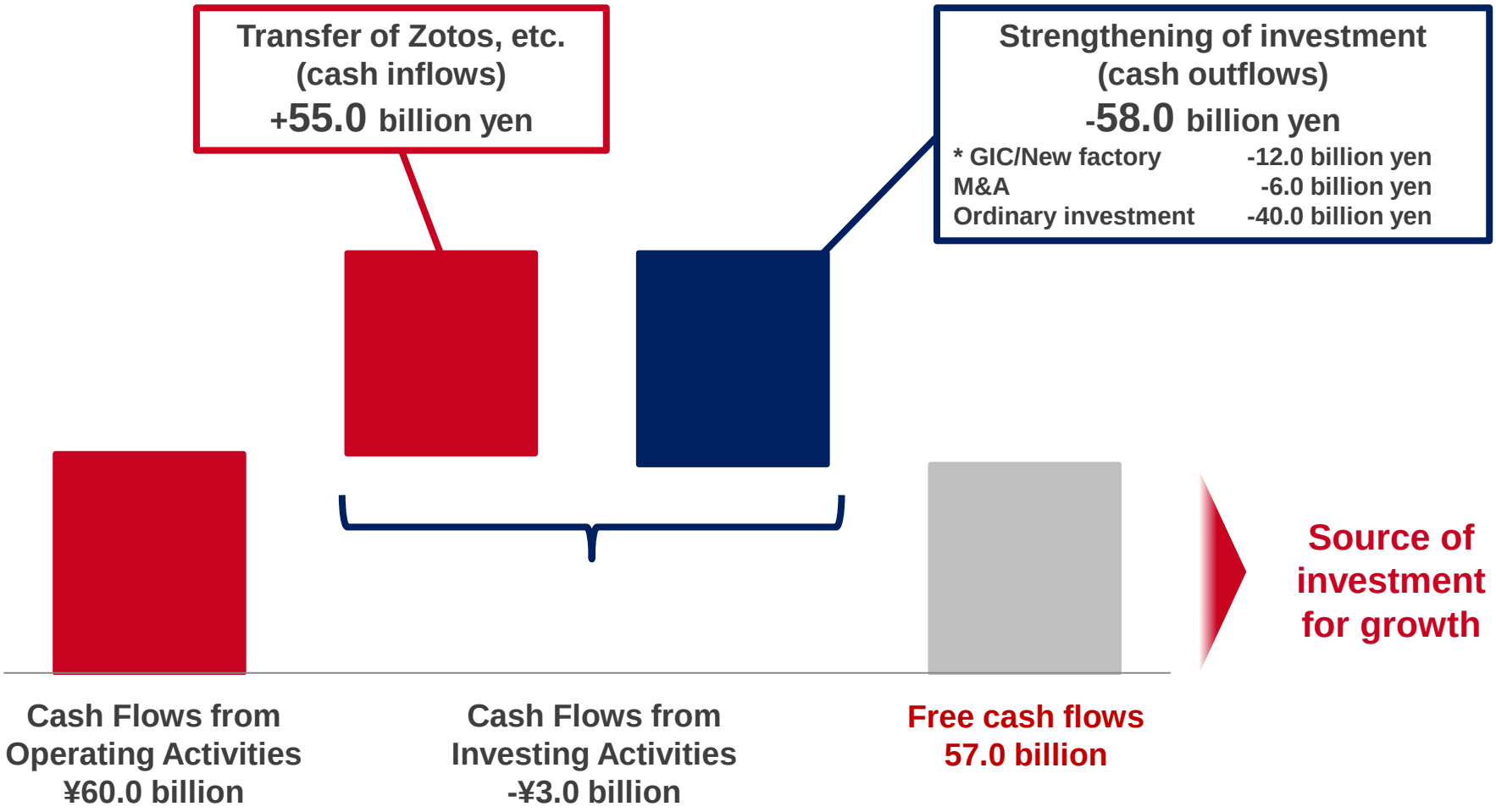
(Billion yen)	FY2017	% of Net Sales	FY2016	YoY Change %	YoY Change in Local Currency %	Revised Forecast Announced on Nov. 1	Difference	Revised Forecast Announced in August	Difference
Net Sales	985.0	100	850.3	+15.8	+14	985.0	±0.0	965.0	+20.0
Operating Income	65.0	6.6	36.8	+76.7		65.0	±0.0	56.0	+9.0
Ordinary Income	64.0	6.5	37.2	+72.2		64.0	±0.0	55.0	+9.0
Extraordinary Income/Loss	-39.0	—	12.7	—		-34.0	-5.0	-4.0	-35.0
Net Income Attributable to Owners of Parent	5.0	0.5	32.1	-84.4		10.0	-5.0	32.5	-27.5

Exchange rates: FY2017 USD 1 = JPY 111.9 (+3%), EUR 1 = JPY 124.6 (+3%), CNY 1 = JPY 16.5 (+1%)
Dividends: Interim ¥12.5, Year-end ¥12.5 (plan)

*1: Extraordinary income/loss (net) for FY2016 reflects the recording of extraordinary income such as a gain on the transfer of intellectual property rights in connection with the *Jean Paul GAULTIER* brand fragrance and a gain on the sale of land at the Company's former Kamakura factory.

Utilization of Free Cash Flow to Fund Further Growth Investment

■ Free Cash Flow　FY2017 Full-Year Forecast



*1. Global Innovation Center

Strengthening of Portfolio through Further Selection & Concentration

Role/Positioning	Business Domain	M&A/Strategic Partnership	Withdrawal/Sale
Positioning as profitable growth drivers – proactive investment	Prestige	Acquisition of *Laura Mercier*	-
	Fragrance	Conclusion of *Dolce&Gabbana* licensing agreement	Termination of *Burberry* distribution agreements
Building of business foundation for achieving sustainable profit growth	Cosmetics	-	Transfer of KINARI
Restructuring	Professional	-	Transfer of Zotos
	Frontier Science	-	Transfer of chromatography business
New innovative domains	- Personalization - Holistic	- Innovative digital tools MATCHCo., Giaran - Strengthening of business and organizational capabilities JWALK	-

- ✓ Rebuilding of the business and brand portfolio on a global scale
- ✓ Concentration of investment on core brands, acceleration of growth
- ✓ Strengthening of investment for growth in the medium and long term, such as supply chain investment

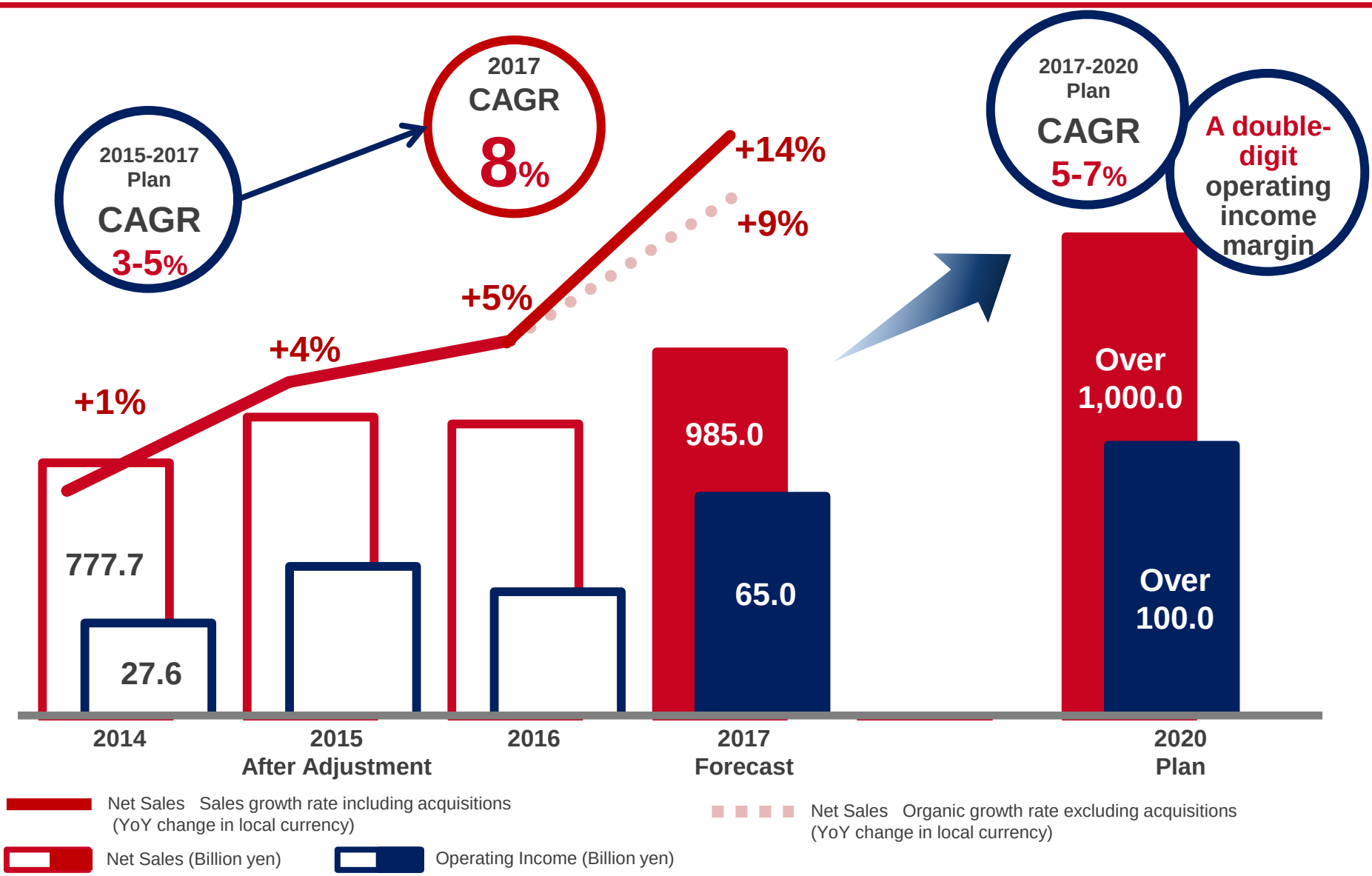
Supply Chain:
Meeting Increased Demand in Japan and Overseas

- 3 factories in Japan: Strengthening of infrastructure and increase of personnel
- Nasu factory: Slated to start operation in 2019
- New Osaka factory: Production capacity to be increased to 2.1 times the initial plan
- Active investment in treatment of workers and human resource development
  Realization of better production process from a long-term perspective
  - ➢ Re-employ fixed-term contract employees full-time from 2018
    (those willing to change the contract from around 1,200 employees max.)

Building a robust production structure to support global growth



VISION 2020: Completion of Business Restructuring



*1. 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.


SHISEIDO

Supplemental Data 1:
FY2017 Full-Year Forecast (by Reportable Segments)

(Billion yen)	FY2017	YoY Change %		Revised Forecast Announced In August		(Ref) FY2016
			In Local Currency, %		Difference	
Net Sales	985.0	+15.8	+14	965.0	+20.0	850.3
Japan	423.0	+11.0	+11	409.0	+14.0	381.2
China	139.0	+17.7	+17	135.5	+3.5	118.1
Asia Pacific	53.0	+16.2	+10	51.5	+1.5	45.6
Americas	143.0	+12.2	+9	148.0	-5.0	127.5
EMEA	123.0	+30.7	+26	119.5	+3.5	94.1
Travel Retail	42.5	+71.3	+66	40.5	+2.0	24.8
Professional	47.5	+5.7	+4	47.0	+0.5	44.9
Other	14.0	0	0	14.0	±0.0	14.0

Exchange rates: FY2017: USD 1 = JPY 111.9 (+3%), EUR 1 = JPY 124.6 (+3%), CNY 1 = JPY 16.5 (+1%)

*1. See Supplemental Data 8 for details about changes in reportable segment.

Supplemental Data 2:
Q3 Results of Sales by Reportable Segment (Jan.-Sep.)

(Billion yen)	FY2017	% of Net Sales	FY2016	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency %
Japan	320.5	43.8	286.7	46.1	+33.8	+11.8	+11.8
China	105.4	14.4	86.9	13.9	+18.5	+21.3	+20.8
Asia Pacific	40.9	5.6	34.0	5.5	+6.8	+20.1	+12.7
Americas	98.4	13.5	89.9	14.4	+8.5	+9.5	+6.2 *1, 2
EMEA	87.3	11.9	64.8	10.4	+22.5	+34.8	+31.1 *1, 3
Travel Retail	33.8	4.6	18.3	2.9	+15.5	+84.5	+79.2
Professional	34.8	4.8	32.4	5.2	+2.5	+7.6	+5.4
Other	10.2	1.4	9.9	1.6	+0.4	+3.7	+3.7
Total	731.2	100	622.7	100	+108.5	+17.4	+15.8

*1. Effective from the fiscal year ending December 31, 2017, *bareMinerals, NARS* etc. in the U.K. included in the “Americas Business” under the Company’s previous segment classification structure have been included in the “EMEA Business.”
Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the “EMEA Business” under the Company’s previous segment classification structure has been included in the “Americas Business.”
*2. Year-on-year percentage change of sales of existing business is -15% excluding the acquisition of *Laura Mercier*, and the licensing of *Dolce&Gabbana*.
*3. Year-on-year percentage change of sales of existing business is +5% excluding the licensing of *Dolce&Gabbana*.
*4. See Supplemental Data 8 for details about changes in reportable segment.

Supplemental Data 3: Q3 Results of Operating Income by Reportable Segment (Jan.-Sep.)

(Billion yen)	FY2017	Operating Profitability %	FY2016	Operating Profitability %	YoY Change	YoY Change %
Japan	67.9	19.7	44.1	14.6	+23.8	+54.0
China	11.2	10.6	4.0	4.6	+7.2	+181.3
Asia Pacific	5.4	12.9	1.7	5.1	+3.7	+212.1
Americas	-11.4	-10.4	-7.2	-7.5	-4.2	—
EMEA	-1.2	-1.2	-2.6	-3.8	+1.4	—
Travel Retail	10.4	30.8	4.6	25.1	+5.8	+127.2
Professional	2.0	5.8	0.2	0.6	+1.8	+973.8
Other	-7.9	-11.7	-7.2	-17.1	-0.7	—
Subtotal	76.5	9.2	37.6	5.5	+38.8	+103.3
Adjustments	-5.8	—	1.1	—	-6.9	—
Total	70.7	9.7	38.7	6.2	+31.9	+82.4

*1. Operating profitability is calculated using net sales including intersegment transactions.
*2. See Supplemental Data 8 for information about segment changes.

Supplemental Data 4:
Q3 Results of Sales by Reportable Segment (Jul.-Sep.)

(Billion yen)	FY2017	FY2017 % of Net Sales	FY2016	FY2016 % of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency %
Japan	111.9	43.2	97.0	46.1	+14.9	+15.4	+15.4
China	36.7	14.2	26.5	12.6	+10.2	+38.7	+28.8
Asia Pacific	15.0	5.8	11.6	5.5	+3.4	+29.5	+17.2
Americas	36.2	14.0	34.6	16.5	+1.6	+4.7	-3.2 *1, 2
EMEA	33.4	12.9	21.5	10.2	+11.9	+55.4	+39.1 *1, 3
Travel Retail	10.7	4.1	6.3	3.0	+4.4	+69.5	+55.2
Professional	11.6	4.5	10.1	4.8	+1.5	+14.6	+8.3
Other	3.4	1.3	2.8	1.3	+0.7	+23.7	+23.7
Total	259.1	100	210.4	100	+48.6	+23.1	+17.5

*1. Effective from the fiscal year ending December 31, 2017, *bareMinerals, NARS* etc. in the U.K. included in the “Americas Business” under the Company’s previous segment classification structure have been included in the “EMEA Business.”
Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the “EMEA Business” under the Company’s previous segment classification structure has been included in the “Americas Business.”
*2. Year-on-year percentage change of sales of existing business is -15% excluding the acquisition of *Laura Mercier*, and the licensing of *Dolce&Gabbana*.
*3. Year-on-year percentage change of sales of existing business is +9% excluding the licensing of *Dolce&Gabbana*.
*4. See Supplemental Data 8 for details about changes in reportable segment.

Supplemental Data 5: Q3 Results of Operating Income by Reportable Segment (Jul.-Sep.)

(Billion yen)	FY2017	Operating Profitability %	FY2016	Operating Profitability %	YoY Change	YoY Change %
Japan	27.2	22.9	18.8	18.5	+8.4	+44.5
China	6.1	16.7	1.7	6.6	+4.4	+252.0
Asia Pacific	3.1	20.2	1.7	14.8	+1.4	+81.6
Americas	-2.4	-5.9	-2.5	-6.8	+0.1	—
EMEA	2.0	5.5	-0.3	-1.3	+2.3	—
Travel Retail	2.9	27.0	1.7	27.6	+1.2	+66.4
Professional	0.9	7.4	0.0	0.4	+0.8	—
Other	-2.7	-11.6	-2.6	-17.6	-0.1	—
Subtotal	37.3	12.7	18.7	8.1	+18.6	+99.2
Adjustments	-1.3	—	0.1	—	-1.4	—
Total	36.0	13.9	18.8	8.9	+17.2	+91.5

*1. Operating profitability is calculated using net sales including intersegment transactions.
*2. Year-on-year percentage increase/(decrease) data for segment operating income in the Professional Business exceeds 1,000% and accordingly is not stated here.
*3. See Supplemental Data 8 for information about segment changes.

Supplemental Data 6:
Q3 Results of SG&A (Jan.-Sep.)

(Billion yen)	FY2017			YoY Change %	YoY Change	Change Excluding Impact of Foreign Currency Exchange
		% of Net Sales	Change in % of Net Sales			
SG&A	492.1	67.3	-2.3	+13.6	+58.8	+52.4
Marketing Costs	252.2	34.5	-0.6	+15.3	+33.5	+30.3
Brand Development Cost and R&D Expenses	35.7	4.9	+0.7	+37.2	+9.7	+9.3
Personnel Expenses	92.6	12.7	-0.7	+11.2	+9.3	+7.9
Other Expenses	111.6	15.2	-1.7	+6.0	+6.3	+4.9

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

Supplemental Data 7: Consolidated Balance Sheets

(Billion yen)	Sep. 30, 2017	Change from Dec. 31, 2016	Excl. Impact of Foreign Currency Exchange	Impact of Foreign Currency Exchange
Total Current Assets	501.9	+70.0	+65.0	+5.0
Cash, Time Deposits and Short-Term Investments in Securities	144.1	+16.0	+14.7	+1.3
Notes & Accounts Receivable	167.8	+31.0	+28.2	+2.9
Inventories	136.9	+21.2	+20.8	+0.4
Total Fixed Assets	432.8	-69.8	-75.4	+5.6
Property, Plant and Equipment	160.9	+4.7	+4.7	+0.0
Intangible Assets	171.6	-74.8	-78.8	+4.1
Investments and Other Assets	100.4	+0.2	-1.3	+1.5
Total Assets	934.7	+0.1	-10.4	+10.6

(Billion yen)	Sep. 30, 2017	Change from Dec. 31, 2016	Excl. Impact of Foreign Currency Exchange	Impact of Foreign Currency Exchange
Total Liabilities	540.1	+19.3	+12.6	+6.8
Notes & Accounts Payable and Other Payables	125.8	-1.1	-2.9	+1.9
Interest-Bearing Debt	134.6	+14.0	+14.1	-0.2
Long-term payables	59.7	+6.5	+2.2	+4.3
Liability for Retirement Benefits	92.9	-1.6	-1.9	+0.3
Total Net Assets	394.7	-19.2	-23.0	+3.8
Shareholders' Equity	366.5	-25.6	-	-
Accumulated Other Comprehensive Income	6.4	+5.5	-	-
Non-Controlling Interests	20.9	+0.8	-	-
Total Liabilities and Net Assets	934.7	+0.1	-10.4	+10.6

Exchange Rates:
Dec. 31, 2016: USD 1= JPY 116.5; EUR 1 = JPY 122.7; CNY 1 = JPY 16.8
Sep. 30, 2017: USD 1= JPY 112.7; EUR 1 = JPY 132.8; CNY 1 = JPY 17.0

Equity Ratio: 39.9%
Interest-Bearing Debt Ratio: 25.4%
(Excluding long-term payables related to payment for the DG trademark right)

* Main line items only

Supplemental Data 8:
Main Constituents of Old and New Segments

2016 Segments	Major Businesses (December 31, 2016)
Japan	Overall business in Japan, TR in Japan (Excluding BE and LM)
China	Overall business in China (Excluding BE, LM, and TR)
Asia Pacific	Overall business in Asia and Oceania excluding Japan and China (Excluding BE, LM, and TR)
Americas	Overall business in the Americas, BE, LM, and ZOTOS (Excluding TR)
EMEA	Overall business in EMEA and fragrances*2 (Excluding BE, LM, and TR)
Travel Retail	Overall business at duty-free shops worldwide outside Japan (Excluding TR in fragrances*2)

2017 Segments	Major Businesses (September 30, 2017)
Japan	Overall business in Japan, TR in Japan (Excluding BE and PF)
China	Overall business in China (Excluding BE, LM, TR, and PF)
Asia Pacific	Overall business in Asia and Oceania excluding Japan and China (Excluding BE, LM, TR, and PF)
Americas	Overall business in the Americas (Excluding TR and PF)
EMEA	Overall business in EMEA (Excluding LM and TR)
Travel Retail	Overall business at duty-free shops all over the world outside Japan (Excluding TR in fragrances*2)
Professional	Overall Professional Business all over the world
Other	Production Business, Frontier Science Business, restaurant operation, and others

BE: *Bare Escentuals* LM: *Laura Mercier* and *RéVive* TR: Travel Retail Business PF: Professional Business EMEA: Europe, the Middle East, and Africa

*1. Starting from the current fiscal year, the Professional Business, which was previously included in each business excluding EMEA and TR, is included in the Professional Business.
*2. Fragrances Business exclude *SHISEIDO* fragrance and include *Dolce&Gabbana*, *ISSEY MIYAKE*, and *narciso rodriguez*.
*3. Effective from the fiscal year ending December 31, 2017, *bareMinerals*, *NARS* etc. in the U.K. included in the “Americas Business” under the Company’s previous segment classification structure have been included in the “EMEA Business.”
Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the “EMEA Business” under the Company’s previous segment classification structure has been included in the “Americas Business.