FY2017 Results



Norio Tadakawa

February 8, 2018

Corporate Executive Officer, CFO
Shiseido Company, Limited

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 Sales and Profit Soared to New Historic Highs

Net sales exceeded ¥1 trillion, three years ahead of schedule.
Operating profit doubled year on year, and operating profitability reached 8%.
Results were much higher than planned due to
bold marketing investment and structural reform.

Net sales: ¥1,005.1 billion YoY change in local currency: +16.0% YoY change in yen: +18.2%

- Trend toward double-digit growth in Japan Business (YoY change: +13.1%)
- Sales expansion through borderless marketing (China: +20.1% / TR +73.8%)
- Growth of prestige brands into pillar of global business (+19%)

Operating income: ¥80.4 billion YoY change: +118.7% YoY difference: +¥43.7 billion
(*Past high: ¥63.5 billion)

- Significant improvement of cost structure due to increase in sales through strengthening of investment (reduction of cost, personnel expenses, and cost ratio)
- Improved profitability of Prestige and other core brands
- Significant improvement of profitability in Japan, China, the rest of Asia and TR

Net income attributable to owners of parent: ¥22.7 billion YoY change: -¥9.4 billion

EBITDA: ¥155.7 billion YoY change: +¥65.6 billion

Interest-bearing debt ratio: 15.4%

Interest-bearing debt to EBITDA ratio: 0.5

*** FY2007**

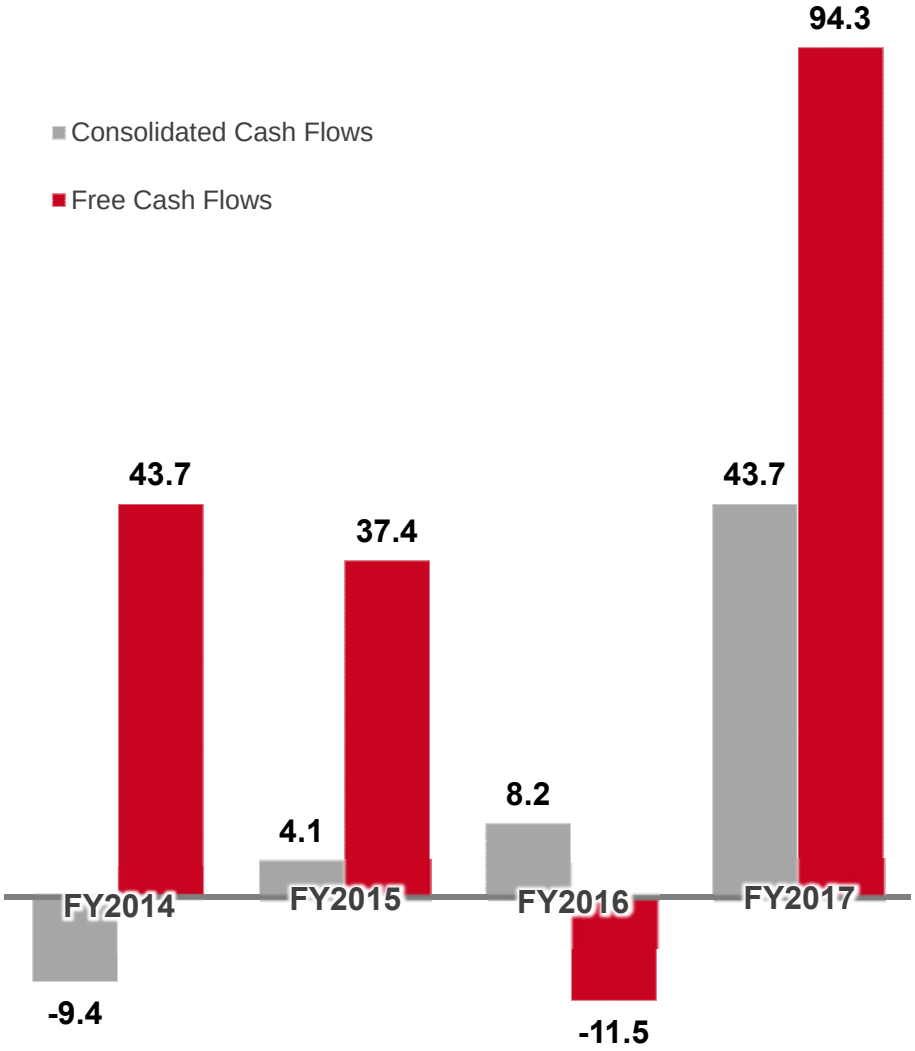
Summary of FY2017 Results

(Billion yen)	FY2017	% of Net Sales	FY2016	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency %	Difference from Nov. Forecasts
Net Sales	1,005.1	100	850.3	100	+154.8	+18.2	+16.0	+20.1
Cost of Sales	231.3	23.0	207.6	24.4	+23.8	+11.5		—
SG&A	693.3	69.0	606.0	71.3	+87.3	+14.4		—
Operating Income	80.4	8.0	36.8	4.3	+43.7	+118.7		+15.4
Ordinary Income	80.3	8.0	37.2	4.4	+43.2	+116.1		+16.3
Extraordinary Income/Loss (net)	-41.8	-4.2	12.7	1.5	-54.5	—		—
Net Income Attributable to Owners of Parent	22.7	2.3	32.1	3.8	-9.4	-29.1		+17.7
EBITDA	155.7	15.5	90.1	10.6	+65.6	+72.9		—

Exchange rates: USD 1 = JPY 112.2 (+3.0%), EUR 1 = JPY 126.7 (+5.2%), CNY 1 = JPY 16.6 (+1.5%)
ROE: 5.6%

*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.

Consolidated Statements of Cash Flows
Cash Flows Generated by Improved “Earning Power”



Cash Flows from Operating Activities	¥95.4billion
Cash Flows from Investing Activities	-¥1.1 billion
Free Cash Flows	¥94.3 billion
Cash Flows from Financing Activities	-¥53.1 billion
Effect of Exchange Rate Changes on Cash and Cash Equivalents	¥2.5 billion
Consolidated Cash Flows	¥43.7 billion

* FY2016 and FY2017 Japan: January to December; Overseas: January to December
FY2015 Japan: April to December; Overseas: January to December
FY2014 Japan: April to March; Overseas: January to December

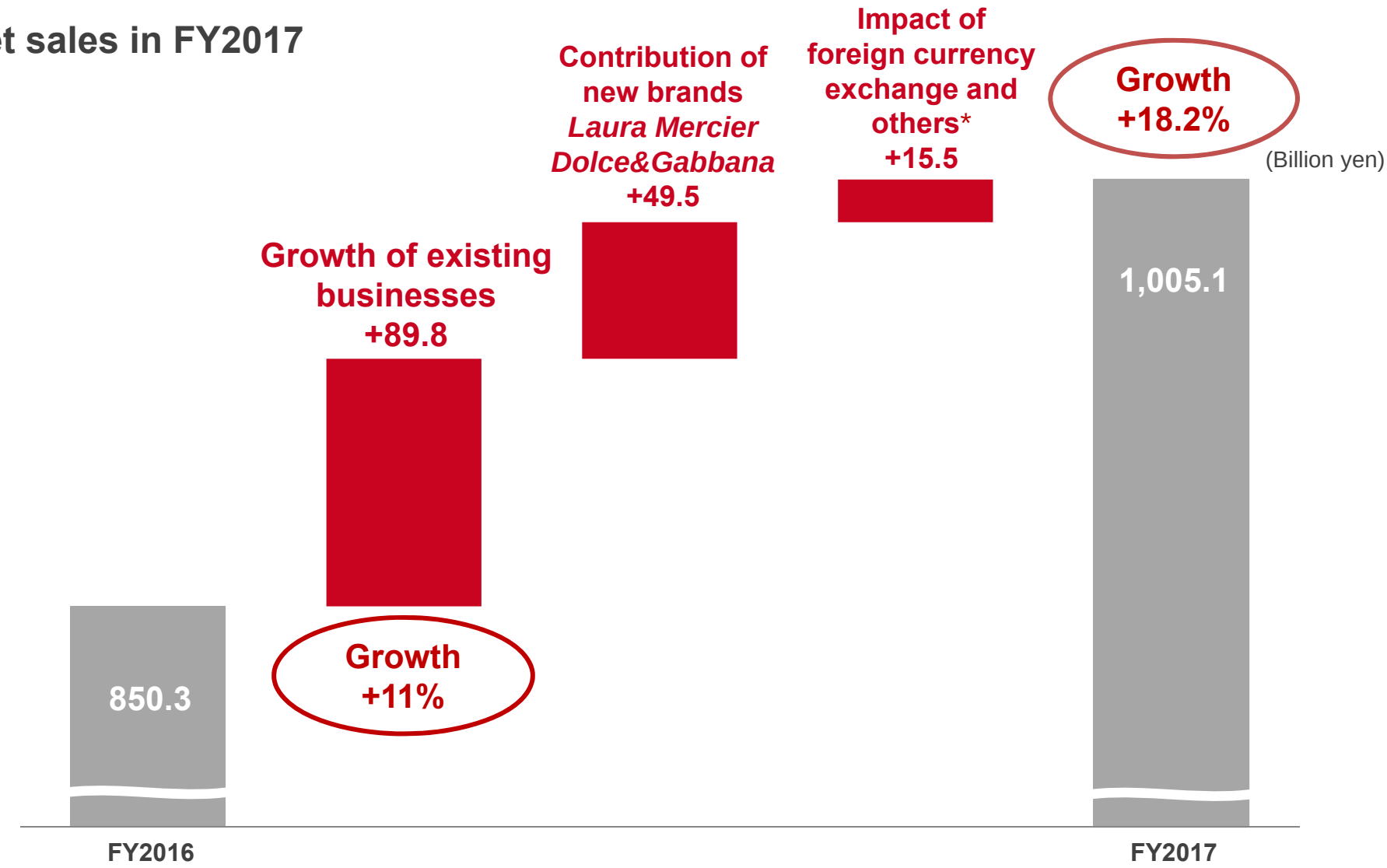
Increase of 7.5 yen in Annual Dividend

■ FY2017 Dividend per Share

		YoY Change	Change from Previous Announcement (August 9, 2017)
Interim	12.5 yen	+2.5 yen	—
Year-End	15.0 yen	+5.0 yen	+2.5 yen
Annual	27.5 yen	+7.5 yen	+2.5 yen

Growth Momentum Accelerated

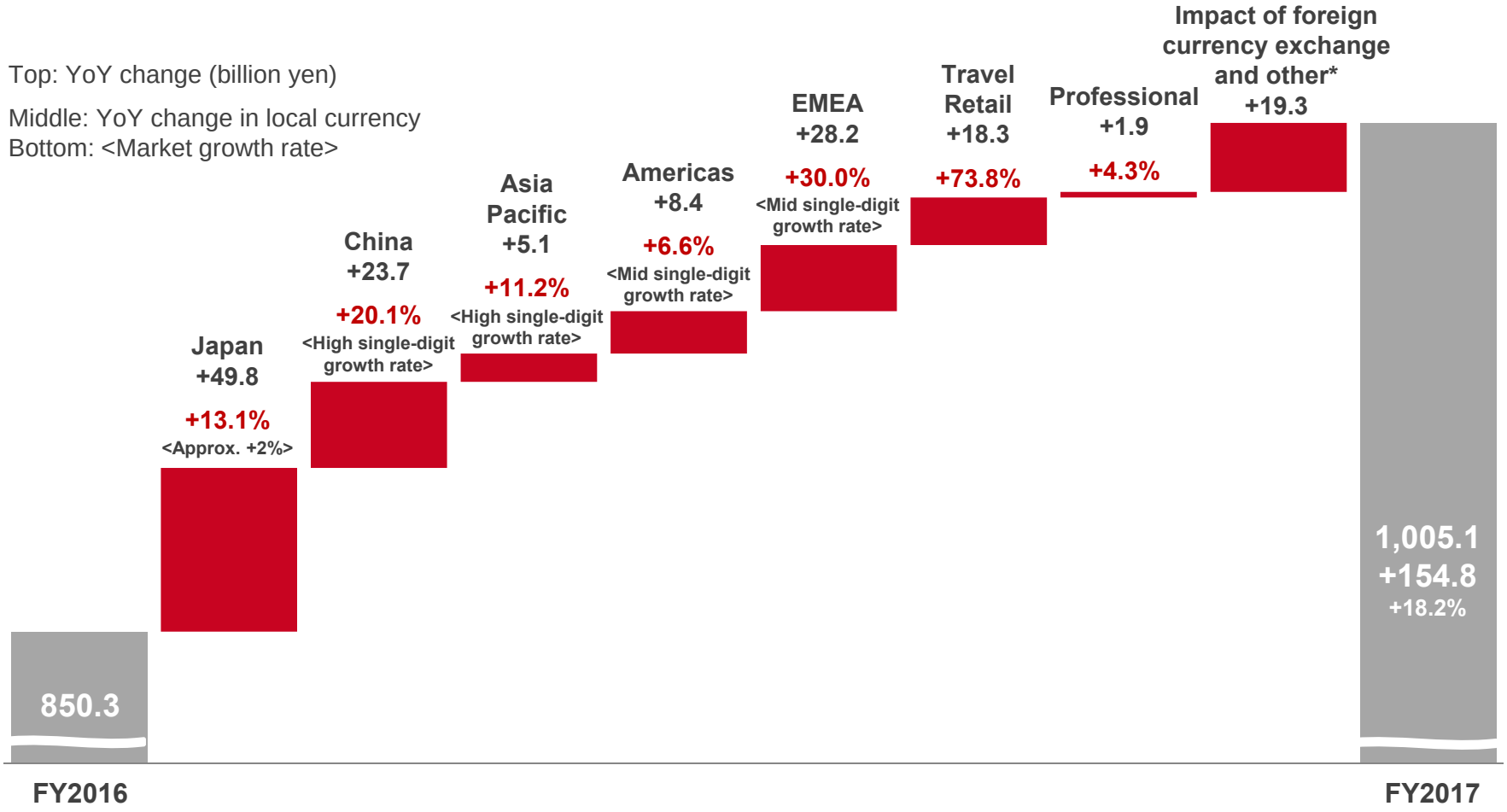
Net sales in FY2017



* "Impact of foreign currency exchange and others" includes impact of foreign currency +19.0 billion yen, and the impact of the previous year's sales of *Jean Paul GAULTIER*: -3.5 billion yen.

Sales Growth in All Regions
Expansion of Market Share, Outpacing Market Growth

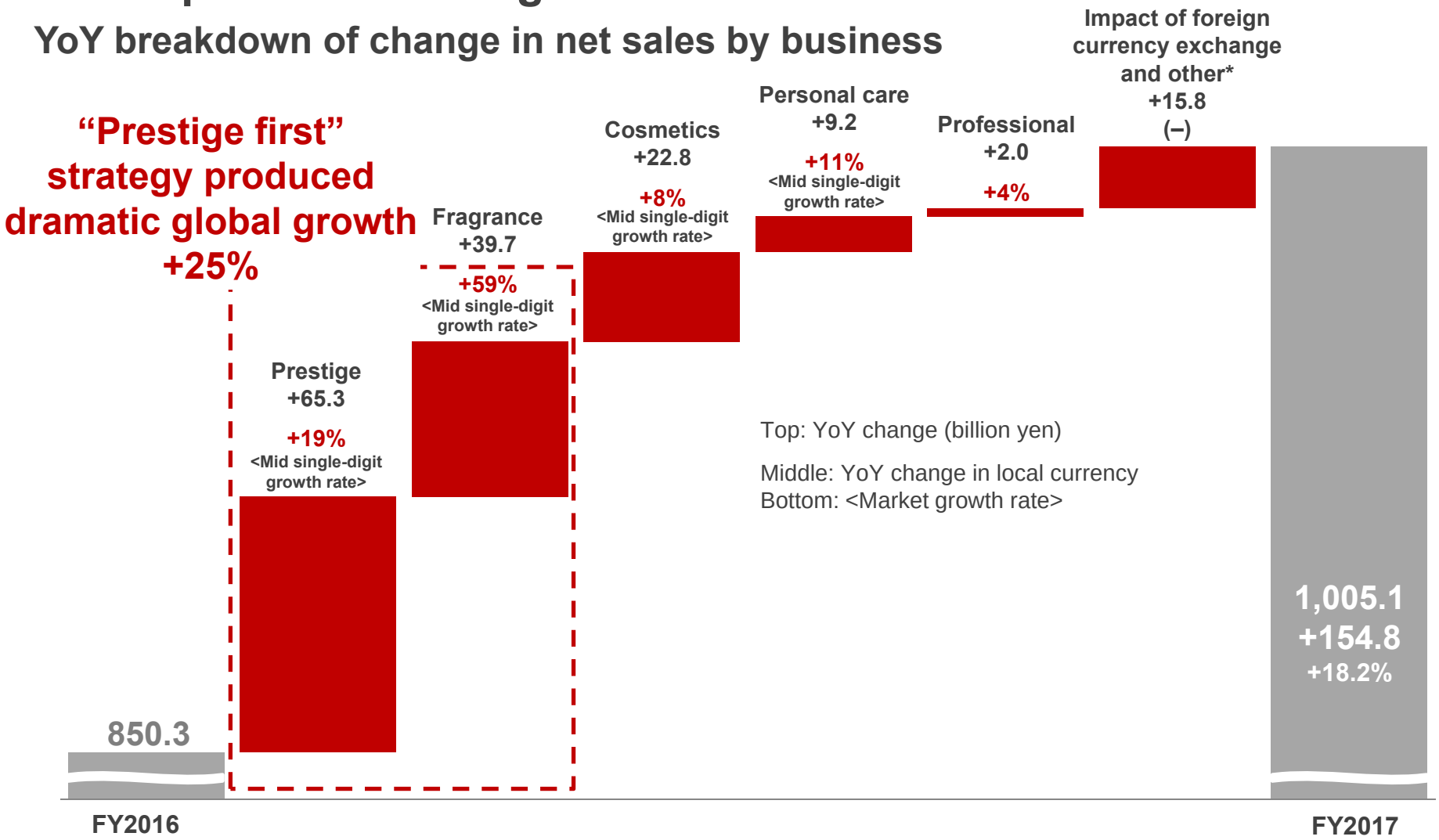
YoY breakdown of change in net sales by reportable segment



*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 11 for details about segment classifications.
*3. “Impact of foreign currency exchange and other” includes impact of foreign currency +19.0 billion yen and sales of “Other” as a reportable segment.
*4. Market data is according to Euromonitor International.

Sales Growth in All Businesses
Development of Prestige into Core Business

YoY breakdown of change in net sales by business

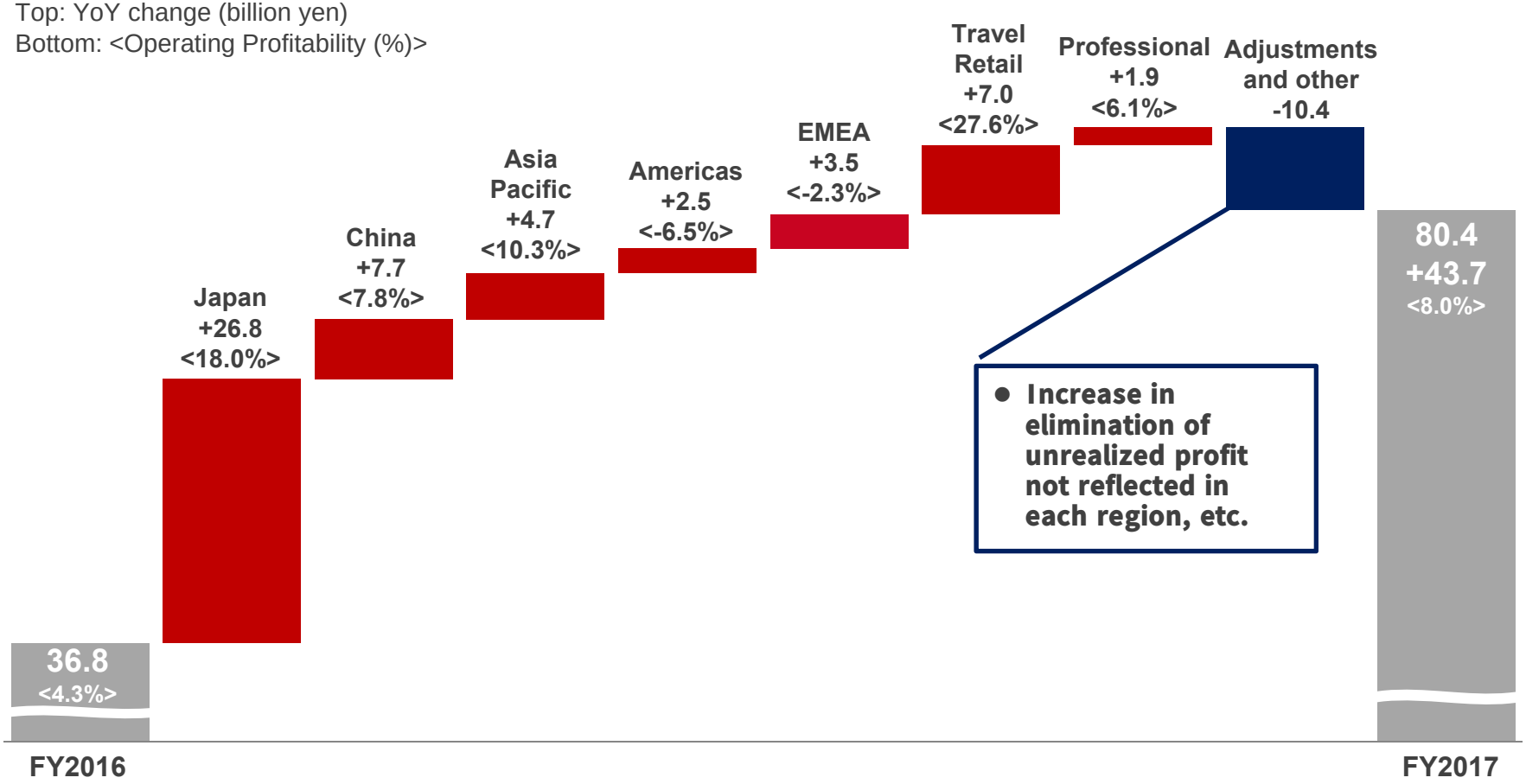


*1. The year-on-year change, and year-on-year change in local currency terms for each business were calculated based on the initially assumed exchange rates.
*2. "Impact of foreign currency exchange and other" includes impact of foreign currency +19.0 billion as well as "Other" business and the difference between the assumed rates and the actual rates.
*3. Market data is according to Euromonitor International.

Operating Income Increased in All Regions, with Significant Contributions from Japan, China Businesses and Travel Retail

YoY breakdown of change in operating income by reportable segment

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



*1. See Supplemental Data 11 for details about segment classifications.
*2. “Adjustments and other” includes results of “Other” as a reportable segment.

Japan: 13.1% Growth, Profitability Up to 18%

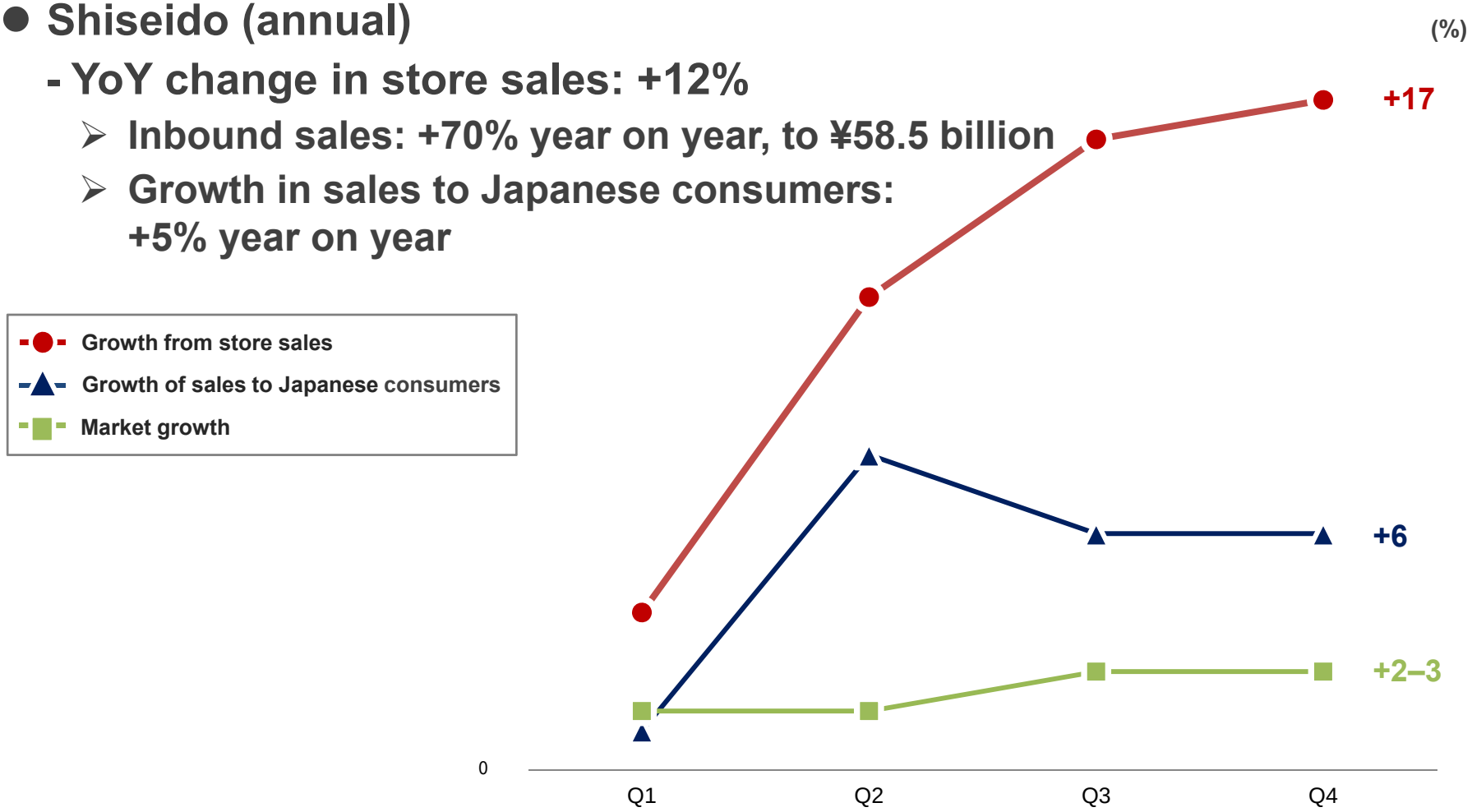
(Billion yen)	FY2017	% of Net Sales	FY2016	% of Net Sales	YoY Change	YoY Change %
Prestige	91.3	21.2	67.3	17.6	+24.1	+35.8
Cosmetics Specialty Stores	70.8	16.4	68.7	18.0	+2.1	+3.1
Cosmetics	197.1	45.7	177.9	46.7	+19.2	+10.8
Personal Care	51.8	12.0	48.5	12.7	+3.3	+6.8
Others*3	20.0	4.7	18.9	5.0	+1.1	+5.9
Japan	431.0	100	381.2	100	+49.8	+13.1

(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %
Operating Income	83.2	56.4	+26.8	+47.6
Operating Profitability (%)	18.0	14.1	+3.9 pt	
Income Before Amortization of Goodwill, etc.	83.3	56.5	+26.8	+47.4
Operating Profitability (%)	18.0	14.1	+3.9 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 11 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.

Store Sales: 17% Growth in Fourth Quarter

- Market in Japan (annual)
  - Growth of the cosmetics market: approx. +2% (Shiseido estimate)
- Shiseido (annual)
  - YoY change in store sales: +12%
    - Inbound sales: +70% year on year, to ¥58.5 billion
    - Growth in sales to Japanese consumers: +5% year on year



China: 20.1% Growth, Profitability of 7.8%

(Billion yen)	FY2017	% of Net Sales	FY2016	% of Net Sales	YoY Change	YoY Change in Local Currency %
Prestige	55.3	38.4	34.2	29.0	+21.1	+58.4
Cosmetics	59.8	41.4	59.7	50.6	+0.0	-1.5
Personal Care	28.1	19.5	23.4	19.8	+4.7	+18.3
Others	1.0	0.7	0.7	0.6	+0.3	+42.8
China	144.3	100	118.1	100	+26.2	+20.1

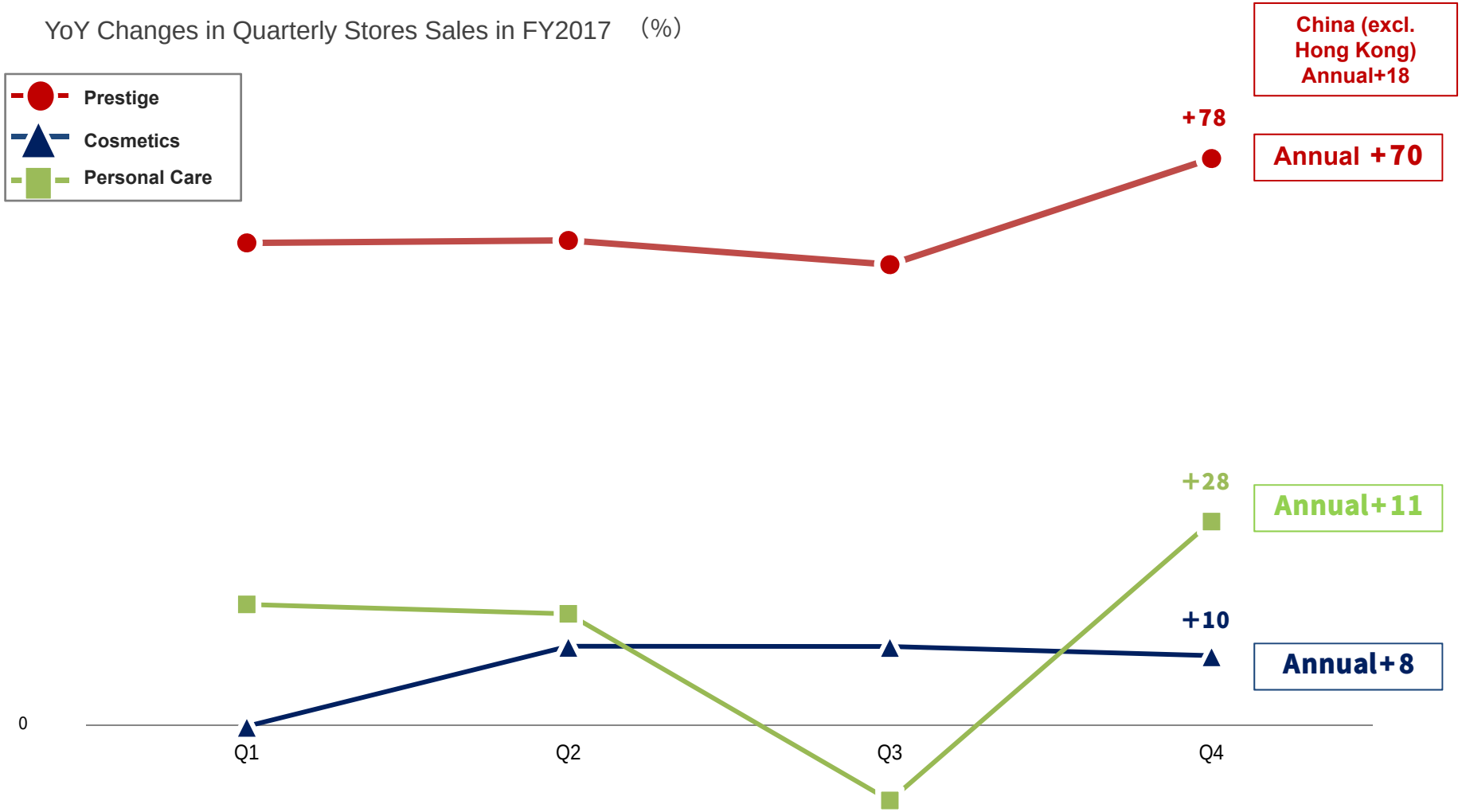
(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %
Operating Income	11.3	3.6	+7.7	+212.2
Operating Profitability (%)	7.8	3.1	+4.7 pt	
Income Before Amortization of Goodwill, etc.	11.7	4.0	+7.7	+192.0
Operating Profitability (%)	8.1	3.4	+4.7 pt	

*1. See Supplemental Data 11 for details about changes in reportable segments.
*2. Operating profitability is calculated using net sales including intersegment transaction.

China: Great Leap Forward in Prestige

Sales by business In local currency terms

YoY Changes in Quarterly Stores Sales in FY2017 （%）



Asia Pacific: Achievement of Double-Digit Growth and Double-Digit Profitability

(Billion yen)	FY2017	FY2016	YoY Change	YoY Change in Local Currency %
Asia Pacific	54.2	45.6	+8.6	+11.2

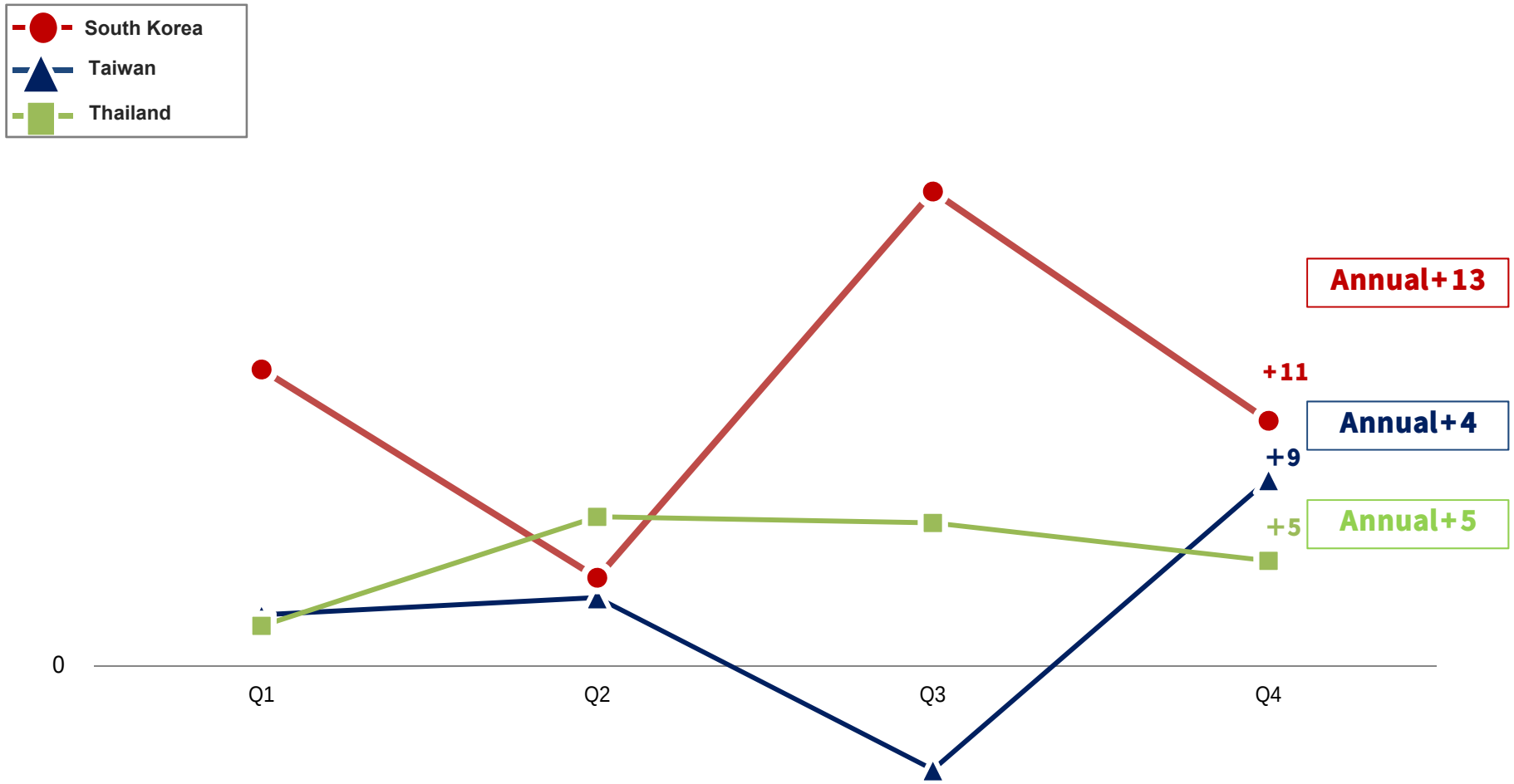
(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %
Operating Income	5.7	1.1	+4.7	+439.5
Operating Profitability (%)	10.3	2.3	+8.0 pt	
Income Before Amortization of Goodwill, etc.	5.8	1.1	+4.7	+415.4
Operating Profitability (%)	10.4	2.5	+7.9 pt	

*1. See Supplemental Data 11 for details about changes in reportable segments.
*2. Operating profitability is calculated using net sales including intersegment transactions.

Asia Pacific: Great Leap Forward in South Korea

Sales by country　In local currency terms

YoY Changes in Quarterly Stores Sales of Prestige in FY2017　(%)



Americas: 6.6% Growth; Improvement in Profitability

(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %	YoY Change in Local Currency %
Americas	140.4	127.5	+12.9	+10.1	+6.6

* The year-on-year change in real terms excluding the acquisition of *Laura Mercier* and the licensing of *Dolce&Gabbana* is -12%.

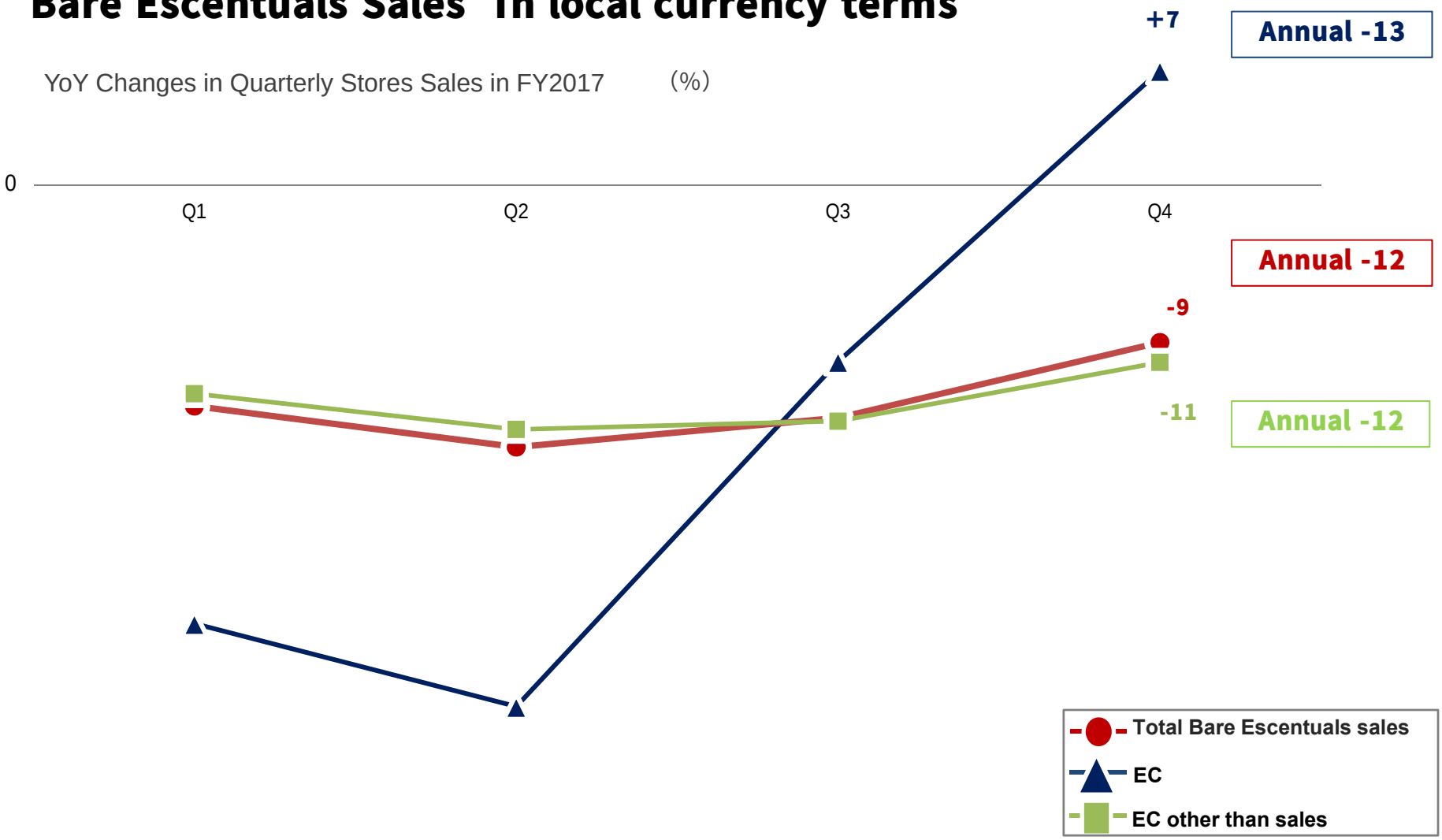
(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %
Operating Income	-10.3	-12.8	+2.5	—
Operating Profitability (%)	-6.5	-9.4	+2.9 pt	
Income Before Amortization of Goodwill, etc.	-2.5	-4.5	+2.0	—
Operating Profitability (%)	-1.6	-3.3	+1.7 pt	

- **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**
  - ***bareMinerals* struggling**

*1. See Supplemental Data 11 for details about changes in reportable segment. *2. Operating profitability is calculated using net sales including intersegment transaction.
*3. Effective from FY2017, *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 FY2017, 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."

Americas: Start of Turnaround of *bareMinerals*

Bare Escentuals Sales In local currency terms



EMEA: 30% Growth, Achieved Profitability

(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %	YoY Change in Local Currency %
EMEA	128.4	94.1	+34.3	+36.4	+30.0

* The year-on-year change in real terms excluding the licensing of *Dolce&Gabbana* is +7%.

(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %
Operating Income	-3.2	-6.7	+3.5	—
Operating Profitability (%)	-2.3	-6.8	+4.5 pt	
Income Before Amortization of Goodwill, etc.	-1.5	-6.3	+4.8	—
Operating Profitability (%)	-1.1	-6.4	+5.3 pt	

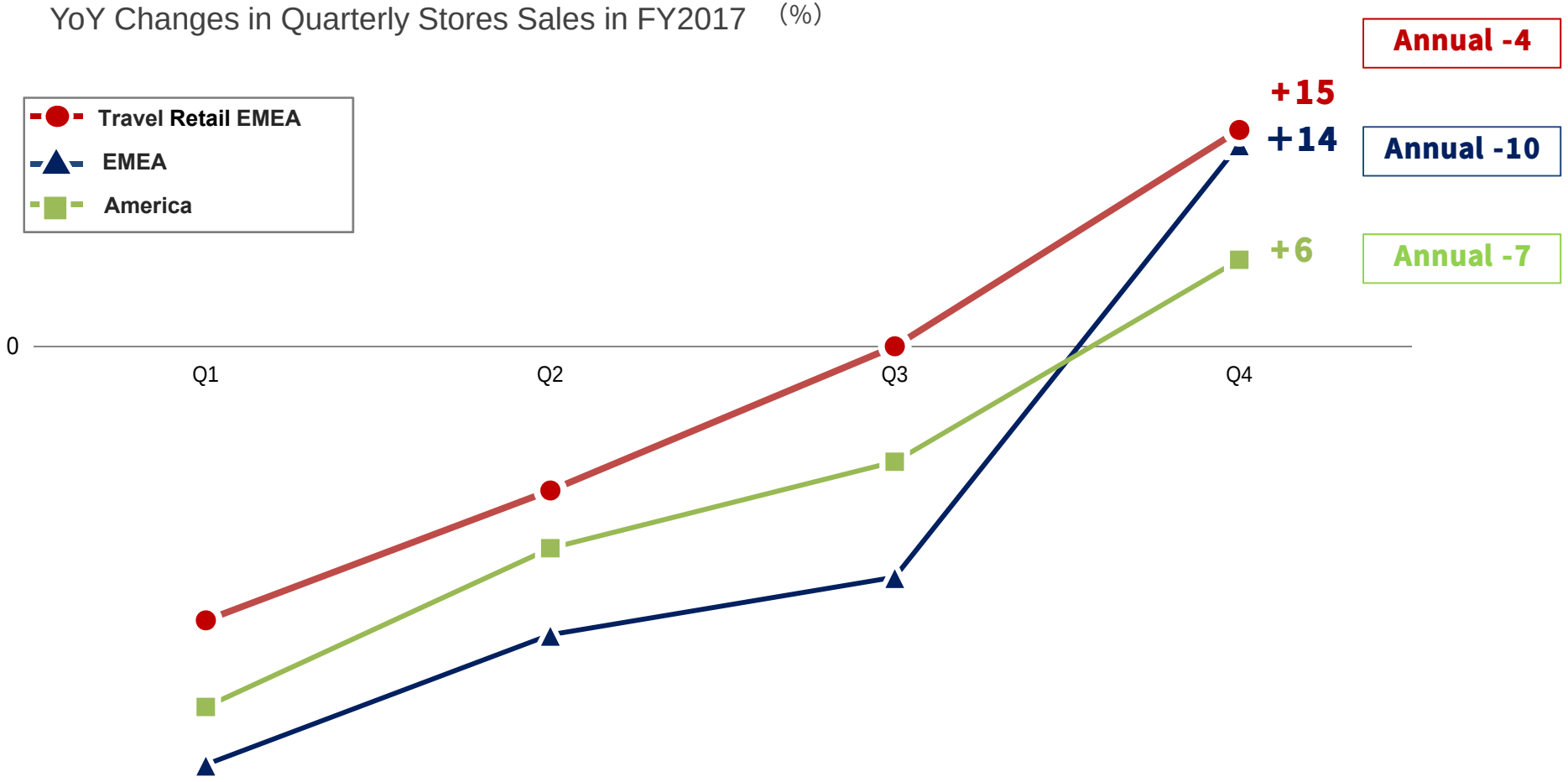
- **Existing Businesses grew +7%**
  - ***NARS* and *narciso rodriguez* performed strongly**
- ***Dolce&Gabbana***
  - **Store sales regained momentum**
- **Office integration was completed**

*1. See Supplemental Data 11 for details about changes in reportable segment. *2. Operating profitability is calculated using net sales including intersegment transaction.
*3. Effective from FY2017, *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 FY2017, 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.

Dolce&Gabbana: Back on Growth Path

Dolce&Gabbana Sales In local currency terms

YoY Changes in Quarterly Stores Sales in FY2017 (%)



Travel Retail: Dramatic Growth in Sales and Profit

(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %	YoY Change in Local Currency %
Travel Retail	44.5	24.8	+19.7	+79.3	+73.8

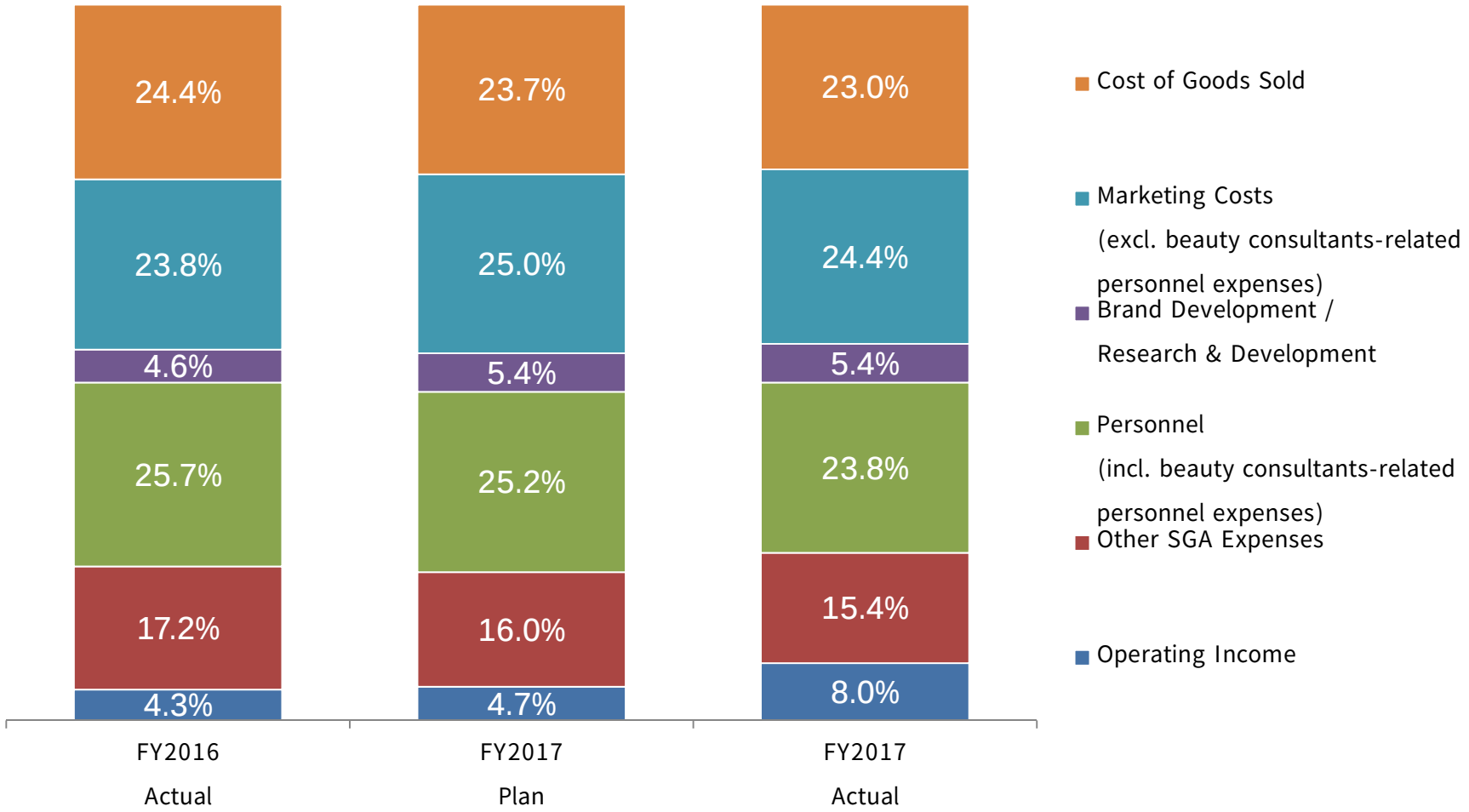
(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %
Operating Income	12.4	5.4	+7.0	+130.3
Operating Profitability (%)	27.6	21.6	+6.0 pt	
Income Before Amortization of Goodwill, etc.	12.4	5.4	+7.0	+130.3
Operating Profitability (%)	27.6	21.6	+6.0 pt	

- **Sales of *Clé de Peau Beauté*, *NARS* and *ANESSA* doubled year on year**
- **Proactive marketing including advertising and promotions at airports (Strengthening of investment)**
- **Strengthening of relationships with operators**
- **Strengthening of organizational functions and human resources**

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

Significant Improvement in Cost Structure
Trend Toward Sustainable Improvement in Profitability

Actual cost structure 2016–2017



Speed and Growth
Progress of Global Management

Masahiko Uotani

February 8, 2018

Representative Director, President and CEO
Shiseido Company, Limited



From Sell-In to Sell-Out Focus



Aggressive investment in marketing and R&D

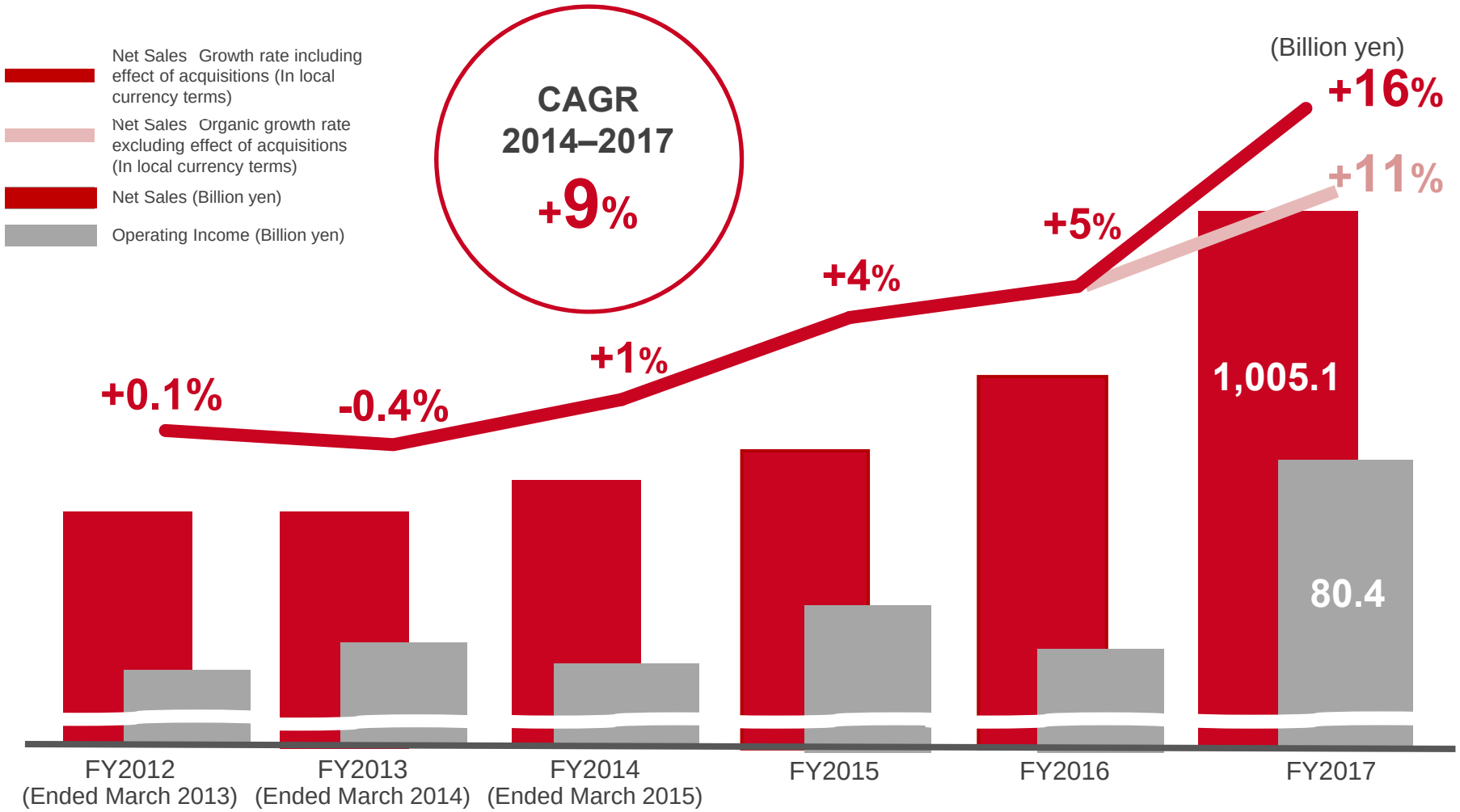
Enhancing brand equity
Increasing store sales

Improvement of market inventory turnover

Increasing shipment

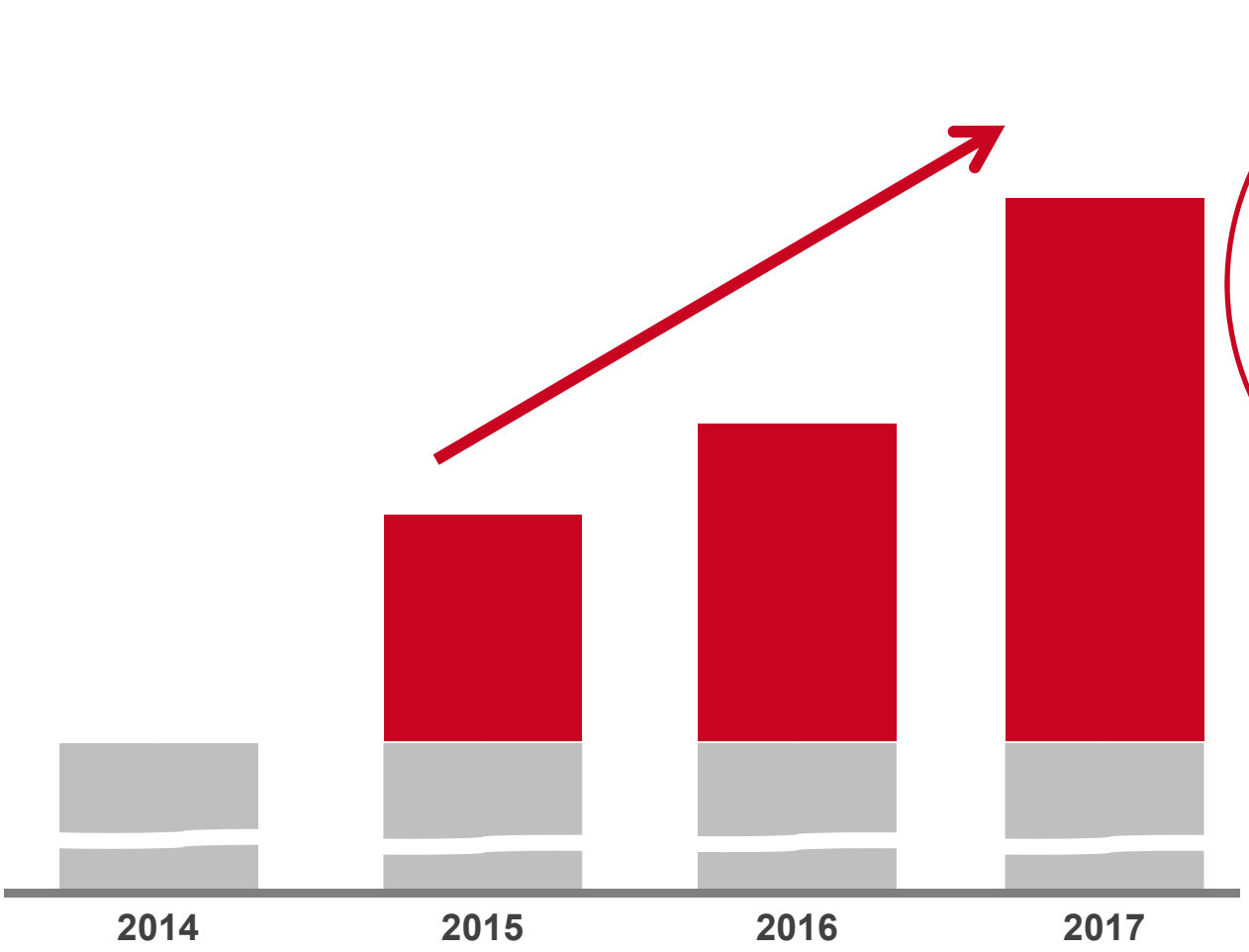
Improvement of cost structure

Road to Success: 3 Years of Reform



* The sales growth for FY2013 excludes the impact of last-minute demand ahead of the consumption tax hike. The sales growth for FY2014 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.

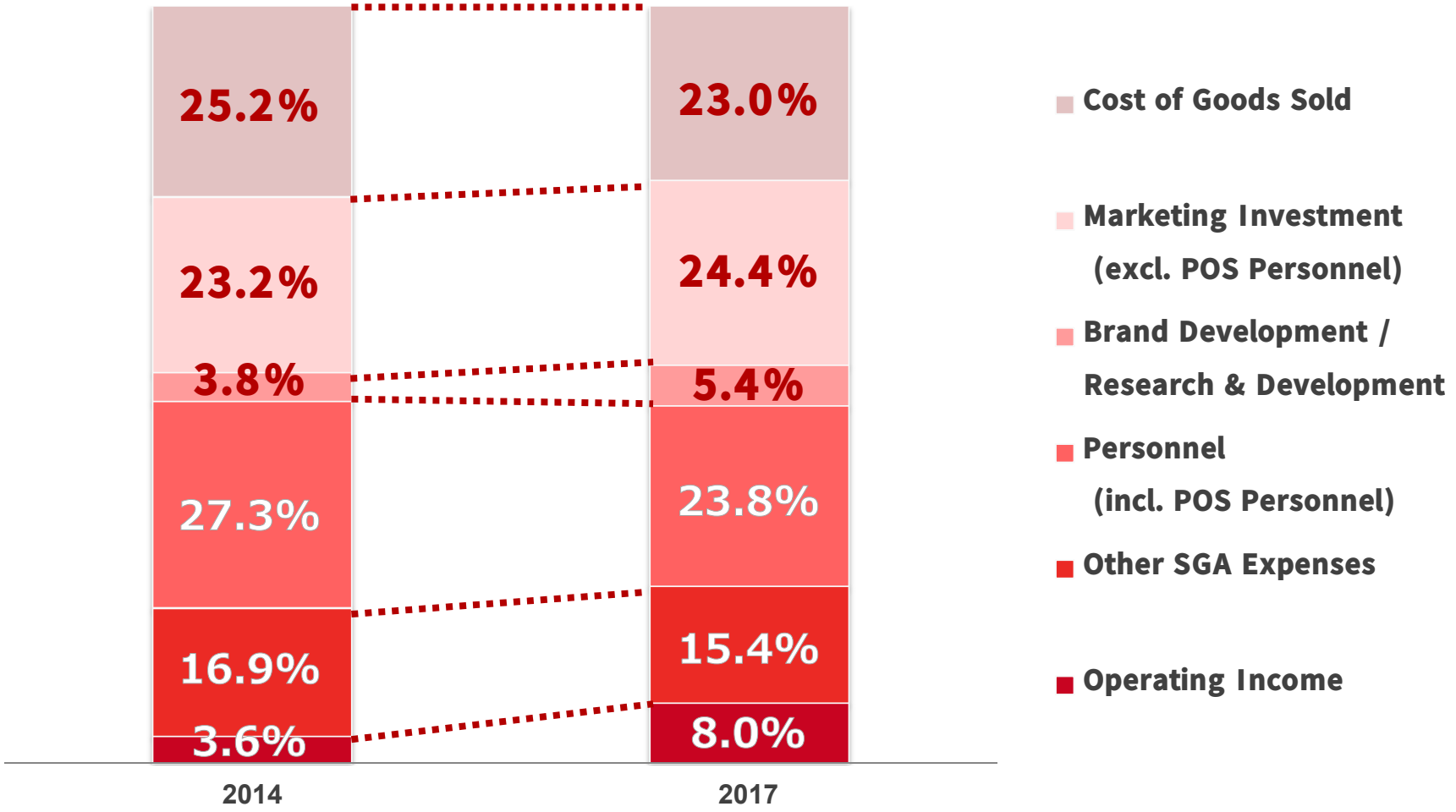
Bold Marketing Investment



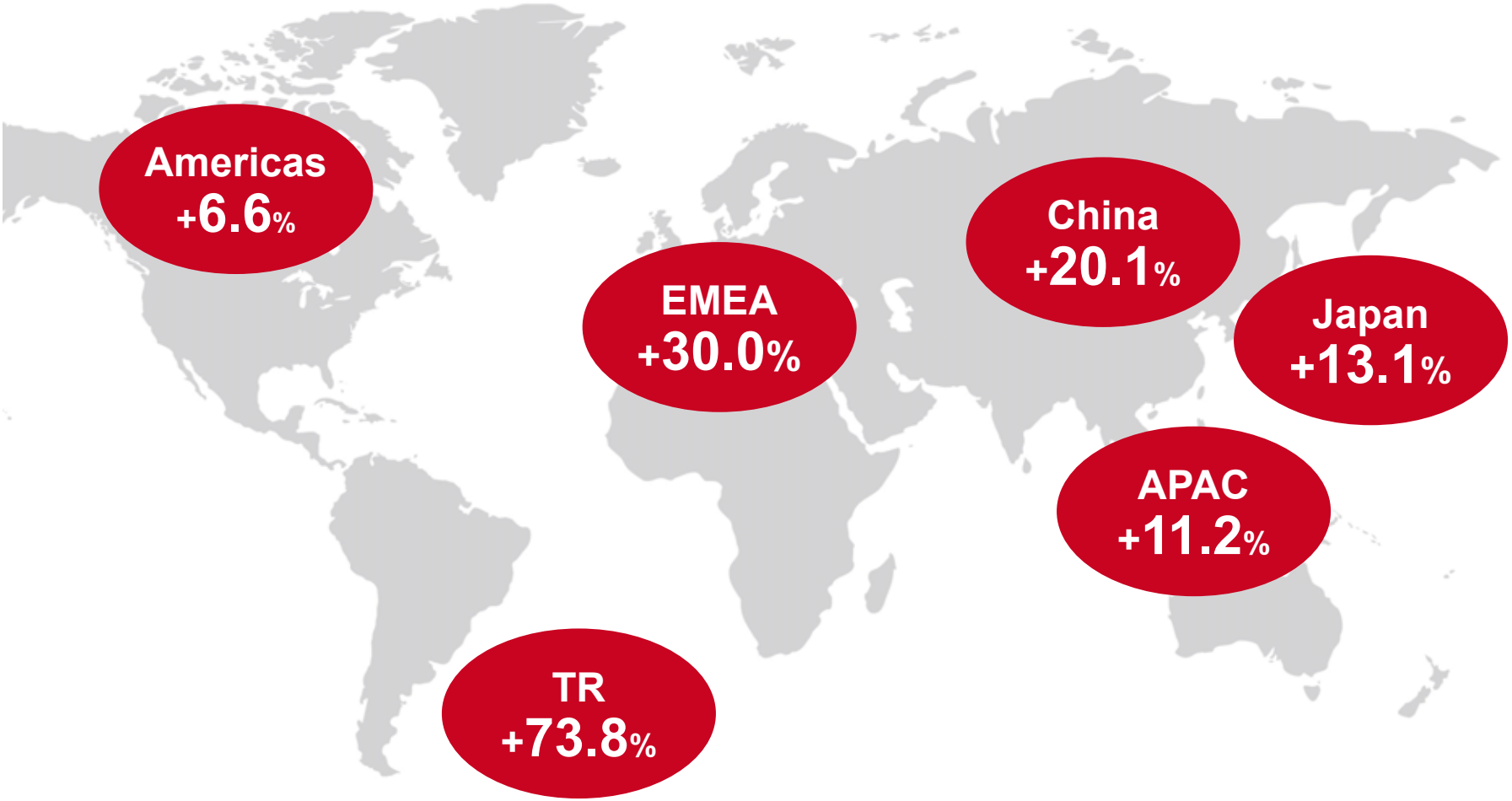
2015–2017 Total

over ¥110 billion

Improvement of Cost Structure Driven By Strong Sales Growth



2017: Growth Driven by All Regions



(FY2017 Net sales: YoY change in local currency)

“To Be a Global Winner” with Global Matrix Organization



Global Utilization of Trends, Knowledge and Cutting-Edge Research



Centers of Excellence

R&D Base

“Prestige First” Strategy

SHISEIDO GINZA TOKYO

clé de peau BEAUTÉ

NARS

IPSA

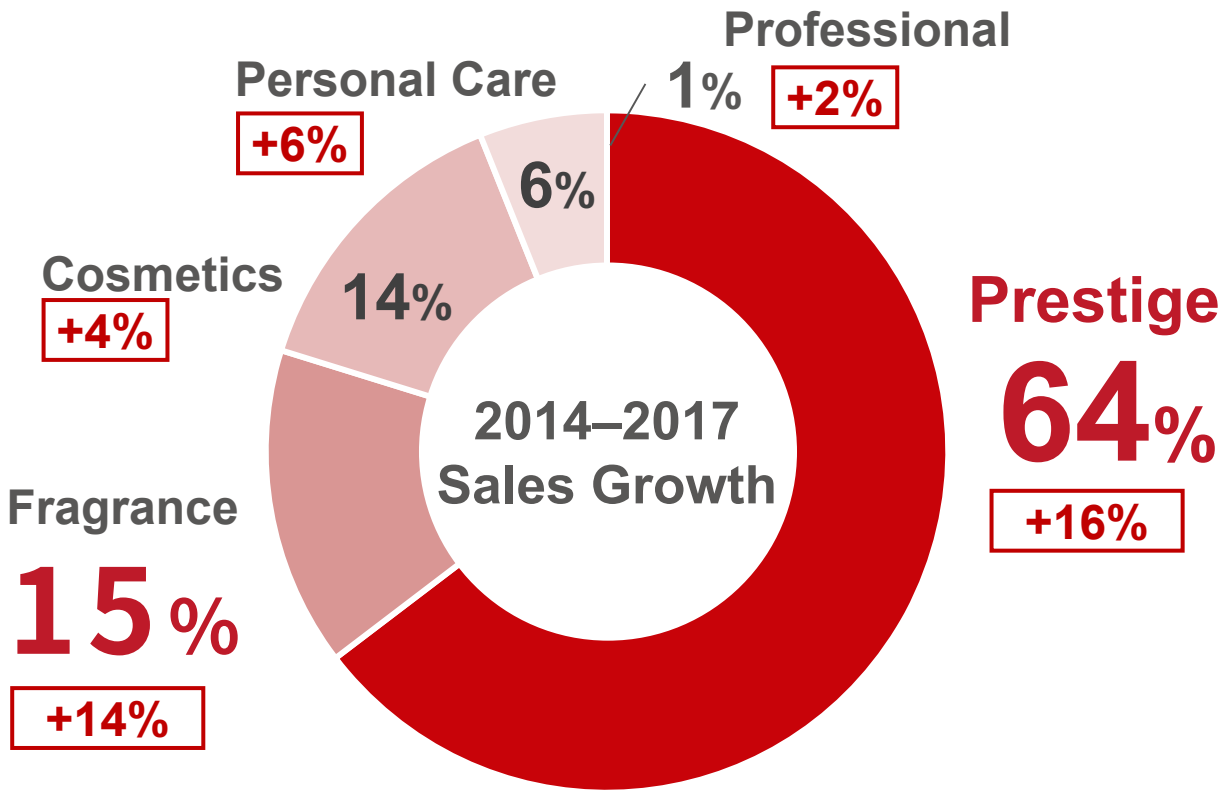






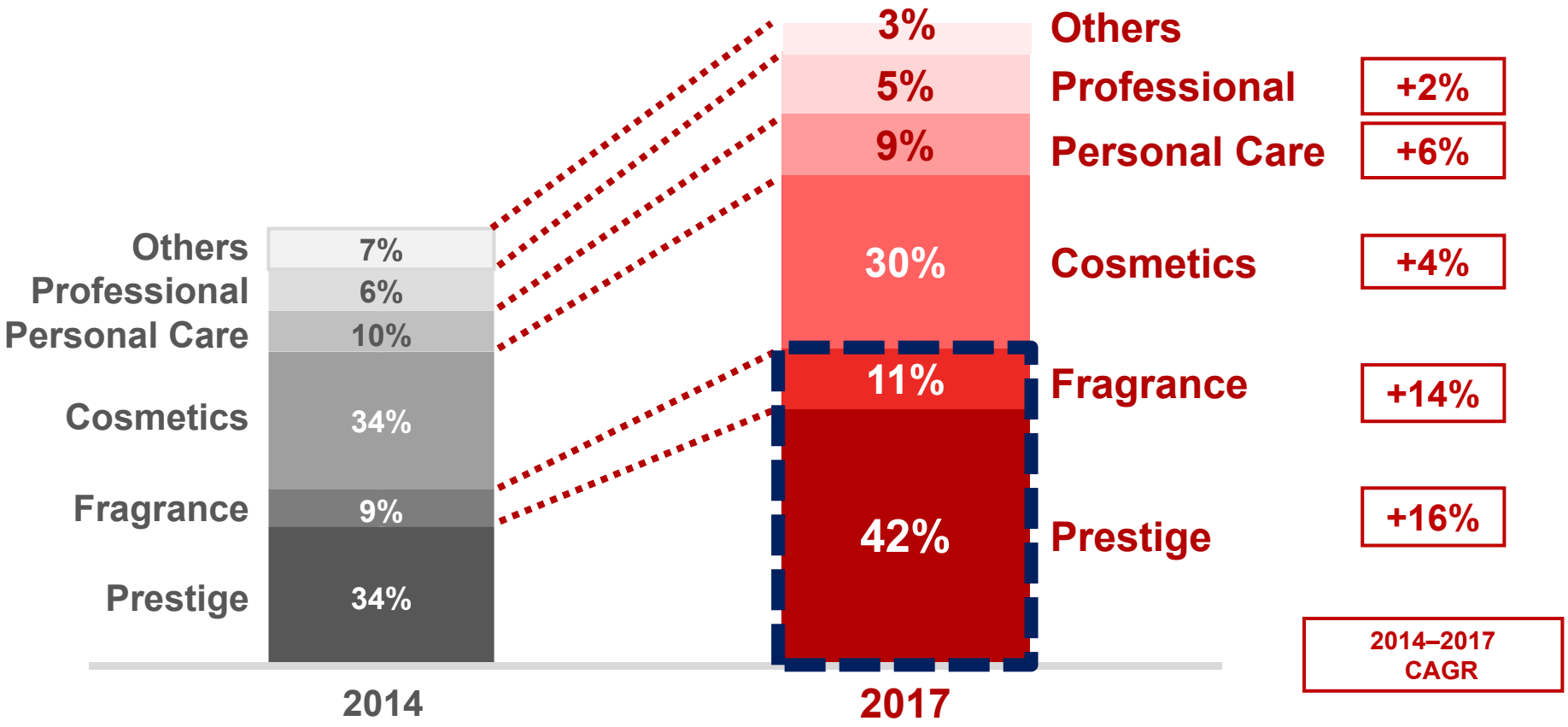


Acceleration of Growth in Prestige Market



2014–2017
CAGR

Prestige + Fragrance: Sales Up 1.5 Times, Share in Total Sales: More Than 50%



SHISEIDO
GINZA TOKYO



2014-2017
CAGR
+15%

FY2017 Sales

Over ¥130 billion

Sales Growth (2014–2017)

Up more than ¥45 billion

clé de peau BEAUTÉ



2014-2017
CAGR
+33%

FY2017 Sales

Over ¥100 billion

Sales Growth (2014–2017)

Up more than ¥60 billion

M&A and License Agreement

laura mercier





DOLCE & GABBANA



FY2017 Sales

¥19 billion

FY2017 Sales

¥50 billion

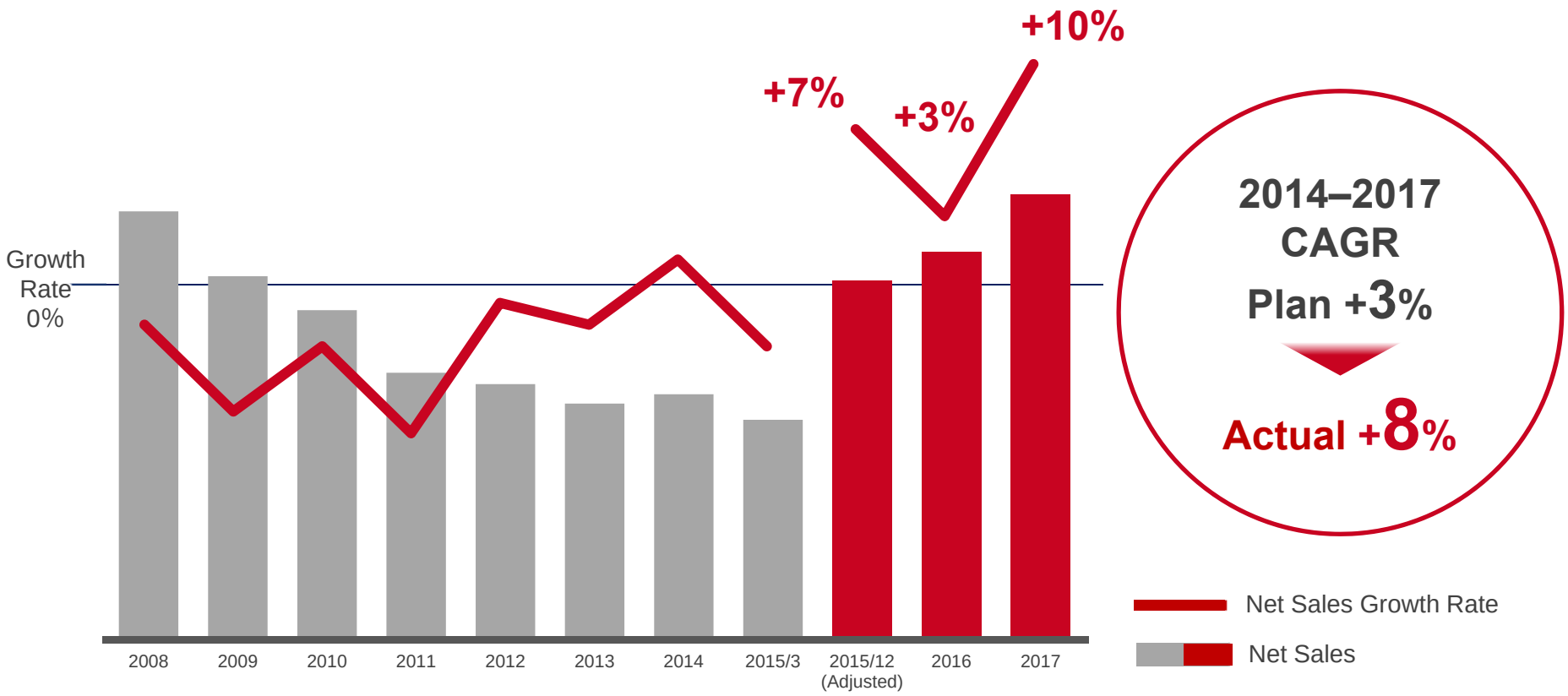
Selection and Concentration through Business Transfer and Withdrawal

- AYURA
- KINARI
- Chromatography business
- Zotos
- RéVive
- Business in Greece
- Business in Turkey
- Za business in India
- Termination of distribution agreements with Burberry

Integration of Japan HQ and Sales for Streamlined Operations



Japan Business: Upturn in Share



* Figures from FY2008 to FY2015/3 are based on disclosed figures for the April to March cycle (growth rate, net sales).
Figures for FY2015/12 (Adjusted) are actual results from January to December 2015. Figures from the FY2015/12 (Adjusted) to FY2017 are based on disclosed figures (growth rate, net sales).

Shift to Brand-Centric Management and Sales



Be a Winner through Consumer-Oriented Marketing



Win in “3 Skin Categories”

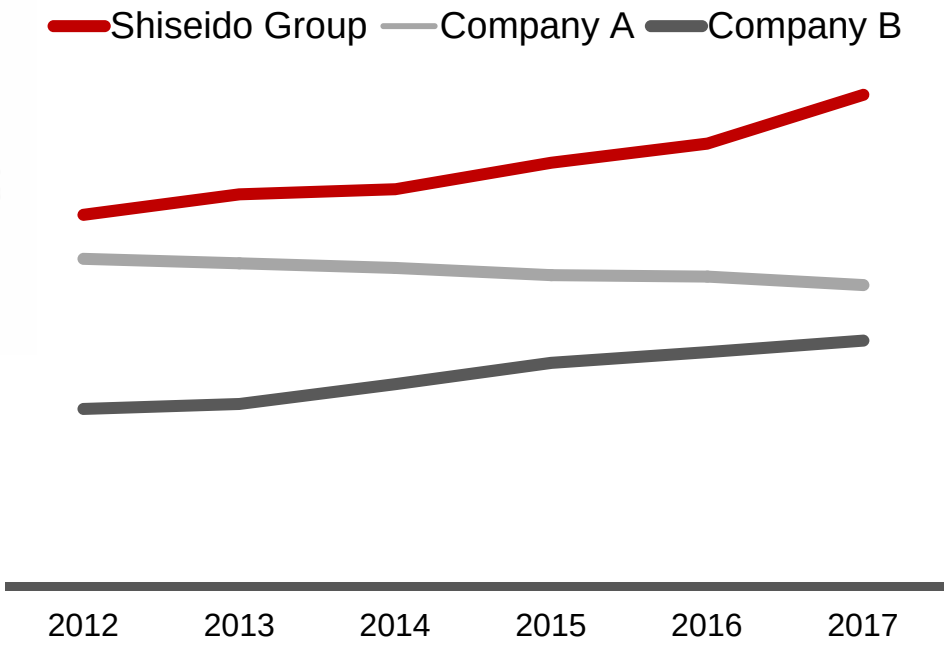








Trends of Total Market Shares in 3 Skin Categories*1,*2



*1. Skincare, base makeup and sun care
*2. According to research by Shiseido

Growth into ¥50 Billion Brand

ELIXIR

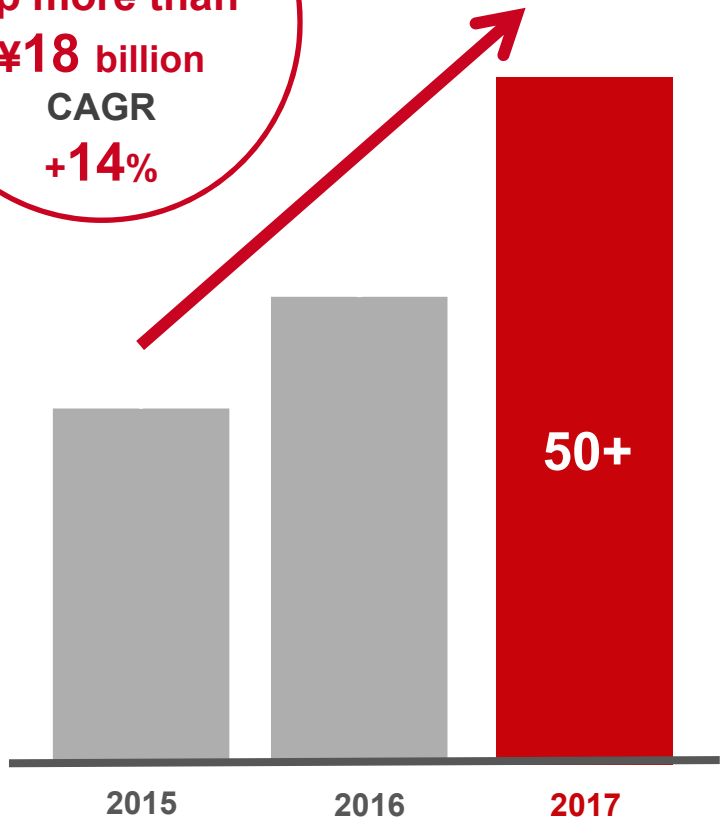
Sales in FY2017: over ¥50 billion





(Billion yen)

2014-2017
Sales Growth
Up more than ¥18 billion
CAGR
+14%



Facial Expression Project

Creation of New Market and Expansion of Contact Points with Consumers





Shipments of ELIXIR and SHISEIDO VITAL-PERFECTION
(June–December 2017, Japan, China, Asia Pacific and TR)

Approx. 1.7 million units

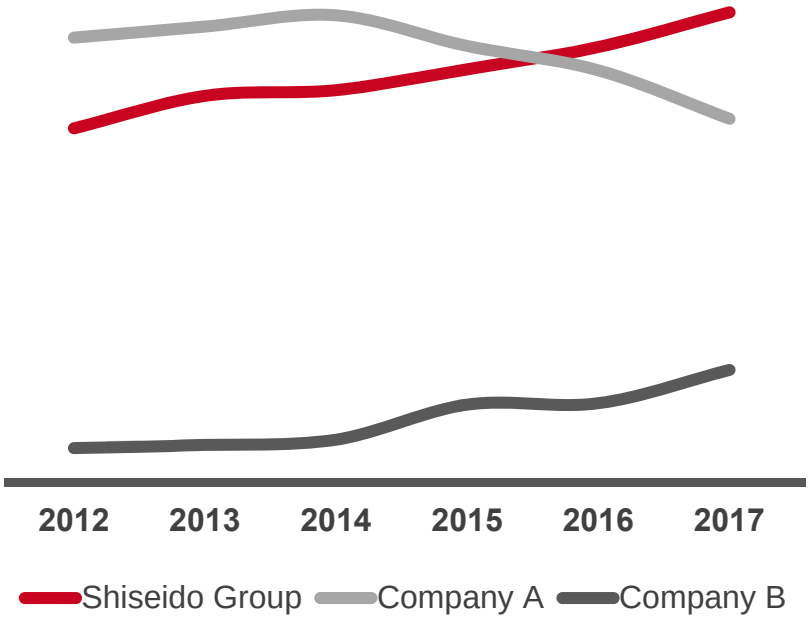
- **Brisk sales of cosmetics brands at specialty stores and department stores**
- **Demand among various age groups**
- **Broad reach through appeal on both emotional and functional levels**

Top Share in Base Makeup

MAQuillAGE
Base Makeup
2014–2017
CAGR
+14%



Shares of Base Makeup
12-month Moving Average*



* According to research by Shiseido, based on sales amount

Brand×Channel Reform
Breakdown of Legacy Issues

Multi-channel



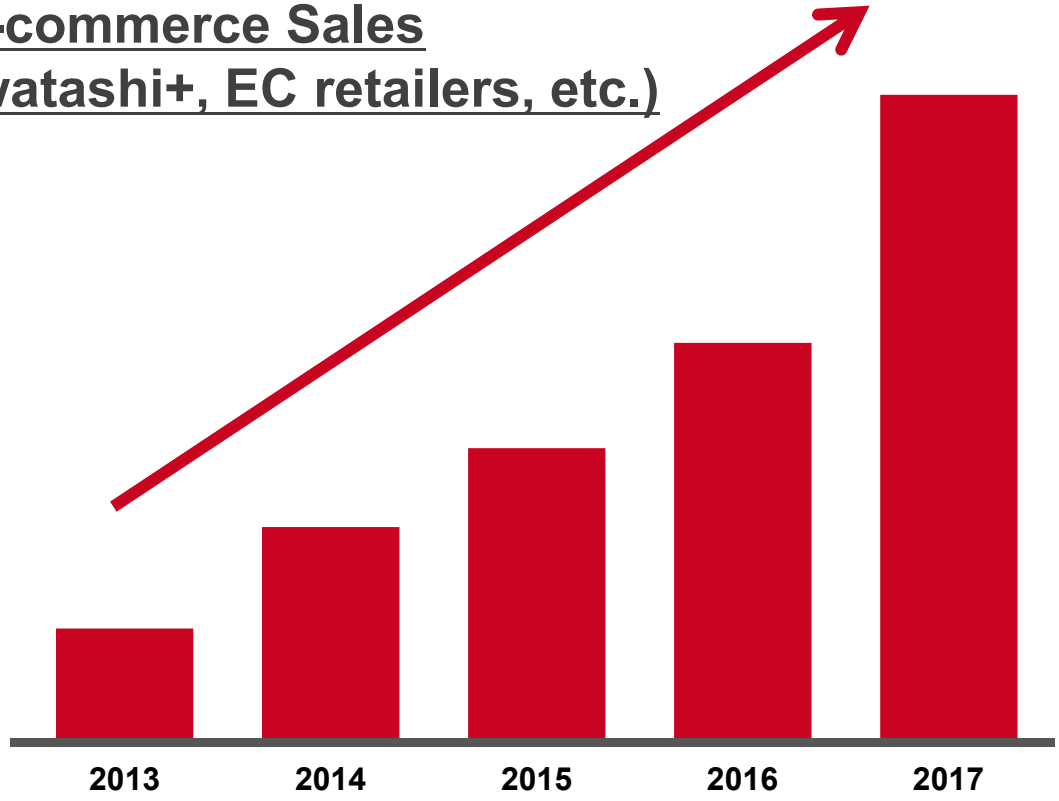
Flagship Store



Strengthening of Digital Communication and E-Commerce

No.1 Share of E-commerce Cosmetics Market*

Trend of Shiseido's E-commerce Sales (watashi+, EC retailers, etc.)

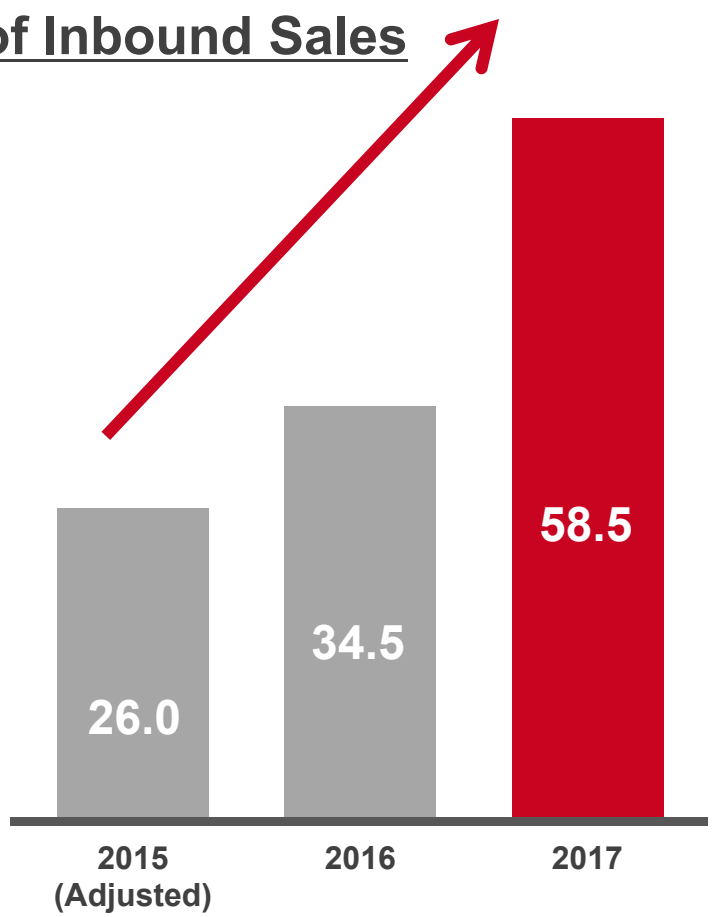


* According to research by Shiseido

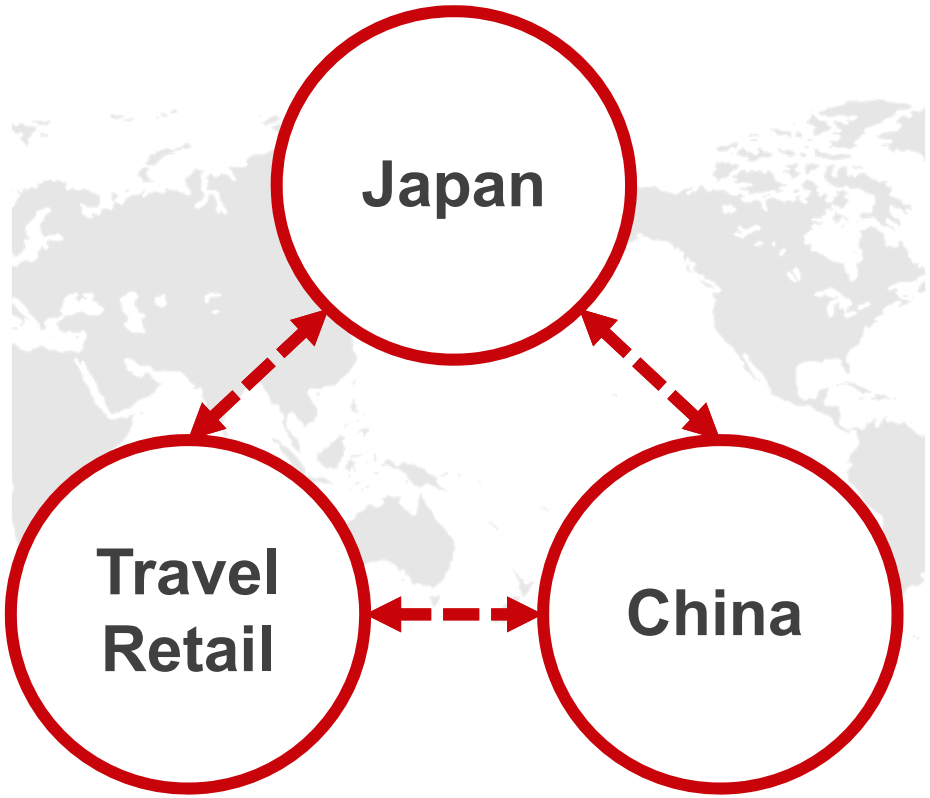
Successfully Capturing Inbound Demand



(Billion yen)



Borderless Marketing: Shiseido's Unique Strength





Focus on Chinese tourists

- **Number of Chinese travelers abroad: 130 million**
- **Chinese visitors to Japan: 9.59 million (2017)***

*Source: Japan National Tourism Organization (JNTO), China + Hong Kong

Personal Care Business: Improvement of Profitability

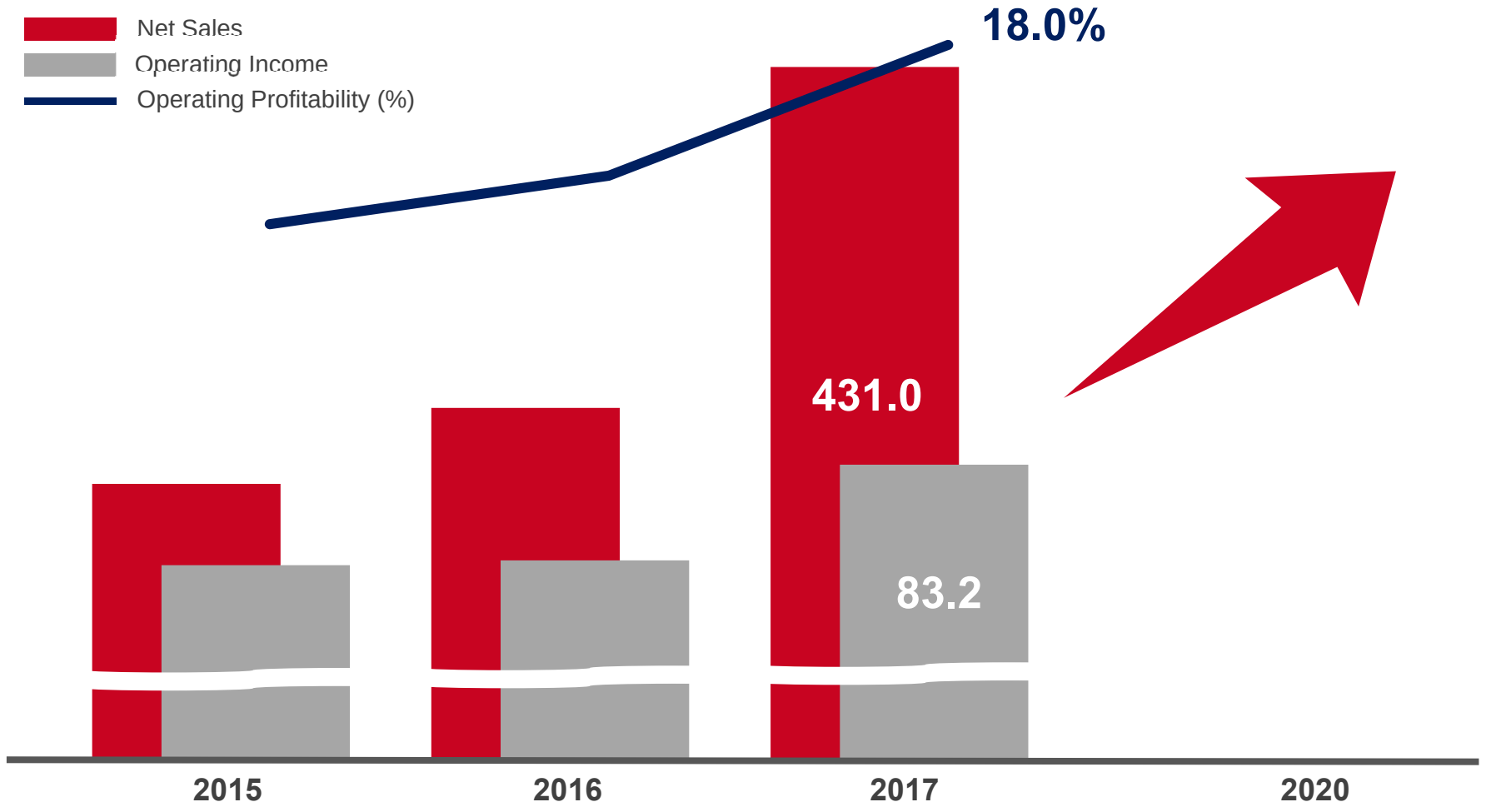


Operating Profitability of Personal Care Business



Japan: Sustainable High Profitability towards the Next Three Years

(Billion yen)



China:
Towards Region-Led Operations

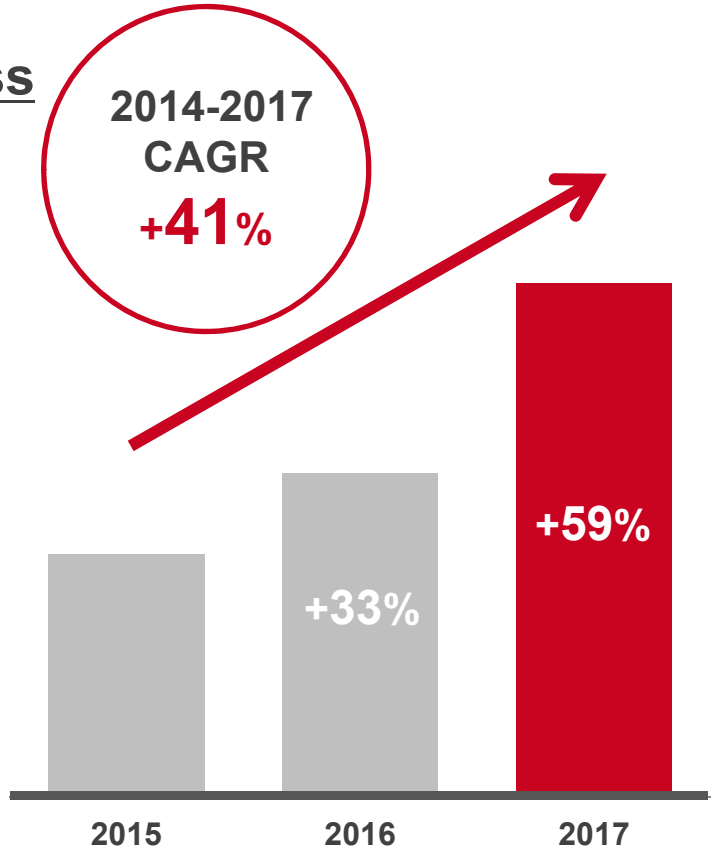
- Transfer of business management and marketing functions
- Enhancement of R&D functions
- Hiring of local talent



Bold Marketing Investment in Prestige and E-Commerce to Tap into High Growth Potential

Sales Trend of China Prestige Business





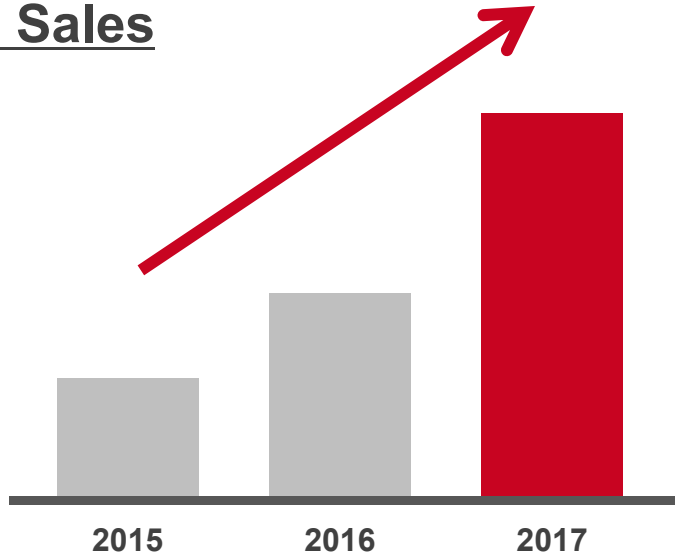
New Growth Drivers: *IPSA*, *NARS*





Trend of *IPSA* Sales

2014-2017
CAGR
+66%



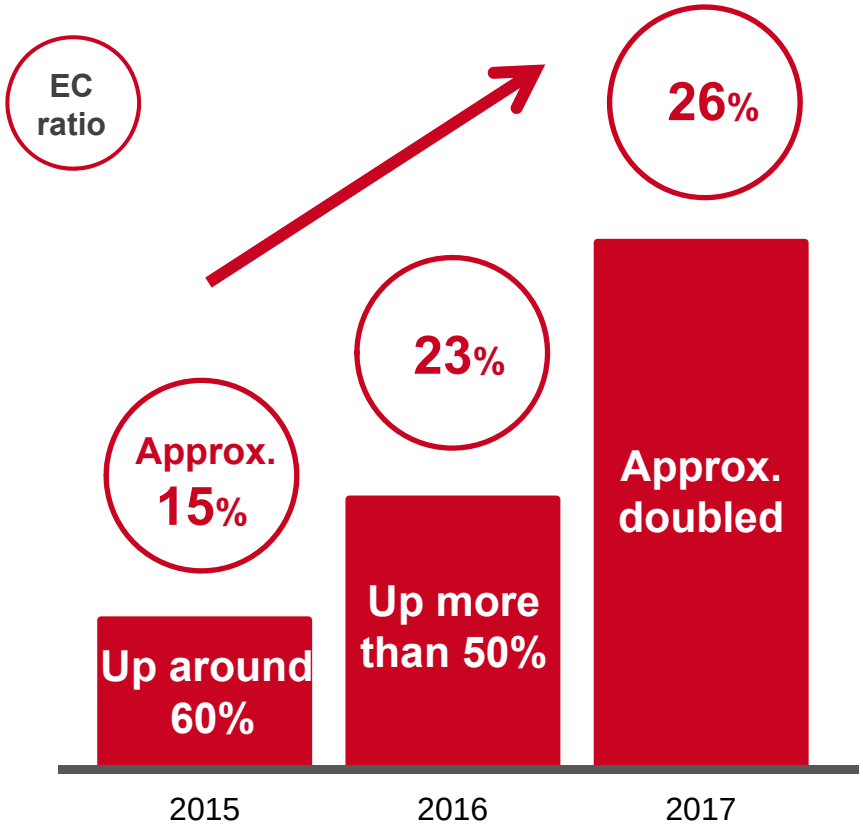
- ***IPSA*: Strengthening marketing investment and opening new stores**
- ***NARS*: Entry into Mainland China market Opening of 4 stores, strong sales in FY2017**

Expansion of E-Commerce Strategic Partnerships





Trend of E-commerce Sales



Faltering Cosmetics Business
Actions to Improve Profitability

AUPRES
欧珀莱

- Rebranding
- Strengthening of investment in digital marketing
- Improvement from negative growth to 5% growth in sales (FY2017)

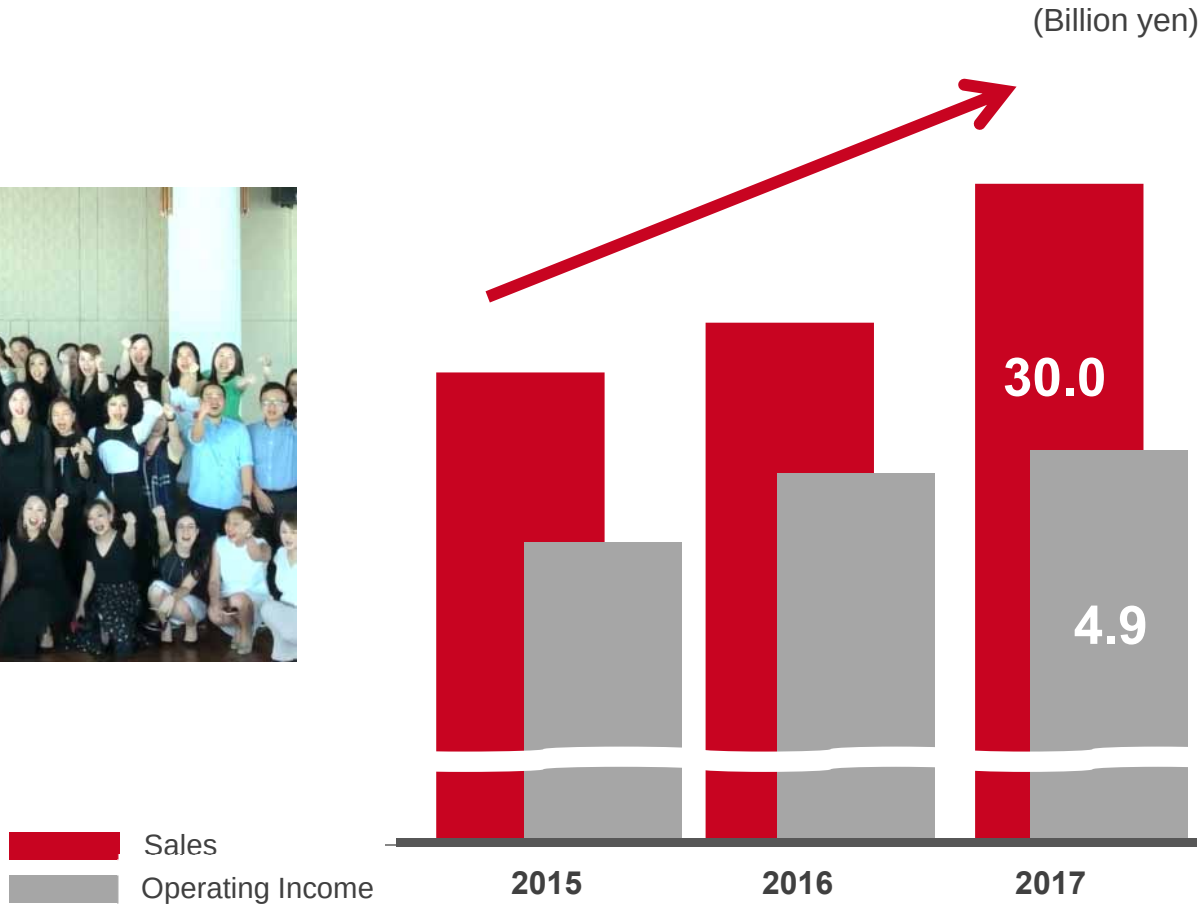
Za

PURE&MILD 泊美

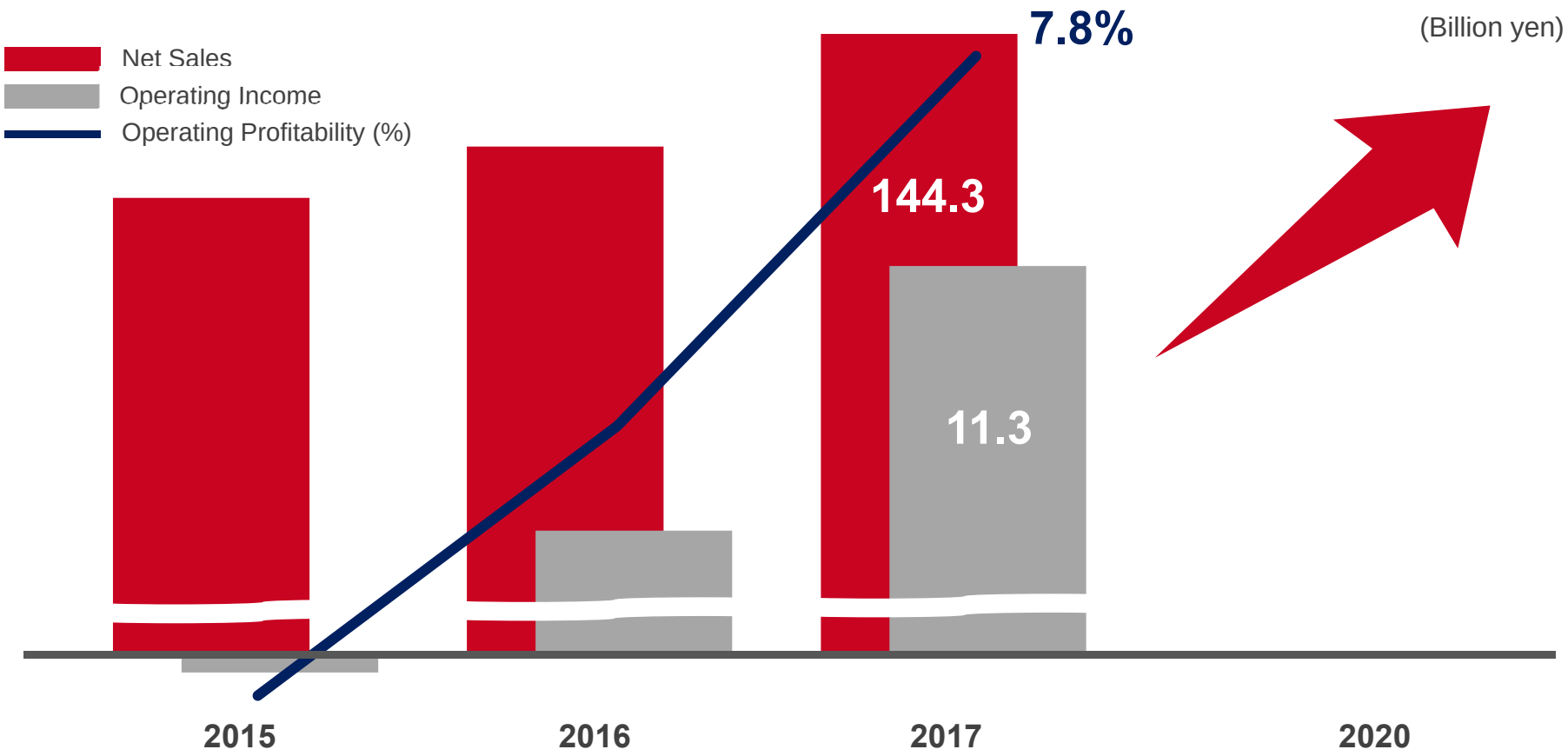
- Revision of distribution contract system
- Narrowing down the number of stores
- Shift to self-selection channels
- Reduction of fixed costs

Hong Kong: Sustainable Sales Growth and High Profitability





China:
Significant Improvement of Profitability towards the Next Three Years



Asia Pacific: Establishment of Regional Headquarters

- Localization of marketing
- Transfer of head office functions, recruitment of diverse talent



Strengthening of Made-in-Japan Brands

Prestige

SHISEIDO GINZA TOKYO

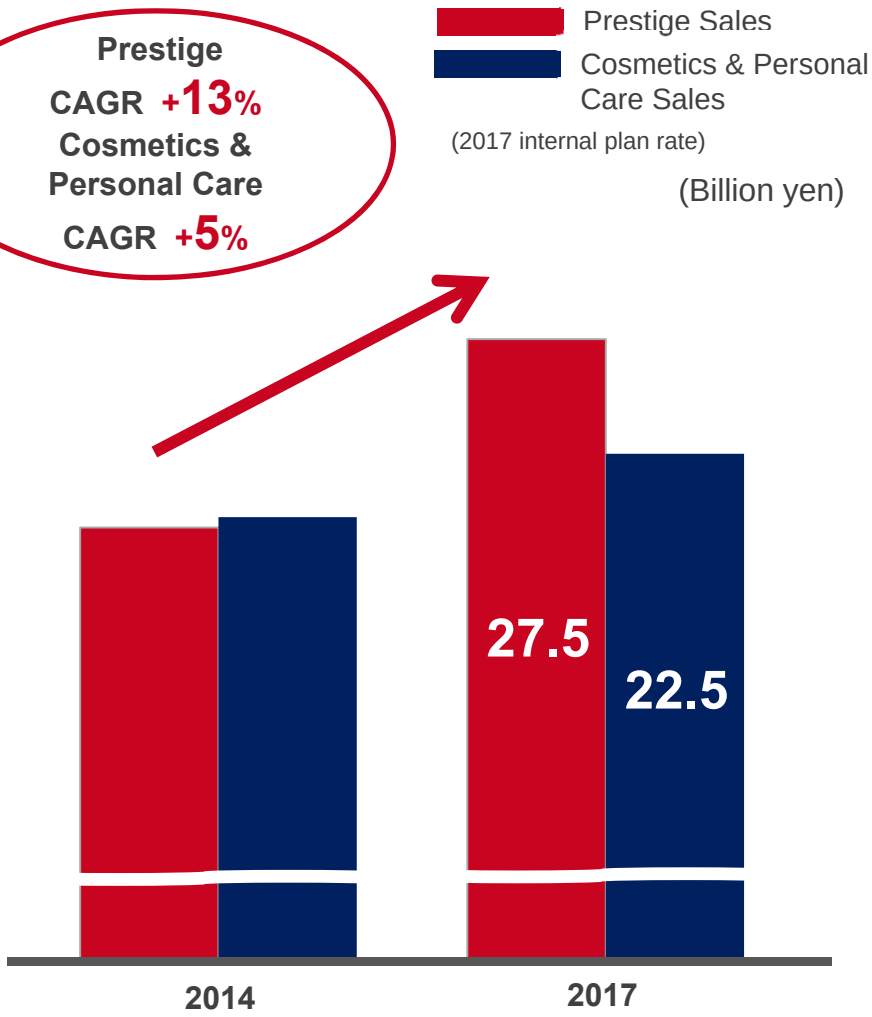
clé de peau BEAUTÉ

Cosmetics & Personal Care

ANESSA

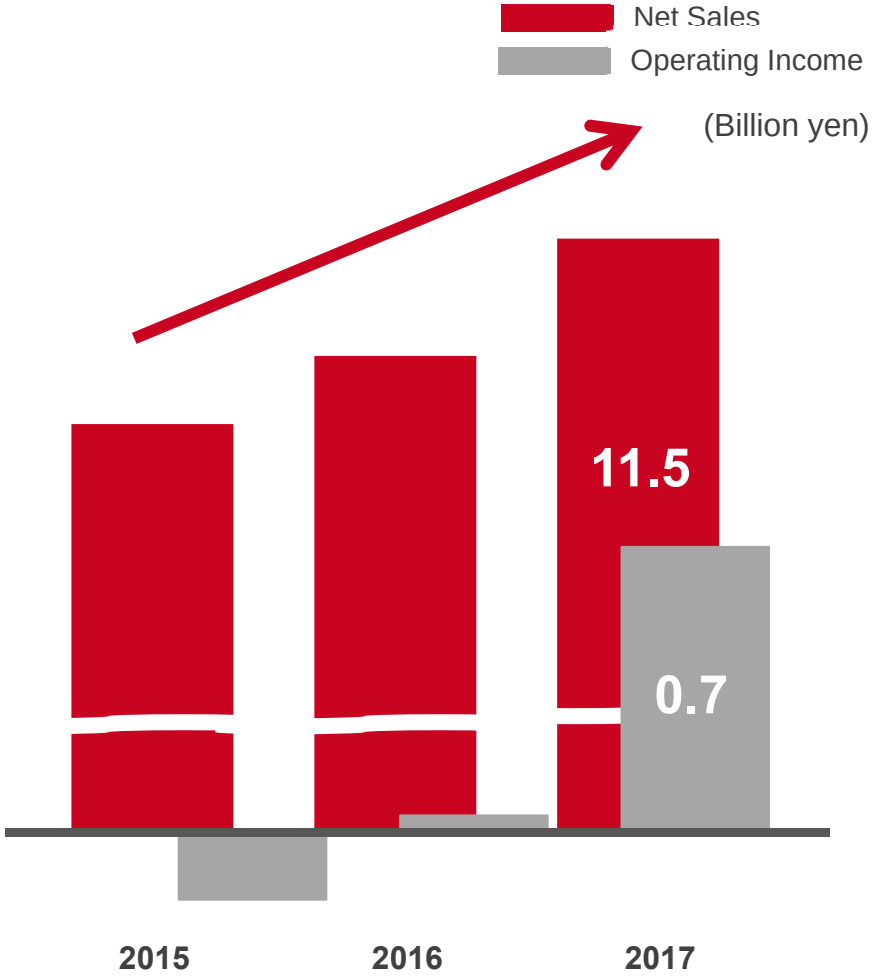
専科

Prestige
CAGR +13%
Cosmetics & Personal Care
CAGR +5%



South Korea: Expansion of Share and Achievement of Profitability





Americas: Strengthening of Human Resources and Organization

- Integration and reinforcement of organizations
- Recruitment of highly professional and experienced talent
- Improvement of efficiency through shared services



Fresh Start through Structural Reform

bareMinerals®



- Development of achievable revival plan by new president
- Impairment loss of ¥70.9 billion (FY2017)
- Review of brand strategy, products and advertising
- Closedown of around 100 boutiques in North America
- Strengthening of digital marketing

Strengthening of Makeup Brands
Acquisition of laura mercier



- Integration into Shiseido Group
- Realization of Group synergies in R&D, production, and marketing
- Review of products and advertising
- Global expansion

Hub for Digital Professionals
Digital Center of Excellence



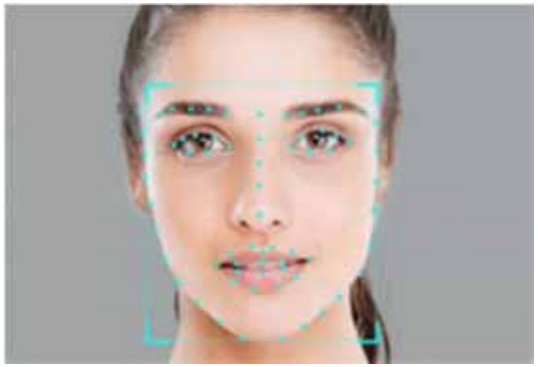
- Enrollment of 1,500 employees annually in Digital Academy
- Formulation of global E-commerce strategy
- Establishment of global E-commerce platform
- Data analysis and sharing

Acquisition of Promising Cutting-Edge Technologies and Talents

MATCHCO



Giaran





OlivoLabs



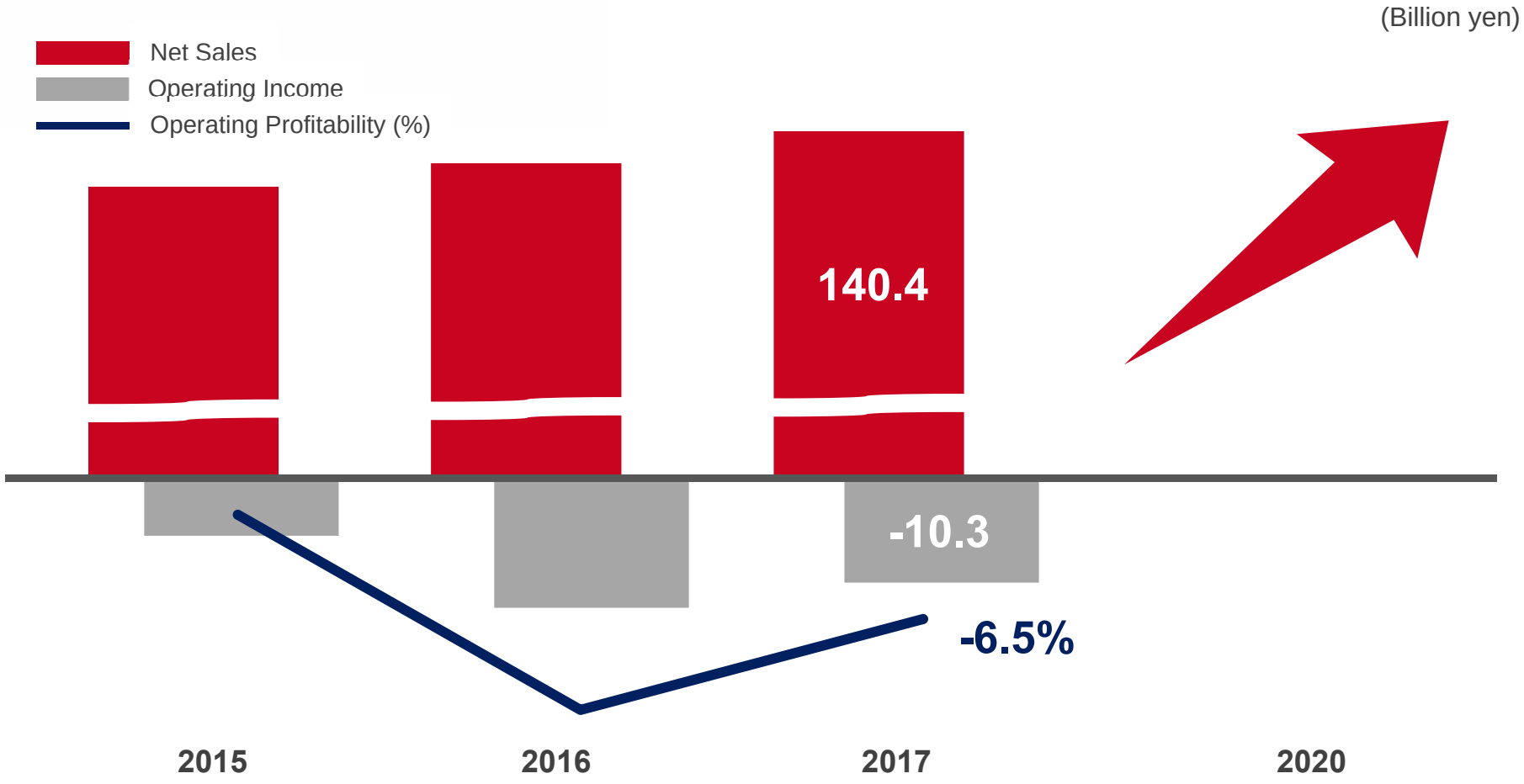
Investment in VIOLET GREY

Luxury Brands E-commerce Retailer

- Website set up by Ms. Cassandra Grey in 2013
- Great selection of prestige brands
- Items carefully selected by leading Hollywood makeup artists

Americas: Improvement of Profitability through Structural Reform

bareMinerals®



EMEA: Integration of Cosmetics and Fragrance Organizations





- Integration of regional headquarters
- One Country, One Company
- Organizational integration in UK, the largest market in Europe
- Establishment of Shiseido Group Middle East
- Improvement of profitability through back office integration and shared services
- SAP, logistics system integration
- Launch of new management;
  Franck Marilly appointed President of Shiseido Group EMEA

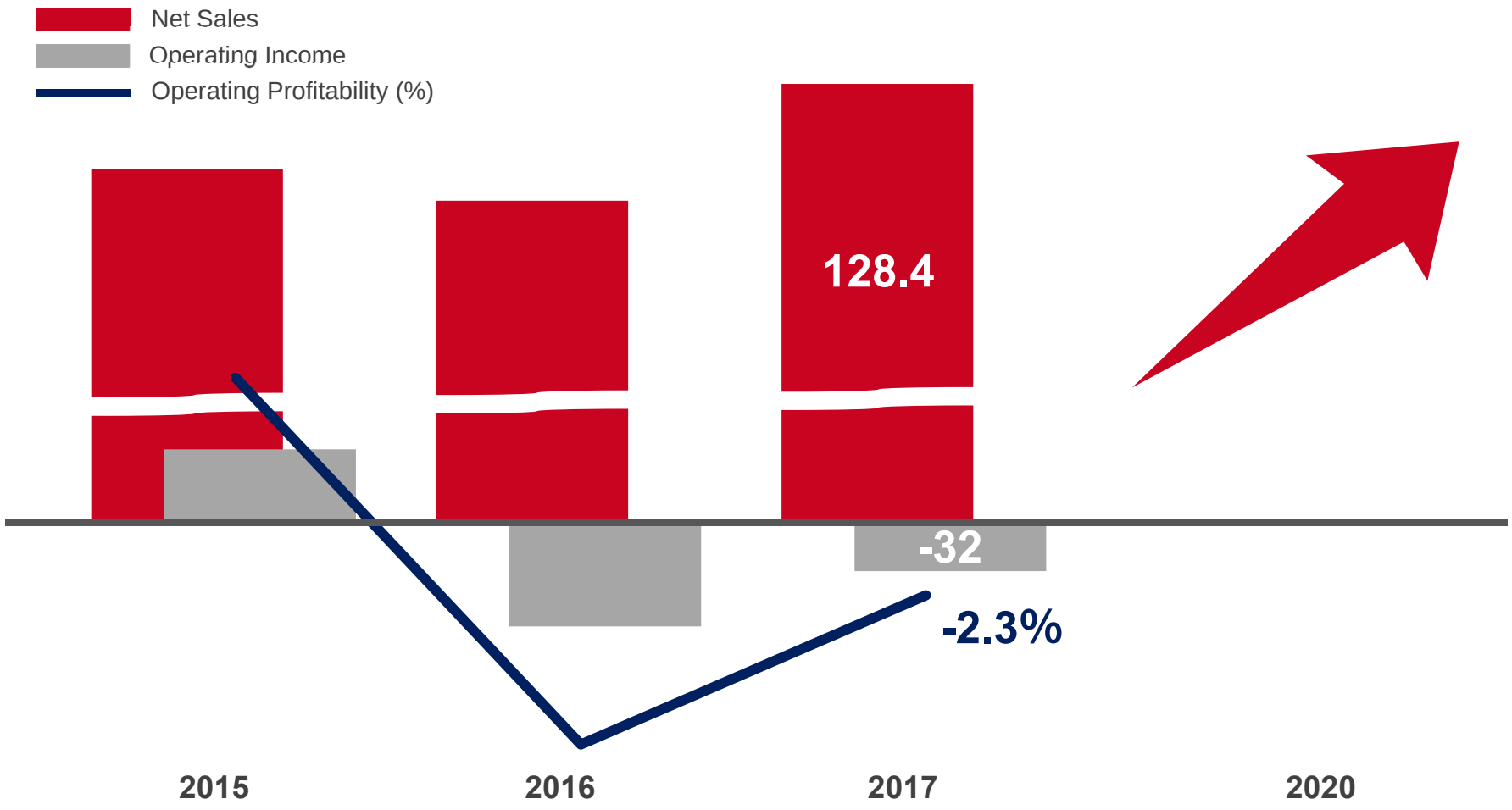
DOLCE & GABBANA License Agreement



- Strengthening of marketing investment
- Integration of organizations and functions
- Shift to in-house production, and reinforcement of supply chain
- Turn to positive in-store sales from Q4 2017

EMEA: Recovery of Profitability towards the Next Three Years

(Billion yen)



Travel Retail: Transfer of Headquarters Functions to Asia

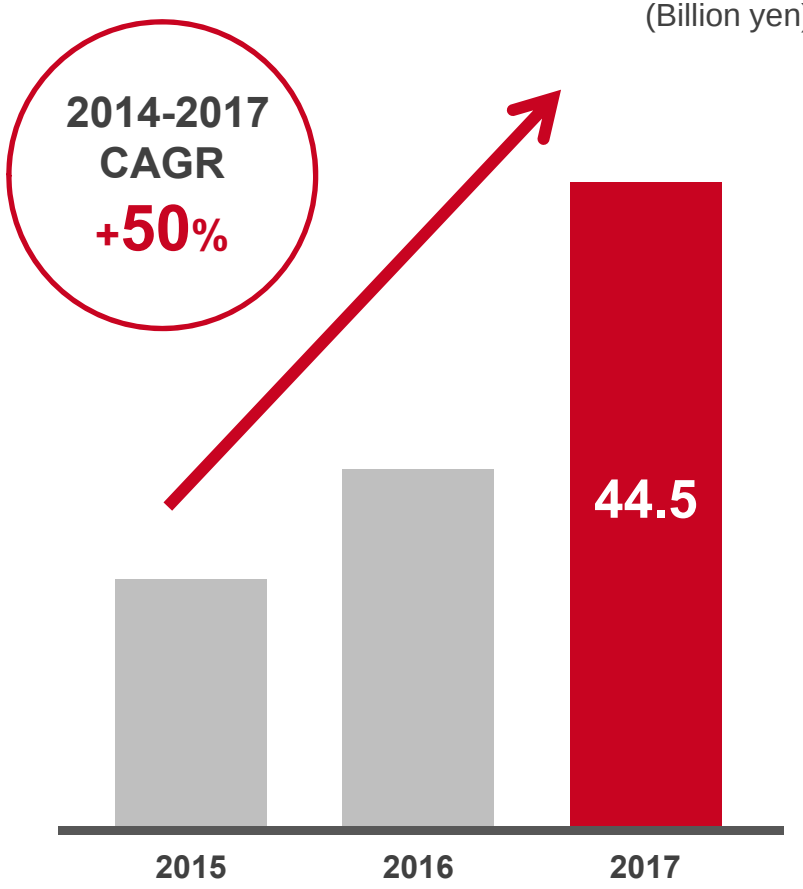


- Strengthening of organization and talent with travel retail business experience
- Chinese tourists:
  Expanding contact points and sales

Expansion of Growth through Aggressive Investment



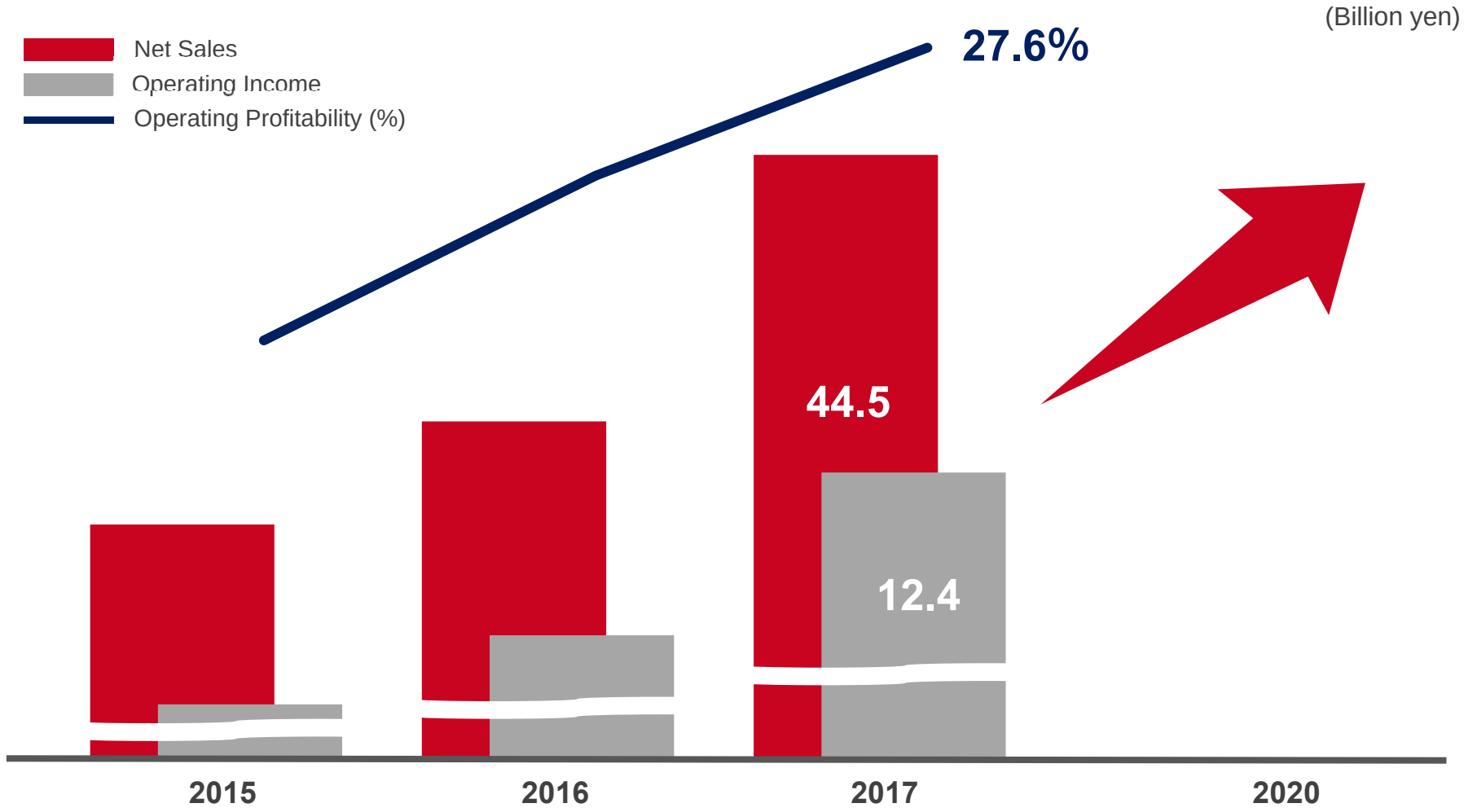
(Billion yen)



Building of Trust with Operators



TR: Acceleration of Growth Momentum towards the Next Three Years



Review of Costs to Fund Investment



Marketing Investment

2015–2017 Total

over ¥110 billion

Effect of cost structure reform

2015–2017 Total

¥63.3 billion


“The Power of People”
Drives Sustainable Growth

Dialogue with 65,000 Employees: Successful Initiatives Driven by Front Line















People First





- Leadership development
  - Training and development program
  - Comeback of study abroad program
  - Recruitment of professional talent
  - Global mobility
- Talent management
  - Introduction of performance management
- English mandate
  1,700 employees currently learning English
- Flexible working styles

A Multitude of Remarkable Awards



Promotion of Gender Diversity



Women in Leadership

	2014		2017
GLOBAL	64%	→	69%
JAPAN	27%	→	30%

MSCI Japan Empowering Women Index(WIN)

Gender Diversity Score #1

Diversity and Empowerment



Business Reform with Bottom-Up Approach

“Rejuvenate, Shiseido”




Award
Award

Ensuring Sustainable Growth

Continuous Enhancements

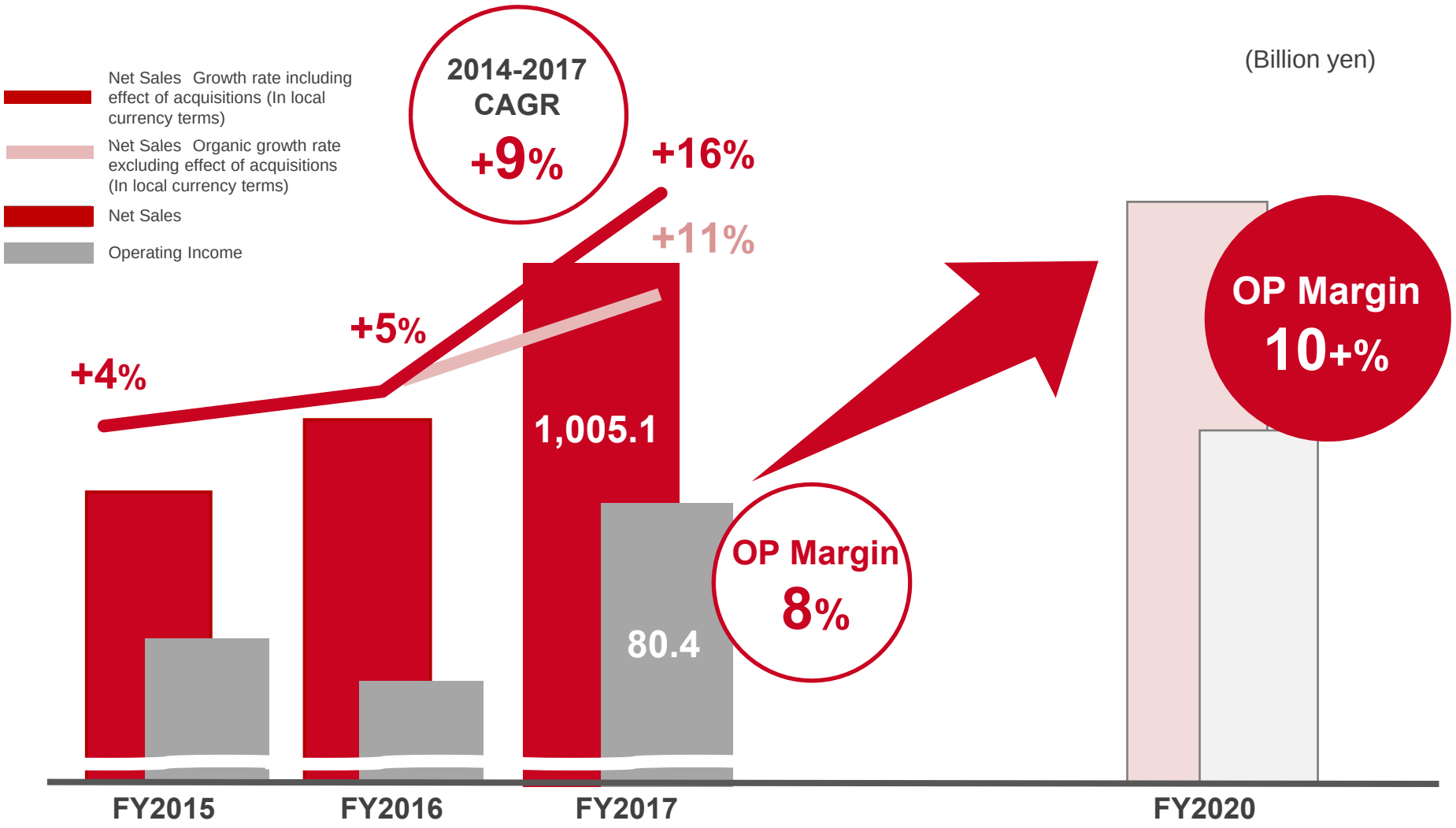
- Global “Prestige First” Strategy
- Sustainable profitability in Japan
- Significant improvement of profitability and acceleration of growth in China
- Travel retail & borderless marketing
- Digital communication & E-commerce
- Technology × Innovation
- Development of human resources and organizations
- ESG management

Issues to Tackle

- Supply chain management
- Profitability in Americas
  - ➢ Turnaround of *bareMinerals*
  - ➢ Building a new business model
- Profitability in EMEA
  - ➢ Strengthening of fragrance brand portfolio

HUMBLE CONFIDENCE

Acceleration of Growth Momentum



* The sales growth for FY2015 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.


Be a Global Winner
with Our Heritage

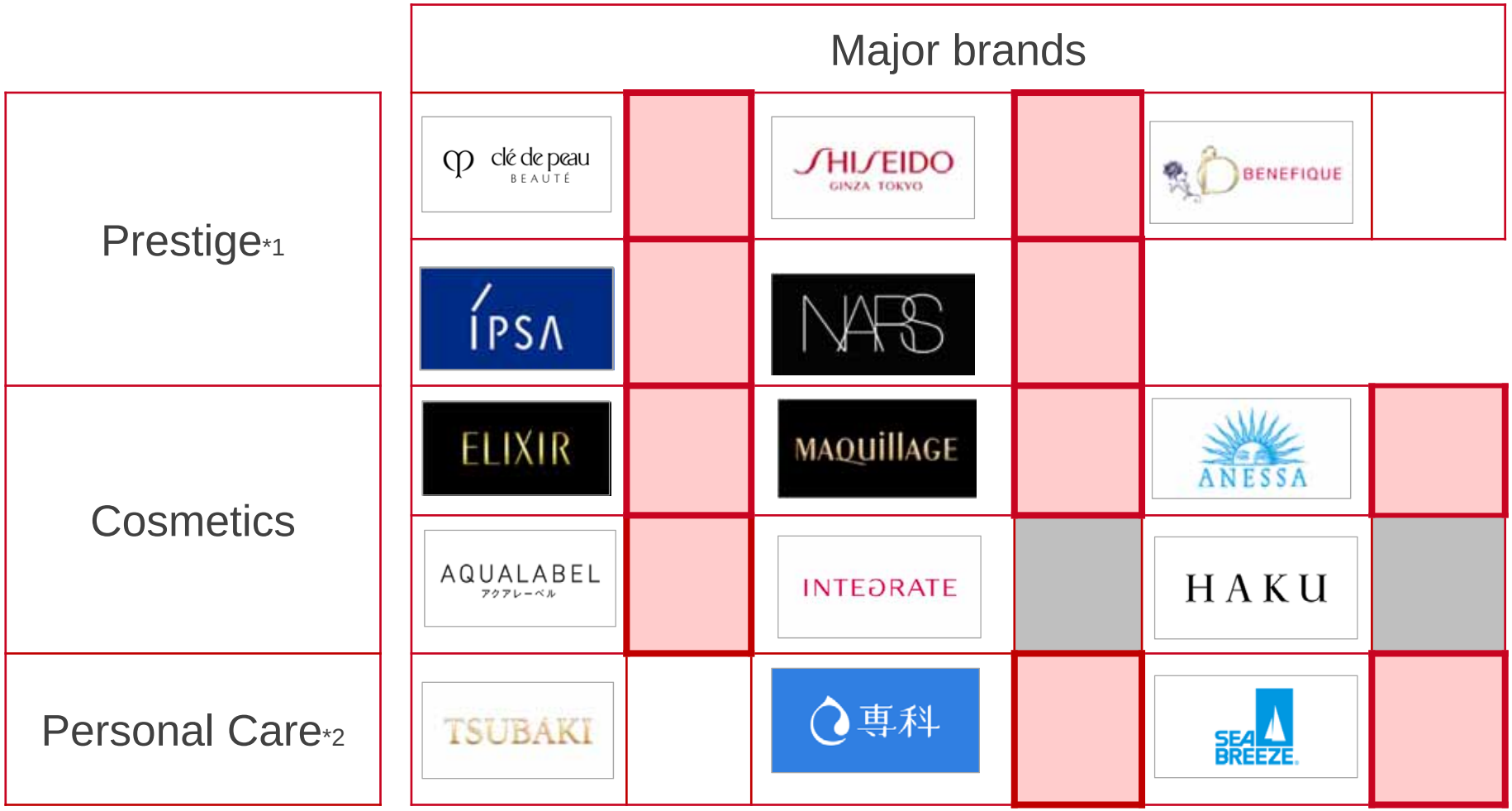

SHISEIDO

Supplemental Data 1:
FY2017 Results of Sales by Reportable Segment

(Billion yen)	FY2017	FY2017 % of Net Sales	FY2016	FY2016 % of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency %
Japan	431.0	42.9	381.2	44.8	+49.8	+13.1	+13.1
China	144.3	14.3	118.1	13.9	+26.2	+22.2	+20.1
Asia Pacific	54.2	5.4	45.6	5.4	+8.6	+18.8	+11.2
Americas	140.4	14.0	127.5	15.0	+12.9	+10.1	+6.6 *1, 2
EMEA	128.4	12.8	94.1	11.1	+34.3	+36.4	+30.0 *1, 3
Travel Retail	44.5	4.4	24.8	2.9	+19.7	+79.3	+73.8
Professional	48.0	4.8	44.9	5.3	+3.0	+6.7	+4.3
Other	14.3	1.4	14.0	1.6	+0.3	+2.3	+2.3
Total	1,005.1	100	850.3	100	+154.8	+18.2	+16.0

*1. Effective from FY2017, *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 FY2017, 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 -12% excluding the acquisition of *Laura Mercier*, and the licensing of *Dolce&Gabbana*.
*3. Year-on-year percentage change of sales of existing business is +7% excluding the licensing of *Dolce&Gabbana*.
*4. See Supplemental Data 11 for details about changes in reportable segment.

Supplemental Data 2:
Japan: Strong Sales Growth of Major Brands
Store Sales of Major Brands



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

Supplemental Data 3: Professional

(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %	YoY Change in Local Currency %
Professional	48.0	44.9	+3.0	+6.7	+4.3

(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %
Operating Income	3.0	1.1	+1.9	+168.1
Operating Profitability (%)	6.1	2.4	+3.7 pt	
Income Before Amortization of Goodwill, etc.	3.3	1.7	+1.6	+90.4
Operating Profitability (%)	6.8	3.8	+3.0 pt	

*1. See Supplemental Data 11 for details on changes in reportable segments.
*2. Operating profitability is calculated using net sales including intersegment transactions.

Supplemental Data 4: FY2017 Results of Operating Income by Reportable Segment

(Billion yen)	FY2017	Operating Profitability %	FY2016	Operating Profitability %	YoY Change	YoY Change %
Japan	83.2	18.0	56.4	14.1	+26.8	+47.6
China	11.3	7.8	3.6	3.1	+7.7	+212.2
Asia Pacific	5.7	10.3	1.1	2.3	+4.7	+439.5
Americas	-10.3	-6.5	-12.8	-9.4	+2.5	—
EMEA	-3.2	-2.3	-6.7	-6.8	+3.5	—
Travel Retail	12.4	27.6	5.4	21.6	+7.0	+130.3
Professional	3.0	6.1	1.1	2.4	+1.9	+168.1
Other	-12.9	-13.9	-11.9	-20.5	-1.0	—
Subtotal	89.2	7.8	36.1	3.9	+53.1	+147.2
Adjustments	-8.7	—	0.7	—	-9.4	—
Total	80.4	8.0	36.8	4.3	+43.7	+118.7

*1. Operating profitability is calculated using net sales including intersegment transactions.
*2. See Supplemental Data 11 for information about segment changes.

Supplemental Data 5:
Lower fixed-cost ratio as a result of higher sales
Progress toward ideal cost structure

(Billion yen)	FY2017	% of Net Sales	Change in % of Net Sales	YoY Change %	YoY Change	Change Excluding Impact of Foreign Currency Exchange
SG&A	693.3	69.0	-2.3	+14.4	+87.3	+74.8
Marketing Costs	359.2	35.7	-0.6	+16.3	+50.4	+43.7
Brand Development Cost and R&D Expenses	53.9	5.4	+0.8	+39.1	+15.2	+14.3
Personnel Expenses	125.8	12.5	-0.7	+12.3	+13.8	+11.4
Other Expenses	154.4	15.4	-1.8	+5.4	+8.0	+5.5

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

Supplemental Data 6: Other Income and Expenses and Extraordinary Income and Losses

Other Income and Expenses

(Billion yen)	FY2017	FY2016
Interest Income	0.9	0.8
Interest Expense	-1.0	-0.8
Net Interest Income and Expense	-0.1	-0.0
Foreign Exchange Gain/Loss	-0.2	-1.3
Other	0.2	1.7
Total	-0.1	0.4

Extraordinary Income and Losses

(Billion yen)	FY2017	FY2016
Gain on Transfer of Business	36.8	9.0
Gain/Loss on Sales or Disposal of Property, Plant and Equipment	-1.0	8.1
Gain/Loss on Sales of Investments in Securities and Loss on Revaluation of Investments in Securities	1.1	0.4
Structural Reform Expenses, etc.	-4.6	-4.0
Impairment Loss	-70.9	-0.2
Voluntary Product Recall-Related Expenses	-3.2	—
Information Security Expenses	—	-0.6
Total	-41.8	12.7

*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.

Supplemental Data 7: Consolidated Balance Sheets

(Billion yen)	Dec. 31, 2017	Change from Dec. 31, 2016	Excl. Impact of Foreign Currency Exchange	Impact of Foreign Currency Exchange
Total Current Assets	526.2	+94.3	+85.4	+9.0
Cash, Time Deposits and Short-Term Investments in Securities	174.5	+46.4	+44.6	+1.9
Notes & Accounts Receivable	162.1	+25.3	+20.7	+4.6
Inventories	130.0	+14.3	+12.7	+1.6
Total Fixed Assets	423.2	-79.5	-88.0	+8.5
Property, Plant and Equipment	158.7	+2.5	+1.6	+0.9
Intangible Assets	168.6	-77.7	-83.5	+5.7
Investments and Other Assets	95.9	-4.2	-6.1	+1.9
Total Assets	949.4	+14.8	-2.6	+17.4

(Billion yen)	Dec. 31, 2017	Change from Dec. 31, 2016	Excl. Impact of Foreign Currency Exchange	Impact of Foreign Currency Exchange
Total Liabilities	503.6	-17.2	-28.0	+10.9
Notes & Accounts Payable and Other Payables	146.9	+20.1	+17.2	+2.9
Interest-Bearing Debt	81.5	-39.1	-39.7	+0.6
Long-term Payables	59.3	+6.1	+0.9	+5.2
Liability for Retirement Benefits	73.7	-20.7	-21.1	+0.4
Total Net Assets	445.9	+32.0	+25.4	+6.6
Shareholders' Equity	406.1	+14.1	—	—
Accumulated Other Comprehensive Income	17.3	+16.4	—	—
Non-Controlling Interests	21.6	+1.5	—	—
Total Liabilities and Net Assets	949.4	+14.8	-2.6	+17.4

Exchange Rates:
Dec. 31, 2016: USD 1= JPY 116.5; EUR 1 = JPY 122.7; CNY 1 = JPY 16.8
Dec. 31, 2017: USD 1= JPY 113.1; EUR 1 = JPY 135.0; CNY 1 = JPY 17.3

Equity Ratio: 44.6%

* Main line items only

Interest-Bearing Debt Ratio: 15.4%
(Excluding long-term payables related to payment for the D&G trademark right)

Supplemental Data 8: Net Income Attributable to Owners of Parent and Comprehensive Income

(Billion yen)	FY2017	FY2016
Net Income before Income Taxes	38.6	49.9
Income Taxes (Tax Rate)	13.2 (34.2)	15.9 (32.0)
Net Income Attributable to Non-Controlling Interests	2.6	1.8
Net Income Attributable to Owners of Parent	22.7	32.1

	FY2017	FY2016
Comprehensive Income	42.5	9.0

Supplemental Data 9: Cost Structure Reform Exceeded Initial Plan by Global Initiatives

Outer circle: FY2017
Middle circle: FY2016
Inner circle: FY2015

Operations in Japan
Operations in Americas
Operations in China
Operations in EMEA

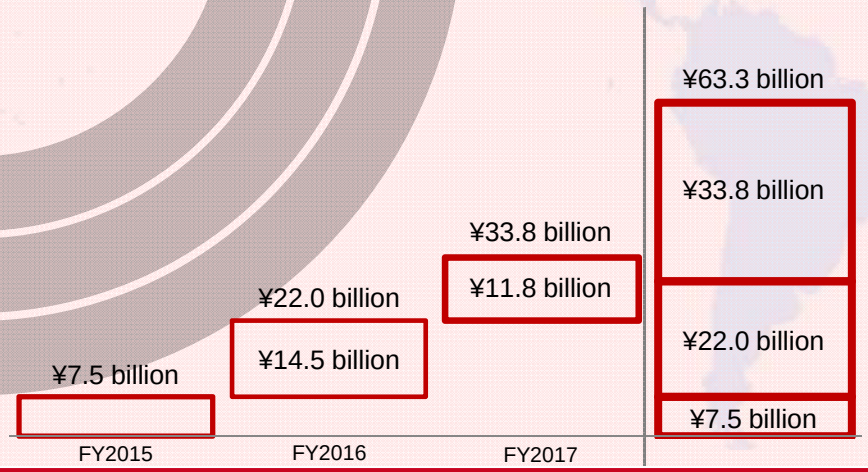
- Withdraw from unprofitable businesses (in Greece, Turkey, and other countries)
- Integrated purchasing of materials
- Efficiency improvement of supply chain

- Full use of shared and competitive purchasing for sales promotion materials
- Revised lease contracts
- Strengthened supplier negotiation
- Outsourced distribution

- Shared services
- Systems integration and consolidation
- Outsourcing
- Reducing extra sales promotion materials

- Optimized product specifications (reviewed materials part by part)
- Strategic purchasing activities
- Enhanced cost management process
- Selection and concentration for sales promotion materials
- Global purchasing

Effect of the cost structure reform
Cumulative total for the three years: ¥63.3 billion
(FY2017: ¥11.8 billion)



Supplemental Data 10:
Capital Expenditures, Depreciation and Amortization

(Billion yen)	FY2017	FY2016
Capital Expenditures*	49.2	56.5
Property, Plant and Equipment	32.5	42.4
Intangible Assets, etc.	16.7	14.1
Depreciation and Amortization	39.6	34.5
Property, Plant and Equipment	19.3	17.5
Intangible Assets, etc.	20.3	16.9
R&D Expenses	24.2	18.3

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

Supplemental Data 11:
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 (December 31, 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 FY2017, *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 FY2017, 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.

Supplemental Data 12: Changes in Financial Indicators and Other Figures

			2012/3	2013/3	2014/3	2015/3	2015/12		2016/12	2017/12
							Irregular Account Settlement*2	After Adjustment		
Financial indicators	Operating profitability	%	5.7	3.8	6.5	3.6	4.9	5.1	4.3	8.0
	EBITDA margin	%	11.3	9.1	12.0	11.7	10.6	—	10.6	15.5
	EPS	¥	36.5	- 36.9	65.7	84.4	58.2	73.8	80.4	57.0
	BPS	¥	729.9	721.2	849.4	970	981.4	—	984.1	1,060
	Cash dividend per share	¥	50	50	20	20	20	—	20	27.5
	ROE	%	4.9	- 5.1	8.4	9.4	6.0	7.6	8.2	5.6
	Interest-bearing debt ratio*1	%	37.9	37.9	30.3	20.7	17.3	—	22.6	15.4
	Payout ratio	%	137.1	—	30.5	23.7	34.4	—	24.9	48.3
Share price indicators	PER	Times	39.2	—	27.7	25.3	43.5	34.2	36.8	95.6
	PBR	Times	2.0	1.9	2.1	2.2	2.6	—	3.0	5.1
	Market capitalization	Billion yen	568.3	528.2	723.8	850.7	1,009.3	—	1,181.3	2,175.4
	Year-end share price	¥	1,428	1,327	1,816	2,133	2,529	—	2,959	5,446
	Rate of increase/decrease	%	- 0.8	- 7.6	+36.9	+17.5	+18.6	—	+17.0	+84.0
	(For reference)									
	TOPIX(year-end)	¥	854.35	1,034.71	1,202.89	1,543.11	1,547.30	—	1,518.61	1,817.56
	Rate of increase/decrease	%	- 1.7	+21.1	+16.3	+28.3	+0.3	—	- 1.9	+19.7

Strategic shareholdings		2012/3	2013/3	2014/3	2015/3	2015/12		2016/12	2017/12
						Irregular Account Settlement*2	After Adjustment		
Number of holdings	companies	112	106	103	97	90	—	84	80
Amount	Billion yen	19.0	21.7	18.0	21.5	21.5	—	19.4	20.3

*1. Interest-bearing debt ratio = Interest-bearing debt / Invested capital
Invested capital = Interest - bearing debt + Total net assets
*2. FY2015 Japan: April to December; Overseas: January to December

Supplemental Data 13: Major Public Announcements

News Releases

- November 2017: Shiseido Releases a New IoT Skincare System, “Optune,” that Delivers Personalized Skincare
- November 2017: Notice of Transfer of Prestige Skincare Brand RéVive
- November 2017: Shiseido Announces Appointment of Franck Marilly as President & CEO of Shiseido Group EMEA
- November 2017: Louis Desazars to Depart as President and CEO of Shiseido Group EMEA
- November 2017: Shiseido Americas Acquires Giaran, Inc.
- November 2017: Shiseido Company, Limited Reveals an Innovative Neuroscience Inspired Skincare Range from Brand SHISEIDO
- October 2017: Notice of Transfer of Zotos International, Inc.
- October 2017: Shiseido Wins Top Award at IFSCC Conference 2017 in Seoul
- October 2017: Shiseido Establishes a New Factory in Ohtawara City, Tochigi Prefecture
- October 2017: Notice of Abolishment of the Counselor/Adviser System, and Partial Change of the Corporate Officer System
- September 2017: Notice and Apology Regarding Voluntary Recall of INTEGRATE Killer Wink Gel Liner
- September 2017: SHISEIDO Launches a New Cream with Recognized Anti-Wrinkle and Whitening Effects – Second launch under “Shiseido Facial Expression Project.” Industry first! Release of quasi-drug anti-wrinkle and whitening cream –
- August 2017: Notice of Transfer of Chromatography Business
- July 2017: Notice and Apology Regarding Voluntary Recall of Shiseido Group Products (Sunscreens)
- July 2017: Notice and Apology Regarding Voluntary Recall of Body Wash Products

Supplemental Data 14: Major Public Announcements

News Releases

- **May 2017:** Notice of Transfer of Shares, etc. in a Subsidiary (KINARI Inc.)
- **April 2017:** Launch of the Shiseido Facial Expression Project
  – New Initiatives Started on April 20, 2017 to Help Women Enrich Their Facial Expressions with Technologies for Improving Skin Wrinkles –
- **April 2017:** New Efficacy! Birth of an Enriched Beauty Cream, a Quasi-Drug Containing Retinol That Improves Even Deep Wrinkles
  ELIXIR SUPERIEUR Enriched Wrinkle Cream S
- **April 2017:** Shiseido to Terminate Global Distribution Agreements with Burberry
  – Aiming at Selection and Concentration of Business Operations –
- **March 2017:** Shiseido Japan to Start the Brand Business of *Laura Mercier*, a U.S. Makeup Brand, in Japan
- **February 2017:** Recognition of Effect and Efficacy in Improving Skin Wrinkles with Retinol Acting Ingredient Acquired for the First Time in Japan
  – "Deep" Wrinkles Improved in Nine Weeks –
- **February 2017:** Notice of Completion of the Setup of Joint Venture, KODOMOLOGY Co., Ltd. to Promote Childcare Business
- **January 2017:** Notice of Acquisition of a U.S.-based Start-up, MATCHCo.
  – Obtaining a Smartphone App-based Technology to Formulate Customized Foundation–