

## Results for Year Ended March 2014 / Outlook for Year Ending March 2015

2014-4-25  
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SHISEIDO Co., Ltd.

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.

- Thank you very much for your time today.
- My name is Masahiko Uotani. I was appointed President and CEO of Shiseido in April this year.
- I was assigned to this important position at a company with more than 140 years of history and tradition. I believe my duty is to prepare Shiseido for the coming 50 and 100 years.
- The keywords are “Growth” and “Speed.”

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### 100 Days Before Becoming President

- Implemented the Marketing Reform Project
- Held dialogues with approx. 6,000 employees at domestic and overseas offices
- Built a new management structure



Grasping current business circumstances and issues

- In the three months since my appointment was announced, I visited various offices and discussed the need for reform with about 6,000 employees.
- In dialogues with them, what I felt to be our issue is that we are probably not responding to changes in the market with speed, and as a result, we are probably not nurturing our brands and lines successfully.
- I feel the distribution system that has been built by Shiseido is not compatible with the times and is not keeping pace with consumer changes.

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## 100 Days Before Becoming President

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Grasping current business circumstances and issues

● I think this is attributable mainly to the fact that our business structure in Japan and overseas, the roles and responsibilities of the head office and group companies, and our organizational structure are all divided vertically, and the fact that we have yet to develop sufficient human resources who can create new value. It is important that we resolve these issues quickly and undertake fundamental reform.

● Some people believe it is time-consuming to proceed with reform by implementing bottom-up management. I would like to proceed with reform in a way in which employees will work together under the leadership of the management team.

2-2

## First 100 Days as President

- Hold active discussions among the new executive organization
- Gather opinions of domestic and overseas employees
- Gather opinions of major clients and business partners

Establish key management policies by mid-July and develop specific action plans in each business area afterwards

● On April 1, Shiseido introduced a new management team following some administrative changes, including the replacement of the Chief Officer of the Domestic Cosmetics Business Division, General Manager of the Marketing Department, and Chief Financial Officer, in addition to my appointment.

● We are actively discussing what we want Shiseido to be in the future.

● At the same time, I have been visiting major retailers, speaking with them to learn how they assess Shiseido and what our problems are. Representatives of the retailers have told me that Shiseido should be more aggressive. We will be more proactive in collaborations with retailers.

● We aim to establish key management policies by July, and then summarize bold reform plans that will move us out of our current backwater.

Theme of Transformation to Adopt Global Management	
● Definition of SHISEIDO's vision and mission, value to deliver, for the year 2020. Redefinition of our "business domain / business portfolio / business structure / business organization" toward the realization of our vision.	
● Developing brand portfolio strategy aiming to reinforce our global marketing capabilities. Designing of execution system and strengthening of business operation toward execution of brand portfolio strategy.	
● Upgrading marketing capability (planning and execution) through the entire value chain. Initiatives for achieving innovations and maximizing product potential toward outstanding value creation.	
● Transformation of communication and decision-making process aiming to become a global company. Development and full use of human resources along with corporate culture reform.	
● Cost structure reform, improvement in cash-flow, and enhancement of supply-chain management aiming to win over global competitors, along with stepped-up management toward enhancement of management efficiency.	

- The following issues are being discussed by the management team with respect to global management.
- First, we are discussing what Shiseido should be like and what values we should provide toward 2020 and restructuring our business domains and portfolio.
- Second, we are talking about the development of a brand portfolio strategy to improve our marketing capabilities globally and we are bolstering our structure to advance this initiative. As expressed in "Think Global, Act Local," we will discuss and plan organizational structure and human resource allocation for a truly global business.
- The third issue is improving marketing capabilities and innovation capabilities for developing products that will create new markets. Shiseido has a competitive edge in technology development capability in the global market. We will improve our marketing capabilities across the entire value chain.

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- The fourth issue is initiatives for globalizing the head office to be a truly global company, including reforming the decision-making process, developing the capabilities of human resources, and reforming corporate culture.
- Finally, we are discussing reforms to our cost structure, improvements to cash flows, and strengthening of the supply chain management, to strengthen our business base so that we can compete globally. We will also seek to improve the efficiency of our management.
- We are working to create a model that will show how much profit we can make by increasing the top line and controlling costs. I will introduce the model to you when it is ready.

4-2

**Positioning of FY2014 / Medium-Term Management Plan**

**Positioning of FY2014**

- Develop a long-term vision and medium-term management plan.
- 2014 is the year to prepare for radical reform and implement brand strategy developed in the Marketing Reform Project.
- Continue to focus on three large businesses, namely Japan, China and Bare Escentuals.

● Identify what kind of company we want to be in 2020.  
Divide the six years to 2020 into two three-year periods and develop three-year plans that will start in FY2015.

The next medium-term management plan will start in FY2015.

- In FY2014, we will set medium- and long-term visions. At the same time, we will make sure to achieve our plans for the fiscal year.
- Last fiscal year, Chairman Maeda returned to the position of President and thoroughly promoted and institutionalized the idea of store sales as the only criterion, that is, the idea that “our sales are from purchases of our products by customers in stores and shipment of our products to stores takes place as a result of the purchases.” Going forward, we will apply store sales as the criterion for evaluating sales teams, too.
- At the same time, President Maeda advanced measures for building a management framework to prevent an accumulation of store inventory and facilitating further structural reform.
- These are our priority issues, which we will continue to address in FY2014.

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**Today's Topics**

1 Initiatives

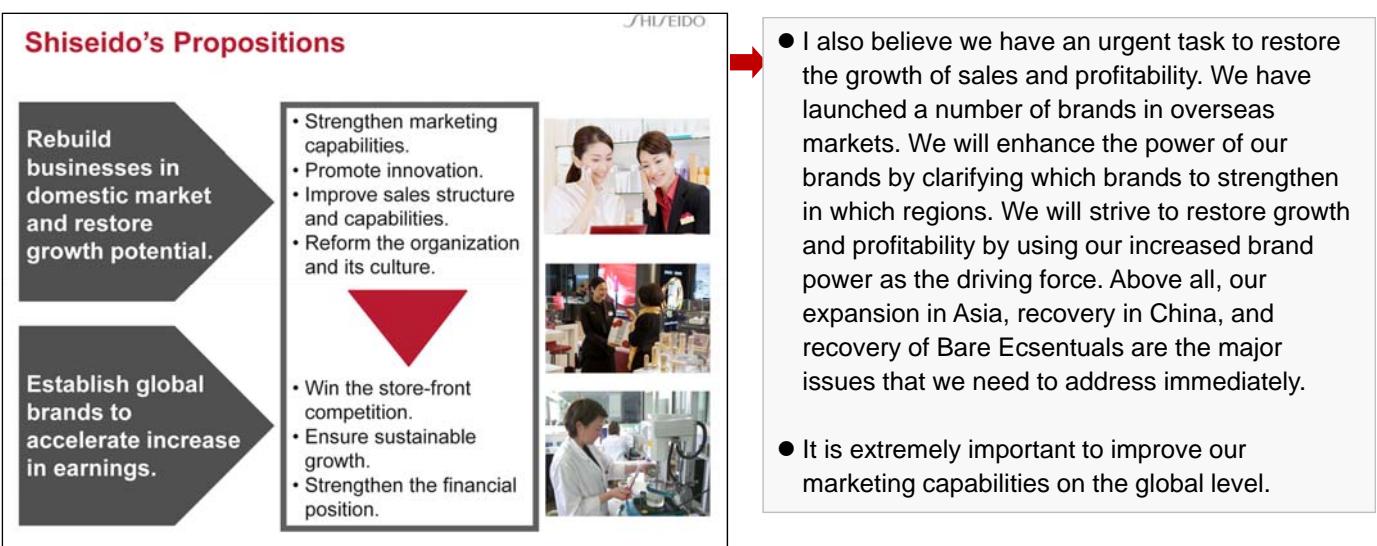
2 Results for Year Ended March 2014 and Outlook for Year Ending March 2015

- Let me now move on to discuss the measures we will take in the future.

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7-2



- I believe that innovations constitute a great strength of Shiseido.
- By making good use of this strength, we will rebuild a system for steadily increasing the synergy between marketing and innovations.

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- Last fiscal year, I was involved in the Marketing Reform Project as an advisor.
- One issue identified in the project is that the brand SHISEIDO has been markedly diluted. This is attributable to the fact that a wide range of products, from luxury cosmetics products in the prestige segment to shampoos and even food items, bear the name SHISEIDO. This has led customers to wonder what SHISEIDO is all about, and the brand has lost focus.
- I will clarify once again which products shall bear the name SHISEIDO and which shall not.

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Initiatives (1) Strengthen Brand and Marketing Capabilities	
Direction of Innovation in Domestic Brands and Lines	
SHISEIDO	Offers the most advanced human science and best hospitality
ELIXIR	Combines the most advanced science leading the market and feminine beauty
MAQuillAGE	Evolving into a trend makeup line that creates the femininity of a new era
BENEFIQUE	Evolving into a total cosmetic solution brand including point makeup and beauty care
HAKU	Evolving into a line specializing in skin brightening function
A line for senior customers	Introducing as a new line to represent "successful aging"

- First of all, we will make sure to attach the name *SHISEIDO* to products in these six brands/lines to clarify that they are brands/lines of cosmetics products from Shiseido.
- Among them, we will innovate the global brand *SHISEIDO*, for which we introduced new products recently.
- We will carry out a major renewal of *ELIXIR* as a line that combines the most advanced science and feminine beauty. We will thus achieve new growth with this line.
- We will renew *MAQuillAGE* as a trend makeup line that creates the femininity of a new era. We are relatively weak in makeup compared to skincare. To overturn this situation, we will renew *MAQuillAGE* with innovation in the second half.

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Initiatives (1) Strengthen Brand and Marketing Capabilities					
Establish brand portfolio strategy (optimal matrix for Brand and Area)					
Present	Domestic	Europe	Americas	Asia	China
SHISEIDO	◎	◎	◎	◎	◎
ELIXIR	◎			○	○
MAQuillAGE	◎			○	○
BENEFIQUE	◎			○	○
HAKU	◎			○	
A line for senior customers	◎				
CPB	◎	○	○	○	○
INTEGRALIST	○	○	◎	○	
BEAUTE PRESTIGE INTERNATIONAL	○	◎	○	○	○
NARS	○	○	◎	○	
AUPRES				◎	
URARA				◎	
Za	○			◎	◎

- From the perspective of the global market, our current portfolio is as shown on the screen.
- As I mentioned earlier, I believe it is important to clarify investment priorities once again by optimizing the matrix of which brands to strengthen in which areas. This means we need to make a rearrangement.

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**Initiatives**  
**(1) Strengthen Brand and Marketing Capabilities**

**bareMinerals**

**Increase synergy between the direct-to-consumer and retail businesses.**



**Strengthen the direct-to-consumer business.**

**Introduce the innovative new product BARESKIN.**

Profit is expected to fall despite increased revenue in FY2014 due to continued up-front investment.  
 Aim to make this a "brand that will shine again" after FY2015.

- Let me describe our efforts for our major brands.
- Bare Escentuals was facing tough conditions, but we are now moving ahead with reforms aimed at regenerating it. We have closed 160 unprofitable stores and are taking advantage of the original strengths of bareMinerals, by renewing infomercials and developing exclusive products for QVC, for example. In May, we will release a major new product named BARESKIN and make aggressive marketing investment to increase sales in the future.
- In FY2014, we plan to increase sales, but profit will decline due to up-front investment, including marketing and labor outlays. In FY2015 and beyond, we will strive to recover profits in addition to increasing sales.
- We position this year as the "year of investment" for Bare Escentuals.

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**Initiatives**  
**(1) Strengthen Brand and Marketing Capabilities**

**Aupres**

**Brand re-launch**



**urara**

**Thoroughly advance Shiseido's technical edge.**



**Focus on selected brands and expand focus areas (from two to four provinces).**

- In China, we will focus our efforts on AUPRES as a brand for department stores and URARA, which is a brand for cosmetic specialty stores. Conditions in China have been difficult since 2012. However, the population of cosmetics users in China is expected to reach 330 million by 2020, so the country still remains the growth driver for Shiseido.
- For AUPRES as a brand for department stores, we will release new products in March and May, respectively, thereby renewing the brand.
- Regarding our area strategy, we will expand the focus areas from two provinces to four.
- FY2014 is the year for reviving our business in China. We will aim to achieve double-digit growth and a double-digit operating margin for China overall.

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**Initiatives**  
**(1) Strengthen Brand and Marketing Capabilities**

**NARS**  
 20th anniversary of the brand



**Fragrance Business**  
 Strengthen development of three key brands.





- Our makeup artist brand **NARS**, maintains high, double-digit growth, particularly in the Americas. We will maintain the growth of **NARS** as a brand “originating from New York.”
- In the fragrance business, we will strengthen the three existing key brands of **ISSEY MIYAKE**, **narciso rodriguez**, and **ELIESAAB**, aiming to achieve mid single-digit year-on-year growth in FY2014.

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**Initiatives**  
**(1) Strengthen Brand and Marketing Capabilities**

**clé de peau BEAUTÉ**

**Evolving into a Truly Global, Prestige Brand**




- I believe that **clé de peau BEAUTÉ** is Shiseido's greatest asset from the perspective of value creation. In FY2014, we will continue to accelerate the globalization of this brand as a main pillar for profit growth, thereby achieving double-digit growth overseas, and develop it into a truly global, prestige brand.

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**Initiatives**  
**(2) Innovation for the Company's Sustainable Growth**

**SHISEIDO**

Successive Innovation	Non-successive Innovation
<ul style="list-style-type: none"> <li>Solution development based on customers' opinions</li> <li>Collaboration across marketing, R&amp;D and sales teams in planning and development</li> </ul> 	<ul style="list-style-type: none"> <li>R&amp;D based on ideas free from conventional thinking</li> <li>Open innovation</li> </ul> 
Improve ANESSA sunscreens	Commercialize hair regenerative medicine

● There are two kinds of innovation. One is successive innovation in which you make improvements to existing products by responding to customers' opinions and proposing solutions. The other is non-successive innovation, which is created from ideas free from conventional thinking and which will contribute to business from medium- to long-term perspective. It includes alliances and open innovations. We will work further on both types of innovation.

● Our sunscreen ANESSA, an example of successive innovation, continues to be improved every year in response to customer needs. It currently has the largest market share in terms of sales in the category of sunscreens.

16-1

**Initiatives**  
**(2) Innovation for the Company's Sustainable Growth**

**SHISEIDO**

Successive Innovation	Non-successive Innovation
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Improve ANESSA sunscreens	Commercialize hair regenerative medicine

● Meanwhile, non-successive innovation includes the technical partnership agreement signed with a Canadian bio-venture company, RepliCel Life Sciences Inc. in July 2013 for hair regenerative medicine. We will establish the Shiseido Cell-Processing and Expansion Center in Kobe in May and use this facility as a base for related research and development aimed at future commercialization. It is expected to be some time before this innovation makes a profit. However, we expect it to be very profitable and create value and new markets in the future.

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**Initiatives**  
**(3) Strengthening Business Base**

**SHISEIDO**

## Changing our organization and culture

- Reform to create more competitive organization**
- Transfer authority to the frontlines of sales**
- Accelerate decision-making**

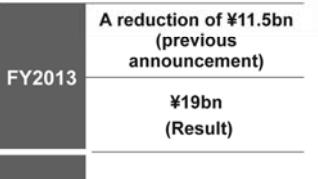
- I also believe that corporate culture is the foundation of a company.
- As I mentioned earlier, my dialogues with a large number of employees made me feel the need to increase the power of individuals and the organization and to bolster the capabilities and enthusiasm of individuals further. I will strive to make Shiseido a more competitive organization, that is, an organization that can detect and respond to market changes with speed.
- What I think is important for this purpose is to create frameworks that permit employees to take on challenges without being afraid of taking a risk. We will clarify the roles of the head office and those on the sales frontlines in Japan and overseas and facilitate a transfer of authority. As a first step, we must eliminate the bureaucratic culture of the company.
- Currently, as reform of our culture, I take comprehensive steps to ensure that our executive employees watch the market and work with twice the speed of before.

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**Initiatives**  
**(3) Strengthening Business Base**

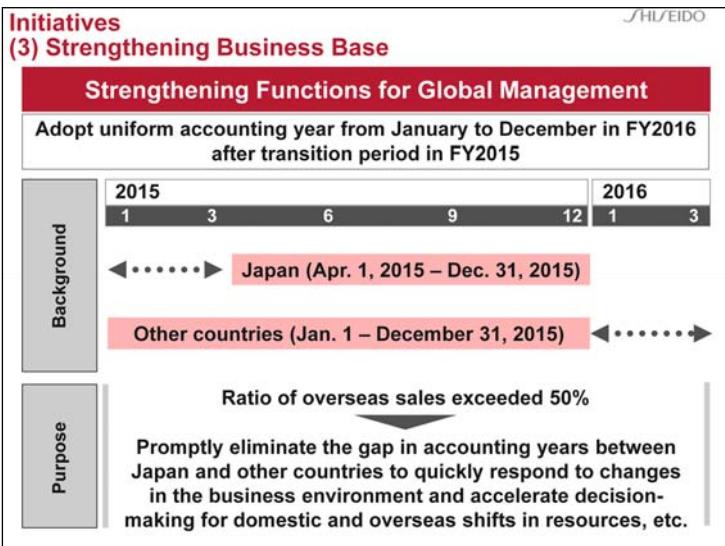
**SHISEIDO**

## Continuous Implementation of Structural Reform

Reform of cost structure	Reform of business structure
Comparison with targeted costs in FY2011  FY2013: A reduction of ¥11.5bn (previous announcement) FY2014: An accumulated cost reduction of ¥24bn	Reorganize plants Steadily progressing  Reorganize R&D bases Completed reorganization  Improve HR and labor cost mgmt. Steadily progressing  Integrate functions globally Steadily progressing

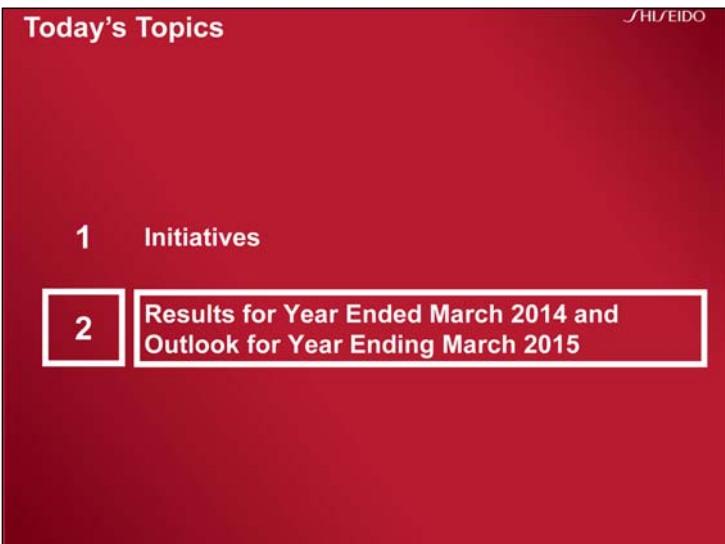
- In FY2013, we ultimately reduced costs by 19 billion yen. In FY2014, we will achieve a total cost reduction of 24 billion yen, or at least 5.0 billion yen for the fiscal year, add to the profit of the entire company and secure.

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- Finally, we will adopt a uniform accounting year to strengthen functions for global management.
- FY2015 will be the transition period, and the uniform accounting year beginning January and ending December will begin in FY2016.
- The year for most subsidiaries in Japan is April to March, while that of overseas subsidiaries is January to December. We will eliminate this three-month gap in accounting years between Japan and other countries.

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- Now we will look at the results for fiscal 2013 and outlook for fiscal 2014.

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## FY2013 Review

Prevailing in Three Markets		Structural Reform
Activities		Activities
Increase market share		Reform the cost structure.
Japan		Reform the business structure.
Strengthen the prestige segment.		Optimize store-level inventory (Japan and China).
Strengthen the mid-price segment.		Streamline unprofitable and low-profit businesses.
Build the foundation for a sales recovery.		
Improve the response to the senior market.		
Improve the internet-based business model.		
Restore growth and profitability to the level it was at prior to the anti-Japanese movement.		
China		
Focus on selected brands and areas to strengthen.		
Develop a market that will become the next target in China.		
Improve profitability (achieve the plan).		
Restore growth and profitability		
Bare Escentuals in the U.S.		
Re-strengthen the direct-to-consumer business in North America		
Increase sales at existing stores in the North American retail business		
Increase focus on the Japanese and U.K. markets		

- This is our review of major activities in FY2013.

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## FY2013 Results

(Billion yen)	Results	YoY % Change	Local Currency	YoY Amount	Change from the value announced in January
Net Sales	762.0	+12.4%	+1.3%	+84.3	+12.0
Domestic	377.3	+1.1%	+0.9%	+4.0	+10.3
Overseas	384.8	+26.4%	+1.8%	+80.3	+1.8
Operating Income	49.6	+90.6%	+54.9%	+23.6	+7.6
Ordinary Income	51.4	+81.0%	-	+23.0	+7.4
Extraordinary Income/Loss	-1.0	(-34.8)	-	+33.8	+5.5
Net Income	26.1	(-14.7)	-	+40.8	+7.1

The figure in parentheses is the amount in the previous fiscal year.

- Overseas Sales Ratio 50.5% (+5.6%)
- Operating Margin 6.5% (+2.7%)
- ROE 8.4%
- Dividend Interim: ¥10, Year-end: ¥10, Annual: ¥20
- Exchange Rate 1 US\$ = ¥97.7 (+22.3%), 1 Euro = ¥129.7 (+26.4%), 1 RMB = ¥15.9 (+25.6%)

- This is a summary of our results for FY2013.

- Consolidated net sales grew 12.4% year on year, to 762.0 billion yen. Domestic sales increased 1.1%, to 377.3 billion yen. Overseas sales stood at 384.8 billion yen, up 1.8% in local currency terms, and up 26.4% year on year in yen terms due in part to the depreciation of yen.
- Operating income stood at 49.6 billion yen.
- The surge in demand before the consumption tax hike had a major impact on our results for FY2013.

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Impact of Last-Minute Surge in Demand Before Consumption Tax Hike	
< FY2013 >	
● Increase in store sales: approx. ¥14 billion (adjusted using wholesale unit prices)	
● Increase in sales at sales subsidiary: approx. ¥12 billion	
< FY2014 >	
● Decrease in sales at sales subsidiary: approx. ¥8 billion	
While the increase due to last-minute surge in demand in FY2013 was approx. ¥12 billion, the reactionary fall in FY2014 is expected to be approx. ¥8 billion.	
< Current sales in April >	
● Store sales: affected by reactionary fall	
● Sales at sales subsidiary: Sales are exceeding the year-ago level	

- We estimate that the impact of the last-minute surge in demand before the consumption tax hike on our store sales took place mainly in March and was around 14 billion yen in terms of wholesale value. Its estimated impact on sales at our sales subsidiary is around 12 billion yen.

- As a result, store sales in April in which FY2014 started have been affected by a reactionary fall. We expect that the reactionary fall in sales at the sales subsidiary in FY2014 will be about 8 billion yen.

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- Net income for FY2013 totaled 26.1 billion yen, including gains on sales of real estates in addition to this increased operating income.
- Our year-end dividend will be 10 yen per share as planned initially, totaling 20 yen for the fiscal year.

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**Outlook for FY2014**



(Billion yen)

	Forecast	YoY % Change	Local Currency	YoY Amount
Net Sales	780.0	+2.4%	+1%	+18.0
Domestic	370.0	-1.9%	-2%	-7.3
Overseas	410.0	+6.6%	+4%	+25.2
Operating Income	42.0	-15.4%	-	-7.6
Ordinary Income	42.0	-18.3%	-	-9.4
Extraordinary Income/Loss	14.5	(-1.0)	-	+15.5
Net Income/Loss	38.0	+45.3%	-	+11.9

The figure in parentheses is the amount in the previous fiscal year.

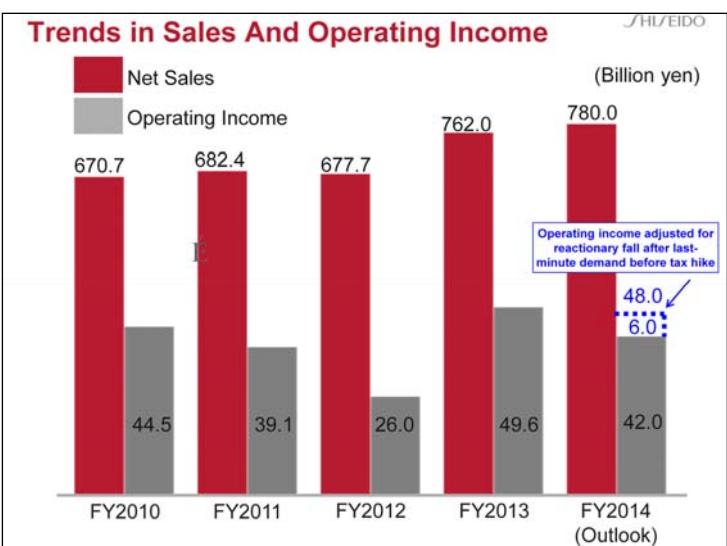
- Overseas Sales Ratio 52.6% (+2.1%)
- Operating Margin 5.4% (-1.1%)
- Dividend Interim: ¥10, Year-end: ¥10, Annual: ¥20
- Exchange Rate 1 US\$ = ¥100 (+2%), 1 Euro = ¥135 (+4%), 1 RMB = ¥16.5 (+4%)

- Next, I will explain the outlook for FY2014.

- Consolidated net sales are expected to increase 2.4% year on year, to 780 billion yen, and 1.0% year on year on a currency-neutral basis. We expect domestic sales to fall 2.0% due in part to the surge in demand before the consumption tax hike in FY2013 and the reactionary fall in FY2014. We aim for a 4.0% increase in overseas sales.

- Operating income is expected to decline 15.4% year on year, to 42 billion yen.

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- Let's look back on our results for the past three years. We have initiated reforms to solve various issues and we regard our performance as having been on a recovery trend.

- And this reactionary fall after the surge in demand is expected to have a great impact on our performance.

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To expand profits through full implementation of the FY2014 Plan	
1. Determine the level of reactionary fall after the consumption tax hike and countermeasures (after April)	
2. Strengthen implementation of the brand strategy	
<b>Domestic</b>	<b>Overseas</b>
<b>BENEFIQUE</b> ULTIMUNE <b>ELIXIR</b> <b>MAQuillAGE</b>	<b>A line for senior customers</b> <b>HAKU</b> <b>Men's hair care products</b>
<b>May</b> Sept. 2nd half of FY2014 2nd half of FY2014	<b>AUPRES</b> <b>BARESKIN</b> <b>ULTIMUNE</b> <b>Urara</b>
	<b>2nd half of FY2014</b> <b>May</b> Sept. 2nd half of FY2014
3. Strengthen sales and distribution policies and develop retail channels	
<ul style="list-style-type: none"> <li>● Implement a new cosmetic specialty store policy</li> <li>● Step up cooperation with large accounts and expand sales floors for self-selection cosmetics</li> </ul>	
4. Examine and streamline the cost structure throughout the company	
5. Build the business management cycle and ensure it operates properly	

- I have summarized my priorities for FY2014 in this single slide.
- We expect that the effect of the last-minute surge in demand will continue into June. So we are taking prompt actions to respond to it, including the distribution of a large number of samples of skincare products to attract new customers and enhance our products for summer.
- To strengthen our brand strategy, we will launch innovative new products from *BENEFIQUE*, *clé de peau BEAUTÉ*, and *ULTIMUNE* from the global brand *SHISEIDO* in the first half and *ELIXIR* and *MAQuillAGE* in the second half of FY2014. As sales and distribution policies, we will be focusing on our new cosmetic specialty store policy, which we introduced in April, and collaborative efforts with major retailers aimed at expanding the sales floor of self-selection cosmetics, among others.

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To expand profits through full implementation of the FY2014 Plan	
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<b>Domestic</b>	<b>Overseas</b>
<b>BENEFIQUE</b> ULTIMUNE <b>ELIXIR</b> <b>MAQuillAGE</b>	<b>A line for senior customers</b> <b>HAKU</b> <b>Men's hair care products</b>
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- Additionally, in our reform of cost structure, we will examine in detail each category, such as cost of goods sold, including raw materials, marketing outlays, and personnel costs, and set up an emergency measure project to thoroughly review and streamline the company-wide cost structure.
- We will innovate our business management cycle to respond quickly to changes in the market and competitive environment. With this improvement in management, we will flexibly shift resources among brands and lines and businesses.
- We will focus our efforts on these five aspects to thoroughly implement our FY2014 plan and achieve a further increase in profits.

27-2

Outlook for FY2014						
(Billion yen)	Forecast	YoY % Change	Local Currency	YoY Amount	Real year-on-year change excluding special factors	SHISEIDO
Net Sales	780.0	+2.4%	+1%	+18.0	+4.4%	
Domestic	370.0	-1.9%	-2%	-7.3	+2.5%	
Overseas	410.0	+6.6%	+4%	+25.2	+6.3%	
Operating Income	42.0	-15.4%	–	-7.6		
Ordinary Income	42.0	-18.3%	–	-9.4		
Extraordinary Income / Loss	14.5	(-1.0)	–	+15.5		
Net Income	38.0	+45.3%	–	+11.9		
● Overseas Sales Ratio	52.6% (+2.1%)					
● Operating Margin	5.4% (-1.1%)					
● Dividend	Interim: ¥10, Year-end: ¥10, Annual: ¥20					
● Exchange Rate	1 US\$ = ¥100 (+2%), 1 Euro = ¥135 (+4%), 1 RMB = ¥16.5 (+4%)					

- There are diverse approaches to dividends, but we exclude the extraordinary gain in sales resulting from the sales of the DECLÉOR and CARITA brands as that gain is a special, temporary factor arising solely in FY2014. Excluding this extraordinary income, we would like to maintain 20 yen for the full fiscal year at a payout ratio level of about 40%, which we have mentioned. So our plan is 20 yen, which represents 40% based on sales and profits excluding special gains.

- At the same time, with regard to funds generated by sales, we would like to start taking major steps in FY2015 for growth. Consequently, we plan to use the funds for initiatives for this purpose, such as strengthening our brands and lines, developing new markets, and M&A.

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- I would like to renew Shiseido by taking on challenges together with employees and management people, and turn it into the “most powerful global marketing company.”
- We will achieve sustainable growth by not only increasing our sales and profits, but also be improving financial indicators such as ROE and cash flows. I believe that going forward our proposition is to increase corporate value based on growth in sales.
- That concludes my message.
- Thank you.

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# Results for Year Ended March 2014

## Outlook for Year Ending March 2015

Apr. 25<sup>th</sup> 2014

Norio Tadakawa  
Corporate Officer CFO  
Shiseido Co. Ltd.

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### Consolidated Results

	14/3 Results		13/3 Results		Difference from January announcement	YoY % Change	Local Currency
		% of Net Sales		% of Net Sales			
(Billion yen)							
Net sales	762.0	100%	677.7	100%	+12.0	+12.4%	+1.3%
Domestic	377.3	49.5%	373.3	55.1%	+10.3	+1.1%	+0.9%
Overseas	384.8	50.5%	304.5	44.9%	+1.8	+26.4%	+1.8%
Operating Income	49.6	6.5%	26.0	3.8%	+7.6	+90.6%	+54.9%
Ordinary Income	51.4	6.7%	28.4	4.2%	+7.4	+81.0%	
Extraordinary Loss (net)	-1.0	-0.1%	- 34.8	-5.2%	+5.5	-	
Net Income	26.1	3.4%	-14.7	-2.2%	+7.1	-	
EBITDA	91.3	12.0%	61.5	9.1%	-	+48.5%	

● ROE 8.4%

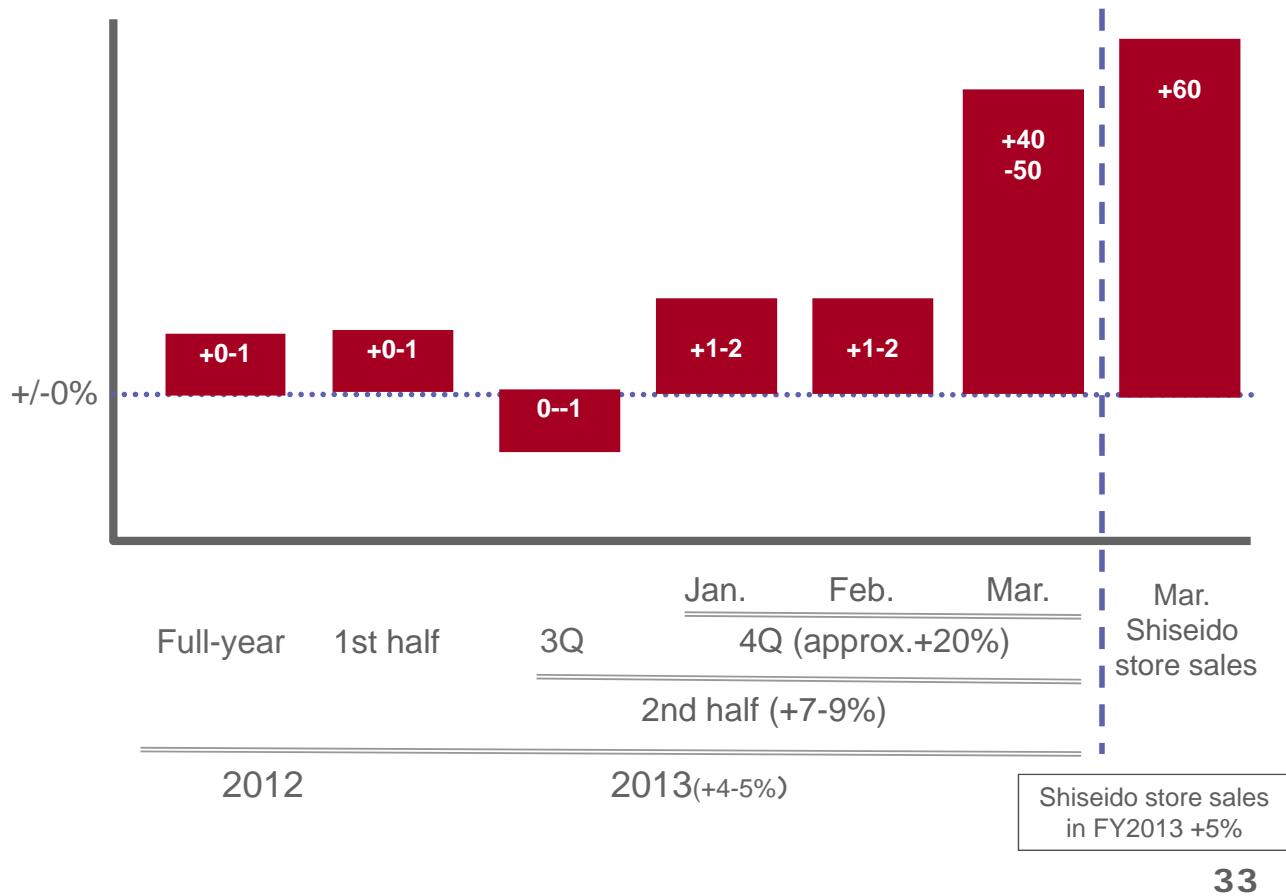
● Dividends Interim: ¥10 Year-end: ¥10 Annual: ¥20

● Exchange Rate 1 US\$ = ¥97.7 (+22.3%) , 1 Euro=¥129.7 (+26.4%), 1 RMB = ¥15.9 (+25.6%)

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## Domestic Market Growth Rate(Shiseido Estimate)

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## Domestic Cosmetics Sales

SHISEIDO

	(Billion yen)	14/3 Result		13/3 Result		YoY Amount	YoY % Change
			% of Net Sales		% of Net Sales		
	Counseling	184.5	24.2%	176.2	26.0%	+8.3	+4.7%
	Self-selection	77.0	10.1%	80.7	11.9%	-3.7	-4.6%
	Toiletries	36.7	4.8%	39.2	5.8%	-2.5	-6.3%
	Cosmetics	298.2	39.1%	296.1	43.7%	+2.1	+0.7%
	Healthcare	15.3	2.0%	14.9	2.2%	+0.5	+3.2%
	Others	36.2	4.8%	34.9	5.1%	+1.3	+3.6%
	Domestic Cosmetics	349.7	45.9%	345.9	51.0%	+3.8	+1.1%

# Domestic Cosmetics Sales and Operating Income

SHISEIDO

(Billion yen)	14/3 Result	13/3 Result	YoY Amount	YoY % Change
Sales	349.7	345.9	+3.8	+1.1%
Operating Income	39.5	27.5	+12.0	+43.5%
OP Margin	11.2%	7.9%	+ 3.3ppt	

## Domestic Cosmetic Business

- Sales ····· (+) Strong counseling segment last-minute surge in demand before the consumption tax hike  
(-) Collection of store inventory
- Operating Income ··· (+) Increase in gross profit due to higher sales cost reduction due to cost structural reform reduced labor expenses due to decrease in bonus cuts etc.

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# Global Business Sales

SHISEIDO

(Billion yen)	14/3 Result		13/3 Result		YoY Amount	YoY % Change	Local Currency
		% of Net Sales		% of Net Sales			
Cosmetics	353.2	46.4%	280.3	41.4%	+72.9	+26.0%	+1.4%
Professional	49.0	6.4%	42.1	6.2%	+6.9	+16.5%	+1.3%
Global Business	402.2	52.8%	322.3	47.6%	+79.9	+24.8%	+1.4%

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# Global Business Sales and Operating Income

SHISEIDO

(Billion yen)	14/3 Result	13/3 Result	YoY Amount	YoY % Change
Sales	402.2	322.3	+79.9	+24.8%
Operating Income before Amortization	16.5	5.7	+10.8	+191.5%
Operating Income	7.7	-3.3	+10.9	-
OP Margin	1.9%	-1.0%	+2.9ppt	

## Global Business

● Sales ····· (+) Strong sales of *clé de peau Beauté*

NARS fragrances etc.

● Operating Income ··· (+) Recovery of profitability in China

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# Cost of Sales/ SG&A

SHISEIDO

(Billion yen)	14/3 Result		% pt. Change +:decrease	YoY Increase/ Decrease +:cost Cuts	YoY % Change	Foreign Currency Exchange	Excl. Foreign Currency Exchange +:cost cuts
		% of Net Sales					
Cost of Sales	189.6	24.9%	-0.3%	-22.8	+13.7%	-17.4	-5.4
SG&A	522.8	68.6%	+3.0%	-37.9	+7.8%	-48.6	+10.7
(Domestic)	274.1	73.0%	+2.9%	+7.4	-2.6%	-	+7.4
(Overseas)	248.7	64.4%	+1.9%	-45.4	+22.3%	-48.6	+3.2
Advertising & Selling	169.4	22.2%	+1.3%	-10.3	+6.5%	-17.0	+6.6
Personnel	181.8	23.9%	+0.8%	-14.2	+8.4%	-14.7	+0.5
Others	162.7	21.3%	+0.7%	-13.6	+9.1%	-15.3	+1.8
M&A-Related Amortization Cost	9.0	1.2%	+0.2%	+0.1	-1.3%	-1.6	+1.7

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## Other Income and Extraordinary Income

SHISEIDO

Other Income / Expenses		Extraordinary Income / Losses					
(Billion yen)	14/3 Result	13/3 Result	YoY Amount	(Billion yen)	14/3 Result	13/3 Result	YoY Amount
Interest Income	1.0	0.7	+0.3	Structural Reform Expenses	-5.6	-5.7	+0.2
Interest Expense	-1.7	-1.8	+0.1	Impairment Losses	-1.0	-29.1	+28.1
Net Interest Income and Expense	-0.7	-1.1	+0.4	Gain / Loss on Sales Disposal of Property Plant and Equipment	5.0	-0.0	+5.0
Foreign Exchange Gain/Loss	0.7	1.1	-0.4	Gain / Loss on Sales or Writedown of Investment Securities	0.6	0.1	+0.5
Others	1.8	2.3	-0.6	Total	-1.0	-34.8	+33.8
Total	1.8	2.4	-0.6				

● Structural Reform Expenses

… Recovery of store-level inventory etc.

● Gain / Loss on Sales Disposal of Property Plant and Equipment

… Sale of real estate of a sales subsidiary in Japan etc.

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## Net Income and Comprehensive Income

SHISEIDO

(Billion yen)	14/3 Result	13/3 Result	YoY Amount
Income before Income Taxes	50.4	-6.4	+56.9
Tax Expenses (Tax rate)	21.7 (43.0%)	6.3 (-)	-15.4
Minority Interests in Earning of Consolidated Subsidiaries	2.6	2.0	-0.6
Net Income	26.1	-14.7	+40.8

Comprehensive Income	90.7	20.0	+70.7
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## Consolidated Balance Sheets

SHISEIDO

(Billion yen)	14/3	Change from Mar. 2013	Excl. Foreign Exchange	Foreign Exchange
Total Current Assets	<b>402.6</b>	<b>+69.9</b>	<b>+25.5</b>	<b>+44.4</b>
Cash Deposits and Securities	<b>128.9</b>	<b>+37.6</b>	<b>+23.8</b>	<b>+13.8</b>
Notes & Accounts Receivable	<b>138.3</b>	<b>+20.1</b>	<b>+4.5</b>	<b>+15.5</b>
Inventories	<b>90.2</b>	<b>+5.7</b>	<b>-5.8</b>	<b>+11.5</b>
Total Fixed Assets	<b>398.8</b>	<b>+15.8</b>	<b>-24.5</b>	<b>+40.4</b>
Property Plant and Equipment	<b>134.9</b>	<b>+7.1</b>	<b>-2.6</b>	<b>+9.7</b>
Intangible Assets	<b>166.7</b>	<b>+16.0</b>	<b>-11.7</b>	<b>+27.7</b>
Investments and Other Assets	<b>97.1</b>	<b>-7.3</b>	<b>-10.2</b>	<b>+2.9</b>
Total Assets	<b>801.3</b>	<b>+85.8</b>	<b>+1.0</b>	<b>+84.8</b>

US\$=¥105.4 1€=¥145.0 1RMB=¥17.4(2014/3)

US\$=¥86.6 1€=¥114.7 1RMB=¥13.9(2013/3)

(Billion yen)	14/3	Change from Mar. 2013	Excluding Foreign Currency Exchange	Foreign Currency Exchange
Total Liabilities	<b>442.6</b>	<b>+30.2</b>	<b>+5.1</b>	<b>+25.1</b>
Notes & Accounts Payable	<b>50.9</b>	<b>+7.4</b>	<b>+2.8</b>	<b>+4.6</b>
Interest-bearing Debt	<b>155.9</b>	<b>-28.8</b>	<b>-30.2</b>	<b>+1.5</b>
Liabilities/provision for retirement benefits	<b>60.8</b>	<b>+16.7</b>	<b>+15.8</b>	<b>+0.9</b>
Total Net Assets	<b>358.7</b>	<b>+55.6</b>	<b>-4.1</b>	<b>+59.7</b>
Shareholders' Equity	<b>335.5</b>	<b>+13.0</b>	-	-
Other Comprehensive Income	<b>3.0</b>	<b>+38.5</b>	-	-
Minority Interests	<b>19.2</b>	<b>+4.0</b>	-	-
Total Liabilities and Net Assets	<b>801.3</b>	<b>+85.8</b>	<b>+1.0</b>	<b>+84.8</b>

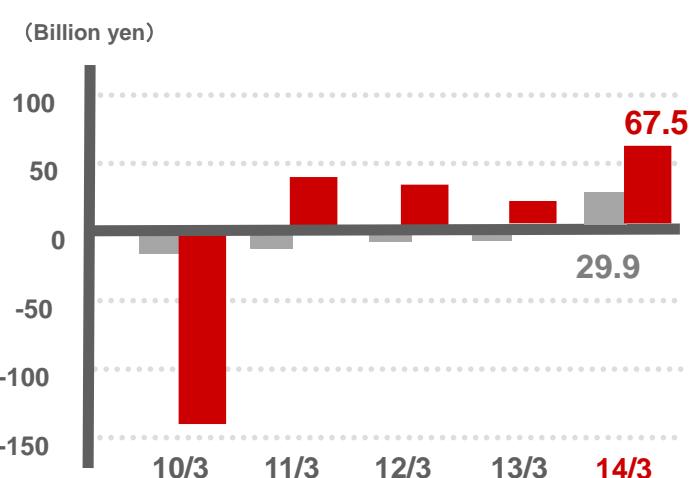
\*NOTE : Major account title only  
Equity Ratio: 42.2%

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## Consolidated Cash Flows

SHISEIDO

(Billion yen)



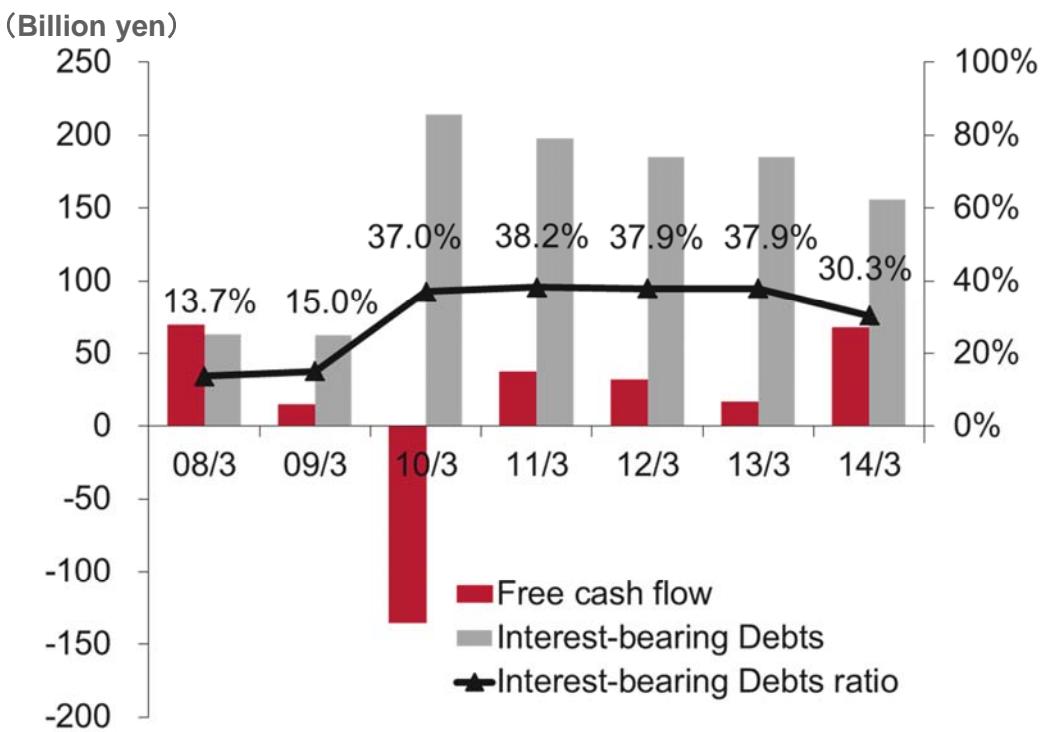
Cash Flows from Operating Activities	84.3
Cash Flows from Investing Activities	-16.8
Free Cash Flows	67.5
Cash Flows from Financing Activities	-47.5
Effect of Exchange Rate Changes on Cash and Cash Equivalents	9.9
Consolidated Cash Flows	29.9

■ Consolidated Cash Flows  
■ Free Cash Flows

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## Interest-Bearing Debt Ratio etc.

SHISEIDO



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## Full-Year Forecasts for FY2014

SHISEIDO

(Billion yen)	15/3	14/3	YoY Amount	YoY % Change	Local Currency	Real year-on-year change excluding special factors
Net sales	780.0	762.0	+18.0	+2.4%	+1%	+4.4%
Domestic	370.0	377.3	-7.3	-1.9%	-2%	+2.5%
Overseas	410.0	384.8	+25.2	+6.6%	+4%	+6.3%
Operating Income	42.0	49.6	-7.6	-15.4%		
Ordinary Income	42.0	51.4	-9.4	-18.3%		
Extraordinary Income / Loss (net)	14.5	-1.0	+15.5	-		
Net Income	38.0	26.1	+11.9	+45.3%		

- Overseas Sales Ratio 52.6%
- Operating Margin 5.4%
- Forecasted ROE 10.7%
- Exchange Rate US1 \$=¥100(+2%) , 1 €=¥135(+4%) , 1 RMB=¥16.5(+4%)

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## Adjusted YoY Growth Rate of FY2014 Sales

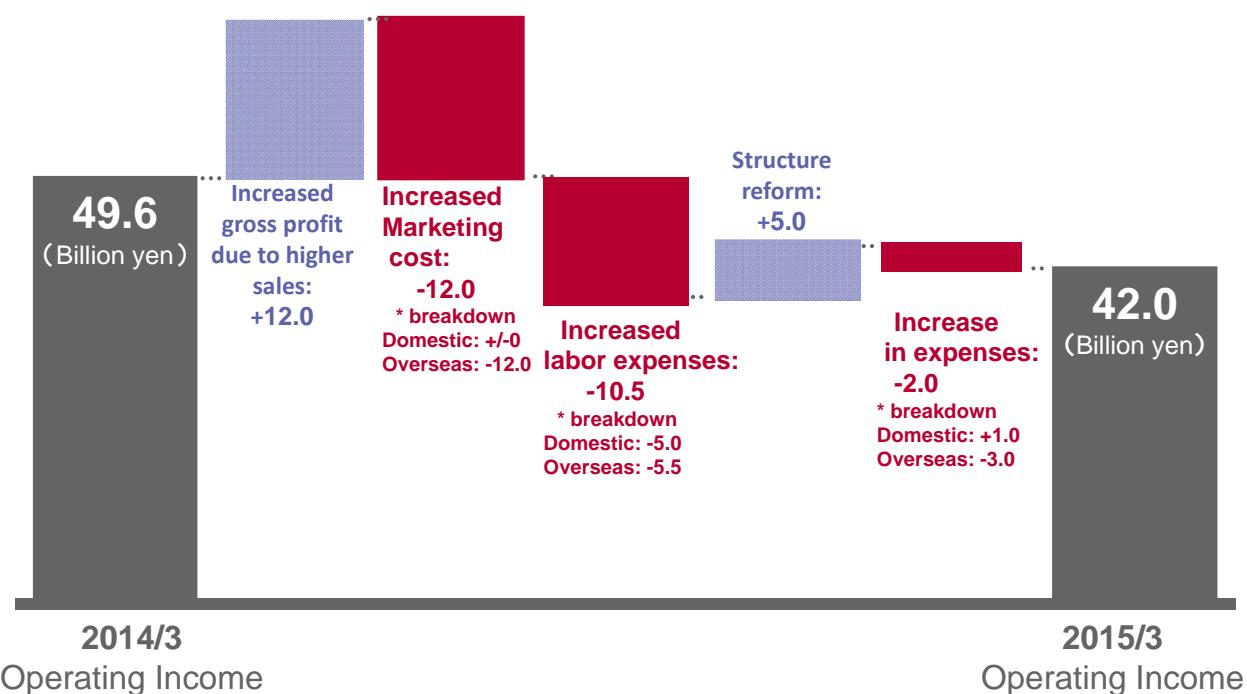
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	(Billion yen)	15/3	14/3	YoY % Change
Domestic Sales		370.0	377.3	-1.9%
Inventory recovery			+3.5	
Impact of last-minute surge in demand at the end of FY2013		8.0	-12.0	
Adjusted Domestic Sales		378.0	368.8	+2.5%
Overseas Sales		410.0	384.8	+6.6%
Sale of Decleor and Carita			-7.8	
Impact of foreign exchange		-9.3		
Adjusted Overseas Sales		400.7	377.0	+6.3%
Adjusted Consolidated Sales		778.7	745.7	+4.4%

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## Factors of Changes in Operating Income

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### 【Supplemental Data 1】

#### Market Growth Rate (% Shiseido Estimates)

		14/3	Outlook for 15/3
Domestic	Japan	+4~5%	Mid single-digit decrease
Overseas	Americas	Mid single-digit growth	Mid single-digit Growth
	Europe	Flat	Flat
	Asia/ Oceania	High single-digit growth	High single-digit growth
	Other Asian countries	Mid single-digit growth	Mid single-digit growth

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**【Supplemental Data 2】  
Sales by Geographic Segment**

SHISEIDO

(Billion yen)	14/3 Result		13/3 Result		YoY Amount	YoY % Change	Local Currency
	% of Net Sales		% of Net Sales				
Japan	377.3	49.5%	373.3	55.1%	+4.0	+1.1%	+0.9%
Americas	118.7	15.6%	93.0	13.7%	+25.7	+27.7%	+4.2%
Europe	102.1	13.4%	79.1	11.7%	+23.0	+29.1%	+2.6%
Asia/ Oceania (China)	164.0	21.5%	132.4	19.5%	+31.6	+23.9%	-0.3%
Overseas	111.5	14.6%	90.7	13.4%	+20.8	+22.9%	-1.8%
Overseas	384.8	50.5%	304.5	44.9%	+80.3	+26.4%	+1.8%
Total	762.0	100%	677.7	100%	+84.3	+12.4%	+1.3%

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**【Supplemental Data 3】  
Sales and Operating Income by Reportable Segment**

SHISEIDO

(Billion yen)	14/3 Result	13/3 Result	YoY Amount	YoY % Change
Domestic Cosmetics	349.7	345.9	+3.8	+1.1%
Global Business	402.2	322.3	+79.9	+24.8%
Others	10.1	9.5	+0.6	+6.5%
Total	762.0	677.7	+84.3	+12.4%

Domestic Cosmetics	39.5	27.5	+12.0	+43.5%
Global Business	7.7	- 3.3	+10.9	-
Others	2.1	2.0	+0.1	+5.9%
Elimination/ Corporate	0.4	- 0.1	+0.6	-
Operating Income	49.6	26.0	+23.6	+90.6%

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**【Supplemental Data 4】**  
**SG&A -Breakdown by Domestic/Overseas**

SHISEIDO

(Billion yen)	14/3	13/3	YoY Increase /Decrease +:cost cut	YoY % Change	Foreign Currency Exchange	Excl. Foreign Currency Exchange +:cost cuts
Domestic	83.9	85.3	+1.5	-1.7%	-	+1.5
Overseas	85.5	73.7	-11.8	+16.0%	-17.0	+5.2
Advertising & Selling	169.4	159.0	-10.3	+6.5%	-17.0	+6.6
Domestic	106.1	109.5	+3.4	-3.1%	-	+3.4
Overseas	75.7	58.2	-17.5	+30.2%	-14.7	-2.9
Personnel	181.8	167.7	-14.2	+8.4%	-14.7	+0.5
Domestic	84.0	86.6	+2.6	-3.0%	-	+2.6
Overseas	78.7	62.6	-16.2	+25.8%	-15.3	-0.8
Others	162.7	149.1	-13.6	+9.1%	-15.3	+1.8
Domestic	0.1	0.1	+/-0.0	+/-0.0%	-	+/-0.0
Overseas	8.8	8.9	+0.1	-1.3%	-1.6	+1.7
M&A-related Amortization Cost	9.0	9.1	+0.1	-1.3%	-1.6	+1.7
Domestic	274.1	281.5	+7.4	-2.6%	-	+7.4
Overseas	248.7	203.4	-45.4	+22.3%	-48.6	+3.2
Total	522.8	484.9	-37.9	+7.8%	-48.6	+10.7

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**【Supplemental Data 5】**  
**Capital Expenditure Depreciation Expenses etc.**

SHISEIDO

(Billion yen)	14/3 Result	13/3 Result	YoY Amount Change	YoY % Change	15/3 Estimate	YoY Amount Change	YoY % Change
Investment in Plant and Equipment etc. *	29.6	28.3	+1.3	+5%	34.6	+5.0	+17%
Property Plant and Equipment	19.4	17.9	+1.5	+8%	21.5	+2.1	+11%
Intangible Assets etc.	10.3	10.4	-0.1	-1%	13.2	+2.9	+28%
Depreciation	33.6	32.0	+1.6	+5%	34.9	+1.3	+4%
Property Plant and Equipment	18.3	17.2	+1.1	+7%	18.5	+0.2	+1%
Intangible Assets etc.	15.3	14.9	+0.5	+3%	16.4	+1.1	+7%
R&D Expenses	13.5	13.7	-0.1	-1%	14.3	+0.8	+6%
Advertising Expenses	49.2	47.6	+1.6	+3%	47.5	-1.7	-4%

Note: Investment for capital expenditure property plant and equipment intangible fixed assets (excluding goodwill) and long-term prepaid expenses

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## **【Supplemental Data 6】**

### **Major Public Announcements**

SHISEIDO

- July 2013: Established Japan Retail Innovation Co. Ltd. as a new company to take charge of store maintenance
- July 2013: Established Shiseido India Private Limited as a wholly owned subsidiary in Mumbai
- Oct. 2013: Opened Shiseido Ginza Building
- Oct. 2013: Selected as a member of the UN Global Compact Stock Index
- Oct. 2013: Established a joint venture subsidiary in Dubai U.A.E.
- Nov. 2013: Receives the top award from the International Federation of Societies of Cosmetic Chemists (IFSCC) for the 18th time the most won by any manufacturer globally
- Nov. 2013: Recognized for Climate Change Transparency with CDP Leadership Position
- Feb. 2014: Signed deals to sell brands *Carita* and *Decleor*.
- Mar. 2014: Selected as The World's Most Ethical (WME) Company for the third consecutive year
- Apr. 2014: Commenced operations at the joint venture in Indonesia (July)

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