SHISEIDO

SHISEIDO Co., Ltd. FY2012

First Three Quarters Results and Outlook

2013-1-31

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.

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- I will be reviewing Shiseido's results for the first three quarters of fiscal year 2012 and explain our outlook for the full year.

First Three Quarters Results (Ended December 2012)

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(Billion yen)	Results	YoY % Change	Local Currency	YoY Amount
Net Sales	484.8	-1.2%	+0.5%	-5.9
Domestic	272.7	-2.6%	-2.6%	-7.4
Overseas	212.1	+0.7%	+4.7%	+1.5
Operating Income	9.2	-65.8%	-61.9%	-17.6
Ordinary Income	10.1	-62.6%	—	-16.9
Net Income	4.6	-21.0%	—	-1.2

- Overseas Sales Ratio 43.8% (+0.9 pp)
- Operating Margin 1.9% (-3.6 pp)
- Exchange Rate 1 US$ = ¥79.4 (-2%) 1 € = ¥101.8 (-10%) 1 RMB = ¥12.6 (+1%)

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- Let's begin with a summary of the statement of income.
- During the nine months ended in December 2012, consolidated net sales declined 1.2% over the same period last year, to 484.8 billion yen.
- Domestic sales for the nine months ended in December 2012 declined 2.6% year on year, to 272.7 billion yen, because both over-the-counter sales and shipment in the domestic cosmetics business were at the previous year's level in the third quarter.With regard to overseas, sales in China for the third quarter declined around 10% year on year, given the impact of the anti-Japanese demonstrations. Overseas sales for the nine months ended in December 2012 rose 4.7% in local currency terms and 0.7% in yen, to 212.1 billion yen.
- Operating income fell 65.8% compared to last year to 9.2 billion yen. The decline is attributed to a decrease in gross profit due to the decline in domestic sales and an increase in investments in sales counters and advertisements in Japan and overseas.With the decrease in operating income, ordinary income fell 62.6% year on year, to 10.1 billion yen and net income dropped 21.0%, to 4.6 billion yen.
- For results such as sales by business and sales by geographic segment, please refer to the attachments.

Outlook for FY2012

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(Billion yen)	Forecast	YoY % Change	Local Currency	Difference from Oct. 31 Forecast
Net Sales	680.0	-0.3%	+0%	-20.0
Domestic	376.0	-1.0%	-1%	-6.0
Overseas	304.0	+0.5%	+1%	-14.0
Operating Income	24.5	-37.4%	—	-15.5
Ordinary Income	25.5	-35.3%	—	-14.5
Extraordinary Income/Loss	-7.0	(-0.5)	—	-5.5
Net Income	10.5	-27.7%	—	-11.5

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

- Overseas Sales Ratio 44.7% (+0.4 pp)
- Operating Margin 3.6% (-2.1 pp)
- Exchange Rate 1 US$ = ¥79.8 (+0%) 1 € = ¥102.6 (-8%) 1 RMB = ¥12.7 (+3%)

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- Next, I will explain our outlook for the full year.
- We revised down our forecasts for full-year sales and income. Mainly, the impact of the decline of sales in Japan for the third quarter and the sales decline in overseas countries where the fourth quarter has already ended was factored into the latest forecast.
- We have adjusted our consolidated net sales forecast downward by 20 billion yen from our previous forecast, to 680.0 billion yen, which is 0.3% less than the previous year's result.
- Looking at domestic sales, we have revised down the forecast by 6.0 billion yen. This is because shipments in the cosmetics business in the third quarter were below plan, partly due to the increase in the returned goods. In addition, although we will expect high growth in the fourth quarter due to the increase in merchandise, decline of store inventory will be promoted.

Domestic Cosmetics Third Quarter Review

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The head office and sales subsidiary united to focus on bolstering over-the-counter sales

Strengthened counter activities and sales space enhancement	Introduced carefully-selected new products	Developed existing mainstay products

Line	*ELIXIR*, *clé de peau BEAUTÉ*, *AQUALABEL*, and *INTEGRATE* remained strong.
Channel	Sales grew primarily through department stores and drugstores.

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- We continued to focus solely on bolstering over-the-counter sales in the third quarter. We continued to strengthen counter activities and sales space enhancement, introduce carefully selected new products, and develop existing mainstay products.
- As a result of these efforts, *ELIXIR* and *clé de peau BEAUTÉ* in the Counseling category, and *AQUALABEL* and *INTEGRATE* in the Self-Selection category, remained firm.
- As for channels, store sales via department stores and drugstores continued to do well. As a result, over-the-counter sales for the third quarter were on a par with the level of the previous year. In December, in particular, store sales increased mainly in the Counseling category and exceeded the previous year's level by around 1%.

Domestic Cosmetics Initiatives from Fourth Quarter

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Strengthening foundation

MAQuillAGE True Powdery UV

Launching limited-sales items from *d program* and *INTEGRATE*

Innovation of *TSUBAKI*

Reinforcing brightening lines and lines for cosmetics specialty stores

Shiseido *HAKU Melanofocus CR*

BENEFIQUE THEOTY (point makeup series)

Proposing a new cosmetic habit

Fullmake Washable Base

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- In the fourth quarter, we will launch strong new products and limited-sales items with a focus on lines in the foundation category, which we must strengthen, including *MAQuillAGE, d program*, and *INTEGRATE*. In addition, we will also improve the ingredients of *HAKU,* a brightening essence.
- Further, we will undertake the greatest innovation of *TSUBAK*I since its launch in 2006, We will also start over-the-counter-sales of the *Fullmake Washable Base*, which suggests a new cosmetics habit. We launched this product via watashi+ in December 2012 and it is highly acclaimed by customers.
- Consequently, in the fourth quarter, we will strengthen our measures in all aspects, namely in terms of the sales space, counter activity, and products, so as to put the recovery in the third quarter on track. We will thus aim to achieve growth and further enhance our growth potential in fiscal 2013.

Global Fourth Quarter

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Overseas sales forecast revised down ¥14.0bn from figure announced in October

Sales declined more than expected in China. Sales were sluggish in Europe.

Forecast for China at the end of October

Sales in 1st half (Result)	● Rose by mid-10% year on year	Sales in 2nd half (Forecast)	● Would rise in the mid-single digits year on year
		Sales in full year (Forecast)	● Would increase around 10% year on year

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- Next, looking at overseas sales, we revised down our forecast by 14.0 billion yen from the figure we announced in October. Overseas sales in the fourth quarter declined significantly because the impact on sales stemming from the anti-Japanese demonstrations in China was greater than we had expected and we were subject to the impact of the economic slowdown, mainly in Europe.
- As of the end of October, we expected sales in China for the second half of the year to achieve mid-single digit growth year on year, and full year sales in the country were expected to grow around 10%.Until the first half of the current fiscal year, China had been the growth engine of our sales, with percentage growth in sales in the mid-teens. Although shipments declined in the third quarter due to the impact of the anti-Japanese demonstrations, we assumed that sales would begin to recover by December, which is the peak shopping season.

Global Fourth Quarter

SHISEIDO

Overseas sales forecast revised down ¥14.0bn from figure announced in October

Sales declined more than expected in China. Sales were sluggish in Europe.

Flash report of sales in China in Q4 (Oct. through Dec.)

	Result YoY Change	Factors in the difference
Sales in Q3	● Will fall around 10% year on year	—
Sales in Q4	● The forecast at the end of October is revised down more than ¥10.0bn. ● Will decline nearly 20% year on year	● Planned sales promotion was not carried out. ● Gift demand was weak. ● Shipments of the lineup of products for the Lunar New Year holiday were more sluggish than expected.
Sales in full year	● Will remain at the previous year's level	

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- Later, over-the-counter sales in China were recovering in the fourth quarter, primarily reflecting a recovery in sales of locally produced brands such as *AUPRES* and *PURE & MILD*. However, growth in shipments was sluggish, partly because we could not undertake the sales promotion we had planned.
  In addition, sales stemming from seasonal factors, including gift demand and the lineup of products for the Lunar New Year holiday (falls on a different month, i.e., February this year and January last year), which usually push up shipments in December considerably, declined more significantly than expected.
- These results are highly regrettable because, over more than 30 years, we at Shiseido have built trust with customers and business partners in China and have been striving to establish brands that would be loved by people in China. We faced some extremely severe results. Shipments for the fourth quarter declined by more than 10.0 billion yen compared with the figures announced at the end of October and by nearly 20% year on year, and the full year shipments remained at the level of the previous year.

Global China Initiatives in FY2013

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Secure high profits even with limited growth

- **We will strive to secure sales by concentrating our management resources primarily on *AUPRES* and *PURE & MILD* and on metropolitan areas with relatively minor impact and a certain degree of sales.**
- **We will streamline our business structure with a focus on cost structural reforms.**

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- I will describe the approach we will take in China in fiscal 2013.
- Over-the-counter sales are continuing to recover, but it is difficult to forecast the speed of the recovery. While we can assume multiple scenarios at present, we are developing plans, aiming primarily to secure high profits even with limited growth.
- Specifically, we will strive to secure sales by concentrating our management resources primarily on *AUPRES* and *PURE & MILD* and on metropolitan areas with a relatively minor impact and a certain degree of sales. We will also take this situation as an opportunity to streamline our business structure and will aggressively pursue cost structural reforms, including a reduction in fixed costs.
- We will aim to normalize our sales as soon as possible based on the trust we have built in China and the strength of our brands. At the same time, we will strive to recover strong profitability.

Outlook for FY2012

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- Turning to our outlook for the consolidated operating income, the decrease in earnings attributable to the fall in sales was extremely large. Accordingly, although we will continue our efforts to cut costs, we have revised our operating income forecast down to 24.5 billion yen, which is 15.5 billion yen less than the figure announced in October, and also revised down our ordinary income forecast to 25.5 billion yen.
- In addition to declines in operating income and ordinary income, we will post an extraordinary loss of 6 billion yen in fiscal 2012 due to the business structural reforms I will describe later. Consequently, we have revised our final net income forecast down to 10.5 billion yen, which is11.5 billion yen less than the figure announced in October.

Structural Reforms

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Environmental changes

- Prolonged economic stagnation in Japan
- Economic slowdown in Europe and China
- Severely damaged relationship between Japan and China
- Impact of the yen's appreciation

We aim for a significantly profitable structure that will allow us to achieve steady growth in profit even with sales growth matching market performance.

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- I will describe our structural reforms.
- Currently, we are undertaking a range of reforms, seeking to become a global player representing Asia with its origins in Japan.Under the current Three-Year Plan that began in fiscal 2011, we have been aiming for high growth through leading investments under the objective of getting into a growth trajectory.
- However, we faced major environmental changes that we could not forecast initially, such as the prolonged economic stagnation in Japan, economic slowdown in Europe and China, and a severely damaged relationship between Japan and China. In response, in the current fiscal year we shifted our stance to aim for a significantly profitable structure that will allow us to achieve steady growth of profit even with sales growth matching market performance.

Structural Reforms

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- We have not changed our goal of "becoming a global player representing Asia with its origins in Japan."
- We will increase both our social value, as expressed in society's confidence and longing, and our economic value, such as growth in sales and profit.

Structural reforms

Cost structural reforms	Business structural reforms

- Accelerate globalization
- Achieve innovation in technological and production capabilities and the evolution of business models
- Strengthen human resources

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- This shift of stance is aimed at developing the strength to allow us to respond quickly to future changes in the operating environment. It does not mean a change to our goal of "becoming a global player representing Asia with its origins in Japan" by achieving sustainable growth while competing globally and evolving our business models in response to market changes.
- Our aim through these continuous evolutions is to increase both our social values, such as society's confidence and longing, and our economic values, such as growth in sales and profit.
- The keys to achieving these aims will be accelerating globalization and achieving innovation in technological and production capabilities and evolution of business models, as well as strengthening the human resources needed to achieve the first two tasks. To achieve these three goals as soon as possible, we will first work to reform our cost structure and business structure.

Structural Reforms Cost Structural Reforms

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We have already started undertaking reforms, and we will be seeking to turn our efforts into early outcomes.

	Examined cost (FY2011)	Cost reduction target (from FY2011) (FY2013)	(FY2014)
(1) Raw Materials Team (2) Indirect Procurement Team (3) Logistics Team (4) IT Team (5) Ad Creation Team (6) Domestic Cosmetics Team (7) China Business Team	About ¥280 bn	Invest in growth Over ¥7bn	Invest in growth Over ¥20bn
		Improve profitability	Improve profitability

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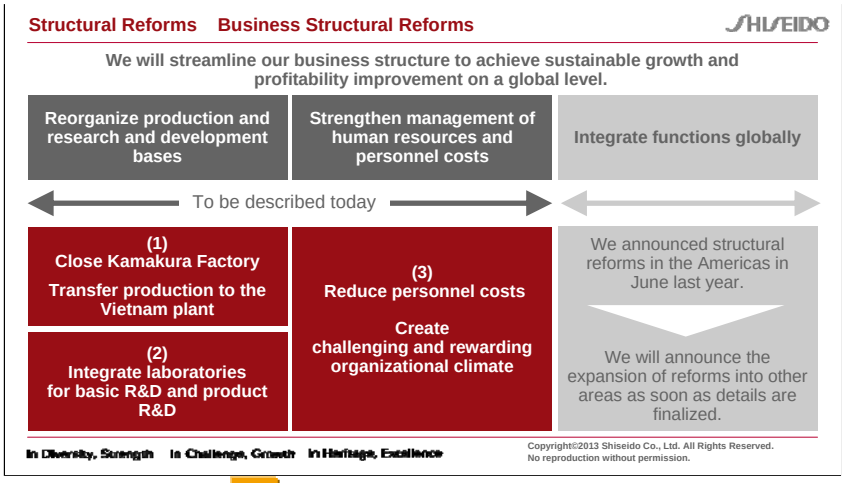
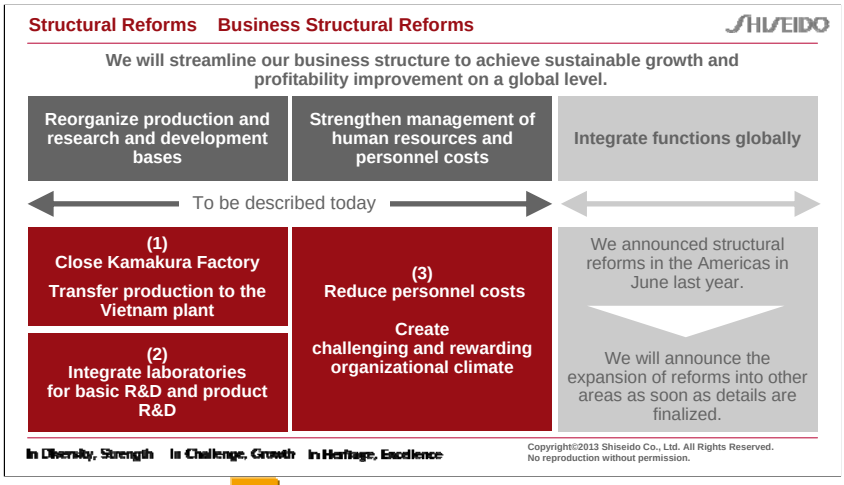
- First, let me describe our cost structural reforms. As I told you in October, we will reduce costs by seven billion yen in fiscal 2013 and by a cumulative total of more than 20 billion yen in fiscal 2014, as compared to fiscal 2011. And we will allocate the amount we saved to investments in growth and expenditures to improve profitability.
- We have already started undertaking these reforms. Currently, each one of the seven teams is finalizing measures and setting monetary targets.
- Some teams started to show some of the effects of the reforms in fiscal 2012. For example, the cost for outsourcing system operations of the IT Team and cost for procuring office equipment of the Indirect Procurement Team were reduced in the current fiscal year.
- Going forward, we will be seeking to turn these efforts into early outcomes wherever possible.



- Next, I would like to explain our business structural reforms. For these reforms we will execute three programs, aiming to streamline our business structure to achieve sustainable growth and profitability improvement on a global level.
  Today, I would like to explain two of the programs, that is, reorganizing production and research and development bases and strengthening management of human resources and personnel costs.
- Specifically, for reorganizing our production and R&D facilities for business structural reforms in Japan, where we see a declining birth rate, aging population, and market saturation, we will close Kamakura Factory and transfer production to our Vietnam plant as a measure for reviewing our domestic production system and responding to the growing importance of Asia for business. We will also integrate our laboratories for basic R&D and product R&D. This will be designed to improve our value-creation capability and the merchandise to create new markets.



- In addition, to strengthen management of human resources and personnel costs, we will undertake reduction of personnel costs, including reduction through reviews of existing systems. We will also create a challenging and rewarding organizational climate by recognizing good work, always correcting problems, and ensuring fair treatment based on roles and contributions.

Structural Reforms Business Structural Reforms (1): Reorganize Production Bases

SHISEIDO

Reform the supply chain on a global level

Our overseas sales ratio has been increasing, and sales are rising, mainly in Asia.

Minimize the impact of exchange rate	Reduce cost of goods sold	Improve value-creation capability

Close the Kamakura Factory at the end of March 2015
Increasing production at the Vietnam plant as part of initiatives to transfer production overseas

Reduction in manufacturing costs to enhance competitiveness	Business continuity plan and earthquake risk response	Environment in the area surrounding the factory

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- I will describe our measures for reorganizing production and R&D bases.
- Our overseas sales ratio has been increasing in recent years, and sales in overseas countries will continue to rise, mainly in Asia. In these circumstances, we will work to reform our supply chain on a global level to reduce costs and improve our value-creation capability, while also minimizing the impact of exchange rate.
- First, as a measure for our production bases, we will close our Kamakura Factory at the end of March 2015 and transfer its production to other factories in Japan and overseas. We will take this measure primarily for the following three reasons.
- The first reason is reducing production costs. While it is necessary to reorganize production bases globally with first priority given to enhancing competitiveness, the technological capabilities of our overseas plants have improved rapidly in recent years, having enabled high-quality production at low cost .

Structural Reforms Business Structural Reforms (1): Reorganize Production Bases

SHISEIDO

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- The second reason is the viewpoint of business continuity plan and risk response. Since the Great East Japan Earthquake in 2011, Shiseido has been studying the transfer of production from Japan to other countries.
- The third reason is the issues in the environment surrounding the Kamakura Factory. This factory has been operating for more than 50 years and requires a large investment to repair worn parts.
  In addition, it is now surrounded by apartment buildings and we have judged that it would be difficult to maintain and enhance the facilities in the current location for many more years to come. This is why we have decided to close the factory.
- As a result of this closure, the number of our production bases in Japan will be reduced from four to three, and we will subsequently increase production at the Vietnam plant. We also expect that the reorganization of the production bases will reduce costs by more than three billion yen per year in fiscal 2015 and onward.

Structural Reforms Business Structural Reforms (2): Reorganize R&D Bases

SHISEIDO

Reform the supply chain on a global level

Our overseas sales ratio has been increasing, and sales are rising, mainly in Asia.

Minimize the impact of exchange rate	Reduce cost of goods sold	Improve value-creation capability

Close the Research Center at Kanazawahakkei in the first half of FY2013 and integrating it into the Research Center at Shin-yokohama

Leverage basic technologies in the market quickly	Integrate basic R&D and product R&D	Improve value-creation capability

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- In contrast, as part of the reorganization of our R&D bases, we will close the Research Center at Kanazawahakkei in the first half of fiscal 2013 and integrate it into the Research Center at Shin-yokohama.
- In Japan, we have been conducting basic research at Kanazawahakkei and product development and research at Shin-yokohama. To more quickly leverage our basic technologies in the market to improve our value-creation capability, we will integrate and consolidate our basic R&D and product R&D at the Research Center at Shin-yokohama.
- This integration of the laboratories should reduce depreciation, administrative costs, and other costs, resulting in positive financial effect by hundreds of millions of yen per year.
- With the closure of Kamakura Factory and Research Center at Kanazawahakkei, we will post an extraordinary loss of six billion yen, including an impairment loss on fixed assets, in the fourth quarter of fiscal 2012.

Structural Reforms Business Structural Reforms (3): Strengthen Management of Human Resources and Personnel Costs

SHISEIDO

Steps taken to strengthen management of human resources and personnel costs	**In response to globalization** ● Introduce a behavioral model based on corporate philosophy on a global level ● Set job grades on a global level ● Create human resource development committees in the four regions of the world ● Introduce a talent management system, including overseas staff ● Standardize operations with the introduction of the SAP system

◆ The ratio of personnel costs in Japan has been rising every year, and significant sales growth is unlikely.
◆ Improving human productivity and reinforcing the business structure will be critical.

As the first specific measure for strengthening the management of human resources and personnel costs, we will seek to revise our early retirement incentive plan and abolish the paid leave prior to voluntary resignation in preparation for a career change.

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- I'd now like to describe measures for strengthening the management of human resources and personnel costs.
- At Shiseido, in response to globalization, we have introduced such measures as setting job grades on a global level, creating human resource development committees in the four regions of the world, and standardizing operations through the introduction of the SAP system, as part of our efforts to strengthen our human resource management.
- However, the ratio of personnel costs in Japan has been rising every year, yet significant growth is unlikely. Accordingly, improving human productivity and reinforcing the business structure will be critical.
- This time, as the first specific measure for strengthening the management of human resources and personnel costs, we will seek to revise our early retirement incentive plan and abolish the paid leave prior to voluntary resignation so that they can prepare for a career change.

Structural Reforms Business Structural Reforms (3):
Strengthening Management of Human Resources and Personnel Costs

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Revising our early retirement incentive plan and abolishing paid leave prior to voluntary resignation in preparation for a career change.

- We will partially abolish additional retirement benefits (preferential treatment) in our optional retirement system for employees aged 45 or older.
- We will abolish the paid leave prior to voluntary resignation in preparation for a career change, which is available for employees who intend to retire using the optional retirement system.
- As safeguards for the abolishment of the system*, we will pay early retirement bonuses to employees who opt for early retirement within 18 months.
  * The safeguards will be available for employees aged 40 and older.

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- At present, Shiseido has an optional retirement system for employees aged 45 or older as an early retirement plan. This system gives preferential treatment to employees who retire before reaching the mandatory age, by giving them additional retirement benefits. We will partially abolish this preferential treatment, and at the same time, abolish the paid leave prior to voluntary resignation so that they can prepare for a career change, which is available for employees who intend to retire by using the optional retirement system.This is expected to reduce personnel costs by hundreds of millions of yen per year from fiscal 2013 onward, because the additional retirement benefits will no longer have to be paid.
- As safeguards for the abolishment, the Company will pay early retirement bonuses to employees who opt for early retirement within a period of 18 months.The safeguards will also be available for employees aged between 40 and older.

Structural Reforms Business Structural Reforms (3):
Strengthen Management of Human Resources and Personnel Costs

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Ensure appropriate personnel evaluations based on the roles and achievements of individual employees

Appoint the right people for the right jobs globally

Create challenging and rewarding organizational climate

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- In addition to reducing personnel costs, mainly by reviewing retirement incentive plans, we will further strengthen the management of human resources and personnel costs by ensuring appropriate personnel evaluations based on the roles and achievements of individual employees and appointing the right people for the right jobs globally.
- We believe that these initiatives will give individual employees the opportunity to seriously reconsider their careers. To achieve sustainable growth in the tough market environment, we would like to create a challenging and organizational climate, where employees who can work aggressively to tackle difficult situations can be effective and achieve great things.
- The number of our employees in Japan is expected to be reduced by around 1,000 by fiscal 2015 through attrition and hiring cutbacks. The number is also set to fall by an additional several hundred as a result of the business structural reforms.

Policy for the Future

SHISEIDO

In FY2013,
we will improve our performance, aiming for a significantly profitable structure that will allow us to achieve steady growth in profit even with sales growth matching market performance. We will also continue to develop the infrastructure for sustainable growth.

We will pay a 25 yen term-end dividend.
The annual dividend will remain 50 yen.

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- Finally, we are presently putting the finishing touches on our plan for fiscal 2013. While we have a relatively severe outlook for sales in both Japan and overseas, we will aim for a significantly profitable structure that will allow us to "achieve steady growth in profit even with sales growth matching market performance" by executing conventional cost reduction measures, cost structural reforms, and business structural reforms ahead of schedule.
- In fiscal 2012, a decline in both sales and profit is inevitable because of the negative impact of China and an extraordinary loss associated with the structural reforms. In fiscal 2013, however, our performance is set to improve, and we will generate earnings to invest in areas and businesses that will be the pillars of future our growth, thereby promoting the development of infrastructure for sustainable growth. Accordingly, we will pay a 25 yen term-end dividend and the annual dividend will remain 50 yen.

SHISEIDO

This moment. This life. Beautifully.

- The outlook for fiscal 2012 is extremely severe. However, we will use this as an opportunity to accelerate our growth strategies and structural reforms. At the same time, the entire management team will fight to be valued and trusted by all stakeholders.

Sales by Reportable Segment

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(Billion yen)	12/12 Result	% of Net Sales	11/12 Result	% of Net Sales	YoY % Change	Local Currency
Domestic Cosmetics	252.1	52.0%	260.3	53.1%	-3.2%	-3.2%
Global Business	225.6	46.5%	223.9	45.6%	+0.8%	+4.5%
Others	7.1	1.5%	6.5	1.3%	+9.9%	+9.9%
Total	484.8	100.0%	490.7	100.0%	-1.2%	+0.5%

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Domestic Cosmetics Sales: by Reportable Segment

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(Billion yen)	12/12 Result	% of Net Sales	11/12 Result	% of Net Sales	YoY Amount	YoY % Change
Counseling	129.8	26.8%	133.6	27.2%	-3.8	-2.9%
Self-selection	56.9	11.7%	57.0	11.6%	-0.0	-0.0%
Toiletries	28.6	5.9%	33.2	6.8%	-4.6	-13.9%
Cosmetics	215.3	44.4%	223.7	45.6%	-8.5	-3.8%
Healthcare	11.2	2.3%	11.0	2.3%	+0.2	+1.7%
Others	25.6	5.3%	25.6	5.2%	+0.0	+0.0%
Domestic Cosmetics	252.1	52.0%	260.3	53.1%	-8.3	-3.2%

- The domestic over-the-counter market recovered slightly as in the first half (growth rate estimated at 0% to 1% year on year).
- Over-the-counter sales (counseling + self-selection) at Shiseido grew 0% to 1% year on year.
- Market inventory declined sharply year on year.

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Global Business Sales: by Reportable Segment

SHISEIDO

(Billion yen)	12/12 Result		11/12 Result		YoY Amount	YoY % Change	Local Currency
		% of Net Sales		% of Net Sales			
Cosmetics	195.5	40.3%	193.2	39.4%	+2.3	+1.2%	+5.1%
Professional	30.1	6.2%	30.7	6.2%	-0.6	-1.9%	+0.9%
Global Business	225.6	46.5%	223.9	45.6%	+1.7	+0.8%	+4.5%

- The cosmetics markets in the Americas were relatively solid, while the markets in Europe were weak due to uncertainty over the economies.
- Growth in the Chinese market slowed. The risk of adverse effects of the Senkaku Islands dispute on sales at Japanese companies emerged.
- Sales grew moderately in other markets in Asia overall, at different levels in different countries and territories.

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Sales by Geographic Segment

SHISEIDO

(Billion yen)	12/12 Result		11/12 Result		YoY Amount	YoY % Change	Local Currency
		% of Net Sales		% of Net Sales			
Japan	272.7	56.2%	280.1	57.1%	-7.4	-2.6%	-2.6%
Americas	67.0	13.8%	66.4	13.5%	+0.7	+1.0%	+3.5%
Europe	54.7	11.3%	59.2	12.1%	-4.5	-7.5%	+1.9%
Asia/ Oceania	90.4	18.7%	85.1	17.3%	+5.3	+6.2%	+7.6%
Overseas	212.1	43.8%	210.6	42.9%	+1.5	+0.7%	+4.7%
Total	484.8	100.0%	490.7	100.0%	-5.9	-1.2%	+0.5%

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Cost of Sales / SG&A

SHISEIDO

(Billion yen)	12/12 Result			11/12 Result		YoY Increase/ Decrease (+: cost cut)	YoY % Change
		% of Net Sales	% pt. Change (+: decrease)		% of Net Sales		
Cost of Sales	116.9	24.1%	-0.3%	116.8	23.8%	-0.1	+0.1%
SG&A	358.7	74.0%	-3.3%	347.1	70.7%	-11.6	+3.3%
(Domestics)	209.3	77.2%	-2.7%	207.4	74.5%	-1.9	+0.9%
(Overseas)	149.4	69.9%	-4.1%	139.7	65.8%	-9.7	+6.9%
Advertising & Selling	115.0	23.7%	-1.2%	110.3	22.5%	-4.6	+4.2%
Personnel	126.8	26.2%	-1.4%	121.9	24.8%	-5.0	+4.1%
Others	110.2	22.7%	-0.7%	108.0	22.0%	-2.1	+2.0%
M&A-related Amortization Cost	6.8	1.4%	+0.0%	6.9	1.4%	+0.1	-1.9%

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Operating Income by Reportable Segment

SHISEIDO

	(Billion yen)	12/12 Result	11/12 Result	YoY Amount	YoY % Change
Domestic Cosmetics	Operating Income	17.5	24.4	-6.9	-28.4%
	OP Margin	6.9%	9.3%		-2.4 pp
Global Business	Operating Income	-9.6	1.3	-10.9	—
	OP Margin	-4.2%	0.6%		-4.8 pp
Others	Operating Income	1.4	1.0	+0.4	+34.8%
	OP Margin	12.7%	10.1%		+2.6 pp
Elimination	Operating Income	-0.1	0.0	-0.1	—
Total	Operating Income	9.2	26.7	-17.6	-65.8%
	OP Margin	1.9%	5.5%		-3.6 pp

* Operating income in each reportable segment includes expenses for home office functions.

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Consolidated Balance Sheets

SHISEIDO

(Billion yen)	12/12	Change from 2012/3	Excluding Foreign Currency Exchange	Foreign Currency Exchange
Total Current Assets	280.2	-35.1	-35.4	+0.3
Cash Deposits and Securities	61.7	-32.2	-32.3	+0.2
Notes & Accounts Receivable	94.6	-18.3	-18.4	+0.1
Inventories	86.1	+14.2	+14.1	+0.1
Total Fixed Assets	396.7	-8.7	-8.7	-0.0
Property Plant and Equipment	128.6	-1.2	-1.3	+0.1
Intangible Assets	166.3	-7.3	-7.1	-0.2
Investments and Other Assets	101.8	-0.2	-0.3	+0.1
Total Assets	676.9	-43.8	-44.1	+0.3

(Billion yen)	12/12	Change from 2012/3	Excluding Foreign Currency Exchange	Foreign Currency Exchange
Total Liabilities	386.9	-30.1	-30.1	+0.0
Notes & Accounts Payable	44.4	-3.9	-3.9	-0.0
Other Payables	31.5	-12.8	-12.8	+0.0
Accrued Bonuses for Employees	6.4	-8.6	-8.6	+0.0
Interest-Bearing Debt	185.6	+0.5	+0.5	+0.0
Total Net Assets	290.0	-13.7	-14.0	+0.3
Shareholders' Equity	341.3	-15.2	—	—
Other Comprehensive Income	-65.6	+0.5	—	—
Minority Interests	13.5	+1.0	—	—
Total Liabilities and Net Assets	676.9	-43.8	-44.1	+0.3

1 US$ = ¥77.6 1 € = ¥100.2 1 RMB = ¥12.3 (2012/12)
1 US$ = ¥77.7 1 € = ¥100.7 1 RMB = ¥12.3 (2012/3)

NOTE: Major account title only
Equity Ratio: 40.7%

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