SHISEIDO Co., Ltd.

Results
for Year Ended March 2013
Outlook
for Year Ending March 2014

2013-4-26

SHISEIDO Co., Ltd.
Representative Director,
Chairman, President & CEO

Shinzo Maeda

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.

Today's Topics

1 Results for Fiscal Year 2012

2 Outlook for Fiscal Year 2013

FY2012 Results

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(Billion yen)	Results	YoY % Change	Local Currency	YoY Amount	Change from the value announced in January
Net Sales	677.7	-0.7%	+0.1%	-4.7	-2.3
Domestic	373.3	-1.8%	-1.8%	-6.7	-2.7
Overseas	304.5	+0.7%	+2.4%	+2.1	+0.5
Operating Income	26.0	-33.4%	-32.1%	-13.1	+1.5
Ordinary Income	28.4	-28.0%	–	-11.0	+2.9
Extraordinary Income/Loss	-34.8	(-0.5)	–	-34.4	-27.8
Net Income/Loss	-14.7	(14.5)	–	-29.2	-25.2

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

- Overseas Sales Ratio **44.9% (+0.6%)**
- Operating Margin **3.8% (-1.9%)**
- Exchange Rate **1 US$ = ¥79.8 (-0%), 1 Euro = ¥102.6 (-8%), 1 RMB = ¥12.7 (+3%)**

FY2012 Results: Bare Escentuals

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Results

- Achieved growth and profitability, but expanding the retail business has taken longer than initially expected
- Expansion into China was frozen
- These factors contributed to lower than expected results.

- **The long-term plan was reviewed in April 2013.**
- **An impairment test was conducted, and an impairment loss was posted in FY2012.**

Due to the net loss,
the directors of Shiseido will not receive any bonuses, and corporate officers' bonuses will be reduced, for FY2012.

Today's Topics

1	Results for Fiscal Year 2012
2	**Outlook for Fiscal Year 2013**

Medium-Term Management Policy

A global player representing Asia with its origins in Japan

Improving profitability

- **Overcoming business challenges that are blocking growth**
- **Reform of cost structure**
- **Reform of business structure**
- **Comprehensive cost cutting**

Reallocation of investments

Growth strategies

Distinction and Concentration

To make strong fields stronger
To make big fields bigger
To make profitable fields more profitable

Enhancing our strengths
Boosting our absolute value

Enhancing organizational capabilities

- **Improving profitability**
- **Strengthening our marketing capabilities**

Thorough Distinction and Concentration

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To make strong fields stronger

To make big fields bigger

To make more profits in profitable fields

Prevailing in Three Markets

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(1)	**Japan,** where over-the-counter sales are gradually recovering
(2)	**China,** where we have overcome the most difficult situation
(3)	**Bare Escentuals in the US,** where we review our long-term plan and will make more investments to achieve growth again

Japan: Prestige Segment

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Department stores	Cosmetics specialty stores







Global brand SHISEIDO *clé de peau Beauté* *BENEFIQUE*

Announcing a new cosmetic specialty store concept

- Putting together a comprehensive plan, including a new vision for cosmetic specialty stores, a store enhancement plan, and a support system from FY2014

Japan: Low- to Medium-Priced Segment

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Organized retailers (drug stores, general merchandise stores)







ELIXIR *MAQuillAGE* *Fullmake Washable Base*

Establishing a new company specializing in supporting retailers

We will dramatically improve our proposals for product variety and shelf-space allocation, and will develop an overwhelming ability to present products at stores.

Japan: Initiatives for the Senior Market



- Launching new products in key lines in the prestige market
- Developing new mainstay lines for the senior market
- Beauty consultants providing counseling service in a spirit of Omotenashi (hospitality)

Japan: Advancing a New Business Model

Total number of members in FY2012: 6.87 million

- Beauty & Co. and watashi+ have each brought in over 1 million new members.

Memberships of Hanatsubaki Club, watashi+, and Beauty & Co.

花椿 CLUB	Beauty&Co.	watashi
4.65 million	1.14 million	1.07 million

Expanding the total number of members at bricks-and-mortar stores and websites to 10 million

- Cooperation with organized retailers
- Using accumulated data for innovation in all fields, including product development, marketing, and R&D

Japan: Developing the Foundations for a Sales Recovery

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Our strength	When the head office, the sales subsidiary, and the storefront focus on one thing together, we will always have a competitive edge.

The head office and the sales subsidiary will be united to determine simple initiatives and to prepare an environment where we can focus on these initiatives and execute them.

- Refine our focus on lines and channels.
- Develop a simple and clear action plan specifying initiatives to take.

Expanding opportunities to meet new customers and strengthening ties with them

China

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- Our performance in the Chinese market is recovering gradually in 2013 from the challenging situation last year.
- The Chinese market is a challenging one. However, as the number of users of cosmetics is expected to expand to 330 million, it is attractive.

Narrow down the brands in which we will strengthen investment.

Narrow down the areas on which we will focus.

Review the steps to take each fiscal year.

China: Targeted Brands

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Brands in which we will strengthen investment in FY2013



AUPRES



URARA

From FY2015 we will focus on other brands one after another, including global brand *SHISEIDO* and *Za*, one brand each year.

China: Area Strategy

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Areas on which we will focus in FY2013

Main provinces that are the cores of the northern and southern parts of the coastal areas

By FY2016, when the next three-year plan will end

Expand the focus areas to six provinces that account for 30% of total sales in China.

Promote sales of *AUPRES* and *URARA* in 217 cities with populations of over 1 million.

China: Increasing Profitability

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Investment resources generated through reform of the cost structure
Allocating them in a balanced manner to intensive investments in key brands and areas for growth and to initiatives to achieve an improvement in profitability

Achieving growth
Achieving a double-digit operating margin again in FY2013
Expanding the operating margin and earnings

Developing Operations in Priority Markets Following China

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Subsidiaries already established		Sales through a local distributor	A representative office set up
			
Russia	**Brazil**	**Indonesia**	**India**

Developing operations promptly, allocating resources in order of priority

Bare Escentuals: Initiatives in FY2013

- Shifting our focus from investment in TV commercials to consumer-facing promotions, ex. sampling
- Focusing on developing products with originality and communicating with customers





North America DTC Business	North America Retail Business	Overseas Business
Strengthen DTC through QVC and informercials	Prioritize strengthening existing stores	Focus on UK and Japan markets

We expect a decline in sales and profit for FY2013, however from FY2014 we aim to reinvorgate the Bare Escentuals.

Medium-Term Management Policy

A global player representing Asia with its origins in Japan

Improving profitability

- **Overcoming business challenges that are blocking growth**
- **Reform of cost structure**
- **Reform of business structure**
- **Comprehensive cost cutting**

Reallocation of investments

Growth strategies

Distinction and Concentration

To make strong fields stronger
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Enhancing organizational capabilities

- **Improving profitability**
- **Increasing our marketing capabilities**

Structural Reform

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Reform of cost structure

Comparison with targeted costs in FY2011

FY2013	**A reduction of ¥7bn (previous announcement)** → **The reduction increasing to ¥11.5bn**
FY2014	**An accumulated cost reduction of ¥20bn or more**

Reform of business structure

Global integration of functions

FY2012	**The Americas**
From now	**Information systems and distribution infrastructure to be integrated in Europe**

- Integration of functions in the operating base to be completed in each area
- Global integration of functions to be completed and a system for Group-wide flexible strategic investment to be established

Structural Reform: Initiatives in FY2013

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Improving level of market inventory

Seeking an essential solution, that is, building a system that will prevent excessive stock

Improving underperforming businesses

Implementing revitalization plans and at the same time considering selling off and withdrawal to focus on our strengths

Overcoming business challenges that are blocking growth before executing the next three-year plan for growth, which will start in FY2014

FY2013 Outlook

(Billion yen)	Results	YoY % Change	Local Currency	YoY Amount
Net Sales	710.0	+4.8%	+0.6%	+32.3
Domestic	376.0	+0.7%	+0.7%	+2.7
Overseas	334.0	+9.7%	+0.4%	+29.5
Operating Income	38.0	+45.9%	–	+12.0
Ordinary Income	38.0	+33.8%	–	+9.6
Extraordinary Income/Loss	-1.0	(-34.8)	–	+33.8
Net Income	20.0	(-14.7)	–	+34.7

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

- Overseas Sales Ratio **47.0% (+2.1%)**
- Operating Margin **5.4% (+1.6%)**
- Exchange Rate **1 US$ = ¥85 (+6%), 1 Euro = ¥115 (+12%), 1 RMB = ¥14.0 (+10%)**

Shareholder Return

Dividend per share	FY2012	FY2013
Interim	**Actual: 25 yen**	**Decline to 10 yen**
Year-end	**25 yen as planned**	**Decline to 10 yen**
Annual	**50 yen**	**Planned to be 20 yen**

Change in Shareholder Return

Dividend policy	A consolidated payout ratio of 40% and stable dividends in the medium term

- From FY2010 to FY2012, we emphasized stability and paid dividends that exceeded net income for three consecutive years.
- Funds to repay borrowings and retained earnings declined.

We decided to reduce dividends, giving priority to meeting capital needs for growth and reinforcing the operating foundations.

- We decided on 20 yen, based on a 40% payout ratio.
- In FY2013, we will secure 20 yen, our forecast, even if earnings change.
- We aim to return to growth and increase earnings after FY2013 as quickly as possible to enable us to pay higher dividends.
- We plan to cut executive compensation.

This moment. This life. Beautifully.

Sales by Reportable Segment

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(Billion yen)	13/3 Result	% of Net Sales	12/3 Result	% of Net Sales	YoY % Change	Local Currency
Domestic Cosmetics	345.9	51.0%	353.8	51.8%	-2.2%	-2.2%
Global Business	322.3	47.6%	319.7	46.9%	+0.8%	+2.5%
Others	9.5	1.4%	8.9	1.3%	+6.5%	+6.5%
Total	677.7	100%	682.4	100%	-0.7%	+0.1%

Domestic Cosmetics Sales by Reportable Segment

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(Billion yen)	13/3 Result	% of Net Sales	12/3 Result	% of Net Sales	YoY Amount	YoY % Change
Counseling	176.2	26.0%	181.4	26.6%	-5.2	-2.9%
Self-selection	80.7	11.9%	77.9	11.4%	+2.8	+3.6%
Toiletries	39.2	5.8%	45.1	6.6%	-6.0	-13.3%
Cosmetics	296.1	43.7%	304.5	44.6%	-8.4	-2.8%
Healthcare	14.9	2.2%	14.9	2.2%	-0.1	-0.5%
Others	34.9	5.1%	34.4	5.0%	+0.5	+1.6%
Domestic Cosmetics	345.9	51.0%	353.8	51.8%	-7.9	-2.2%

Global Business Sales by Reportable Segment

(Billion yen)	13/3 Result	% of Net Sales	12/3 Result	% of Net Sales	YoY Amount	YoY % Change	Local Currency
Cosmetics	280.3	41.4%	278.2	40.8%	+2.1	+0.8%	+2.4%
Professional	42.1	6.2%	41.5	6.1%	+0.6	+1.4%	+2.9%
Global Business	322.3	47.6%	319.7	46.9%	+2.7	+0.8%	+2.5%

Sales by Geographic Segment

(Billion yen)	13/3 Result	% of Net Sales	12/3 Result	% of Net Sales	YoY Amount	YoY % Change	Local Currency
Japan	373.3	55.1%	380.0	55.7%	-6.7	-1.8%	-1.8%
Americas	93.0	13.7%	90.5	13.3%	+2.5	+2.8%	+3.4%
Europe	79.1	11.7%	82.2	12.0%	-3.1	-3.8%	+3.2%
Asia/Oceania	132.4	19.5%	129.7	19.0%	+2.7	+2.0%	+1.3%
(China)	90.7	13.4%	89.1	13.1%	+1.6	+1.8%	-0.2%
Overseas	304.5	44.9%	302.4	44.3%	+2.1	+0.7%	+2.4%
Total	677.7	100%	682.4	100%	-4.7	-0.7%	+0.1%

Cost of Sales/ SG&A

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(Billion yen)	13/3 Result	% of Net Sales	% pt. Change +:decrease	12/3 Result	% of Net Sales	YoY Increase /Decrease +:cost cut	YoY % Change
Cost of Sales	166.8	24.6%	-0.7%	163.0	23.9%	-3.8	+2.3%
SG&A	484.9	71.6%	-1.2%	480.3	70.4%	-4.6	+1.0%
(Domestic)	281.5	75.9%	-0.4%	285.3	75.5%	+3.7	-1.3%
(Overseas)	203.4	66.3%	-2.3%	195.0	64.0%	-8.4	+4.3%
Advertising & Selling	159.0	23.5%	+0.0%	160.3	23.5%	+1.3	-0.8%
Personnel	167.7	24.7%	-0.8%	163.3	23.9%	-4.4	+2.7%
Others	149.1	22.0%	-0.4%	147.6	21.6%	-1.6	+1.1%
M&A-related Amortization Cost	9.1	1.4%	-0.0%	9.1	1.4%	+0	-0.3%

Operating Income by Reportable Segment

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(Billion yen)		13/3 Result	12/3 Result	YoY Amount	YoY % Change
Domestic Cosmetics	Operating Income	27.5	29.5	-2.0	-6.6%
	OP Margin	7.9%	8.3%	-0.4 ppt	
Global Business	Operating Income before Amortization	5.7	17.2	-11.5	-67.1%
	Operating Income	-3.3	8.2	-11.5	—
	OP Margin	-1.0%	2.6%	-3.6 ppt	
Others	Operating Income	2.0	1.4	+0.6	+42.3%
	OP Margin	13.4%	9.9%	+3.5 ppt	
Elimination	Operating Income	-0.1	0.1	-0.2	—
Total	Operating Income before Amortization	35.1	48.2	-13.1	-27.2%
	Operating Income	26.0	39.1	-13.1	-33.4%
	OP Margin	3.8%	5.7%	-1.9 ppt	

Consolidated Balance Sheets

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(Billion yen)	13/3	Change from 2012/3	Excluding Foreign Currency Exchange	Foreign Currency Exchange
Total Current Assets	332.7	+17.5	-3.1	+20.5
Cash Deposits and Securities	91.3	-2.6	-8.4	+5.8
Notes & Accounts Receivable	118.2	+5.4	-1.7	+7.1
Inventories	84.6	+12.7	+6.5	+6.2
Total Fixed Assets	382.7	-22.8	-43.3	+20.5
Property Plant and Equipment	127.8	-2.0	-7.0	+5.0
Intangible Assets	150.7	-23.0	-37.1	+14.1
Investments and Other Assets	104.2	+2.2	+0.8	+1.3
Total Assets	715.4	-5.3	-46.4	+41.0

US1$= ¥86.6 1€= ¥114.7 1RMB=¥13.9 (2012/12)
US1$= ¥77.7 1€=¥100.7 1RMB=¥12.3 (2011/12)

(Billion yen)	13/3	Change from 2012/3	Excluding Foreign Currency Exchange	Foreign Currency Exchange
Total Liabilities	411.6	-5.3	-17.2	+11.8
Notes & Accounts Payable	43.5	-4.8	-6.8	+2.0
Other Payables	39.6	-4.6	-5.3	+0.7
Interest-bearing Debt	184.7	-0.5	-1.6	+1.2
Total Net Assets	303.7	+0.0	-29.2	+29.2
Shareholders' Equity	322.6	-34.0	—	—
Other Comprehensive Income	-35.0	+31.1	—	—
Minority Interests	15.3	+2.8	—	—
Total Liabilities and Net Assets	715.4	-5.3	-46.4	+41.0

*NOTE : Major account title only
Equity Ratio: 40.2%, Interest-bearing Debt Ratio: 37.8%

Consolidated Cash Flows

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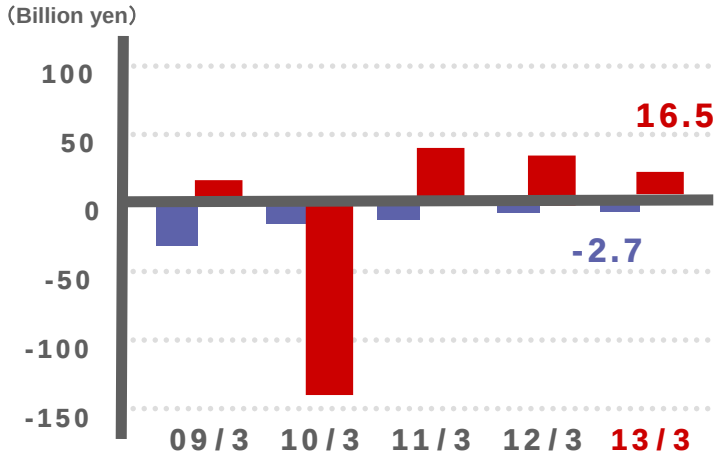
(Billion yen)



Cash Flows from Operating Activities	42.0
Cash Flows from Investing Activities	-25.5
Free Cash Flows	16.5
Cash Flows from Financing Activities	-24.7
Effect of Exchange Rate Changes on Cash and Cash Equivalents	5.5
Consolidated Cash Flows	-2.7

Supplemental Data

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(Billion yen)	13/3 Result	12/3 Result	YoY Amount Change	YoY % Change	14/3 Estimate	YoY Amount Change	YoY % Change
Investment in Plant and Equipment etc. *	28.3	34.3	-6.0	-18%	33.3	+5.0	+18%
Property Plant and Equipment	17.9	21.6	-3.7	-17%	22.9	+5.0	+28%
Intangible Assets etc.	10.4	12.7	-2.3	-18%	10.4	+0.0	+0%
Depreciation	32.0	30.6	+1.4	+4%	32.9	+0.8	+3%
Property Plant and Equipment	17.2	17.5	-0.3	-1%	18.6	+1.4	+8%
Intangible Assets etc.	14.9	13.3	+1.6	+12%	14.2	-0.6	-4%
R&D Expenses	13.7	14.7	-1.0	-7%	14.2	+0.5	+4%
Advertising Expenses	47.6	49.3	-1.7	-3%	39.9	-7.7	-16%

Supplemental Data
SG&A -Breakdown by Domestic/Overseas

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(Billion yen)	13/3	12/3	YoY Increase /Decrease +:cost cut	YoY % Change
Domestic	85.3	87.5	+2.2	-2.5%
Overseas	73.7	72.8	-1.0	+1.3%
Advertising & Selling	159.0	160.3	+1.3	-0.8%
Domestic	109.5	108.7	-0.8	+0.7%
Overseas	58.2	54.6	-3.6	+6.6%
Personnel	167.7	163.3	-4.4	+2.7%
Domestic	86.6	88.9	+2.3	-2.6%
Overseas	62.6	58.7	-3.9	+6.6%
Others	149.1	147.6	-1.6	+1.1%
Domestic	0.1	0.1	+0.0	-0.0%
Overseas	8.9	9.0	+0.0	-0.3%
M&A-related Amortization Cost	9.1	9.1	+0.0	-0.3%
Domestic	281.5	285.3	+3.7	-1.3%
Overseas	203.4	195.0	-8.4	+4.3%
Total	484.9	480.3	-4.6	+1.0%

Supplemental Data
Market Growth Rate（%, Shiseido Estimates）

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		Outlook for 14/3	13/3
Domestic	Japan	Low single-digit growth	Flat
Overseas	Americas	Mid single-digit growth	Mid single-digit Growth
	Europe	Slight decease	Slight decease
	Asia/ Oceania	Mid single-digit growth	Mid single-digit growth