The figures for these Financial Statements are prepared in accordance with the accounting principles based on Japanese law. Accordingly, they do not necessarily match the figures in the Annual Report issued by the Company, which present the same statements in a form that is more familiar to foreign readers through certain reclassifications or summarization of accounts.

Consolidated Settlement of Accounts for the Fiscal Year Ended March 31, 2013

[Japanese Standards]

Shiseido Company, Limited

Listing: Tokyo Stock Exchange, First Section (Code Number: 4911)
URL: http://group. shiseido.com/
Representative: Shinzo Maeda, Representative Director, Chairman, President, and CEO
Contact: Hirofumi Takakura, Head of Investor Relations Department
Tel. +81-3-3572-5111

Annual Meeting of Shareholders: June 25, 2013 (plan)
Filing of Financial Report: June 25, 2013 (plan)
Start of cash dividend payments: June 26, 2013 (plan)
Supplementary materials prepared: Yes (Supplementary information will be uploaded to the corporate website on Friday, April 26, 2013.)
Financial results information meeting held: Yes (for institutional investors, analysts, etc.)

1. Performance in the Fiscal Year Ended March 31, 2013 (April 1, 2012–March 31, 2013)

* Amounts under one million yen have been rounded down.

(1) Consolidated Operating Results

(Millions of yen; percentage figures denote year-on-year change)

	Net Sales	Operating Income	Ordinary Income	Net Income
Fiscal Year Ended Mar. 2013	677,727 [–0.7%]	26,045 [–33.4%]	28,406 [–28.0%]	–14,685 [—%]
Fiscal Year Ended Mar. 2012	682,385 [+1.7%]	39,135 [–12.0%]	39,442 [–11.3%]	14,515 [+13.5%]

Note: Comprehensive income:
Fiscal year ended Mar. 2013: ¥20,472 million (+275.2%)
Fiscal year ended Mar. 2012: ¥5,456 million (—%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
Fiscal Year Ended Mar. 2013	–36.90	—	–5.1%	4.0%	3.8%
Fiscal Year Ended Mar. 2012	36.47	36.44	4.9%	5.4%	5.7%

Reference: Equity in earnings of affiliates:
Fiscal year ended Mar. 2013: ¥46 million
Fiscal year ended Mar. 2012: –¥122 million

(2) Consolidated Financial Position

(Millions of yen, except for per share figures)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal Year Ended Mar. 2013	715,377	303,734	40.2%	722.42
Fiscal Year Ended Mar. 2012	720,707	303,715	40.3%	729.89

Reference: Equity at year-end
Fiscal year ended Mar. 2013: ¥287,553 million
Fiscal year ended Mar. 2012: ¥290,494 million

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
Fiscal Year Ended Mar. 2013	42,040	(25,534)	(24,745)	80,253
Fiscal Year Ended Mar. 2012	52,599	(20,668)	(35,482)	82,974

2. Cash Dividends

	Cash Dividends per Share (Yen)					Total Dividends Paid (Full Year) (Millions of Yen)	Payout Ratio (Consolidated)	Dividends Paid/ Net Assets (Consolidated)
(Cut-off Date)	1Q	2Q	3Q	Year-End	Full Year			
Fiscal Year Ended Mar. 2012	—	25.00	—	25.00	50.00	19,899	137.1%	6.7%
Fiscal Year Ended Mar. 2013	—	25.00	—	25.00	50.00	19,900	—	6.9%
Fiscal Year Ending Mar. 2014 (plan)	—	10.00	—	10.00	20.00		39.8%	

Note: Figures for the fiscal year ended March 2013 for cash dividends per share (year-end), cash dividends per share (full year), total dividends paid, and dividends paid/net assets are based on figures projected as of April 26, 2013, the day of this report's release.

3. Projections for the Fiscal Year Ending March 2014 (April 1, 2013–March 31, 2014)

(Millions of yen, except per share figures; percentage figures denote year-on-year change)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
First Half Ending Sept. 2013	343,000 [+2.8%]	12,000 [+43.8%]	12,000 [+43.7%]	6,000 [+19.5%]	15.07
Fiscal Year Ending Mar. 2014	710,000 [+4.8%]	38,000 [+45.9%]	38,000 [+33.8%]	20,000 [—%]	50.25

Notes

(1) Significant changes in subsidiaries during period (changes in specific subsidiaries due to change in scope of consolidation): Yes

Note: For details about major changes in subsidiaries during the period, please refer to “Scope of Consolidation” under “(6) Basis of Presenting Consolidated Financial Statements” on page 23.

(2) Changes in accounting policies; changes in accounting estimates; restatements

1) Changes in accounting policies due to amendment of accounting standards: Yes
2) Other changes in accounting policies: None
3) Changes in accounting estimates: Yes
4) Restatements: None

Note: Subject to Article 14-7 of “Regulations Concerning Terminology, Format, and Preparation Methods for Consolidated Financial Statements.” For more details, please refer to “4. (7) Changes in Accounting Policies; Changes in Accounting Estimates; Restatements” on page 23.

(3) Shares outstanding (common stock) at year-end

1. Number of shares outstanding (including treasury stock)
   Fiscal year ended Mar. 2013: 400,000,000
   Fiscal year ended Mar. 2012: 400,000,000
2. Number of treasury shares outstanding
   Fiscal year ended Mar. 2013: 1,960,234
   Fiscal year ended Mar. 2012: 2,002,324
3. Average number of shares over period
   Fiscal year ended Mar. 2013: 398,007,190
   Fiscal year ended Mar. 2012: 397,974,132

Note: For information on number of shares used as basis for calculating net income per share, please refer to “(Per-Share Data)” on page 27.

[Reference] Non-Consolidated Performance Overview

1. Performance in the Fiscal Year Ended March 31, 2013 (April 1, 2012–March 31, 2013)

(1) Non-Consolidated Operating Results

(Millions of yen; percentage figures denote year-on-year change)

	Net Sales	Operating Income	Ordinary Income	Net Income
Fiscal Year Ended Mar. 2013	220,404 [–2.0%]	3,280 [—]	27,080 [+145.1%]	20,119 [+137.4%]
Fiscal Year Ended Mar. 2012	224,897 [–5.0%]	–2,320 [—]	11,046 [–57.9%]	8,476 [–33.2%]

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal Year Ended Mar. 2013	50.55	50.49
Fiscal Year Ended Mar. 2012	21.30	21.28

(2) Non-Consolidated Financial Position

(Millions of yen, except for per share figures)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal Year Ended Mar. 2013	589,928	322,963	54.6%	809.26
Fiscal Year Ended Mar. 2012	595,417	320,540	53.7%	803.70

Reference: Equity at year-end (consolidated):
Fiscal year ended Mar. 2013: ¥322,117 million
Fiscal year ended Mar. 2012: ¥319,872 million

Implementation status of review procedures
At the time of disclosure of this report, review procedures for financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

Appropriate use of business forecasts; other special items
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 our actual results and achievements to differ from those anticipated in these statements. Please refer to page 9 “1. Operating Results, 1.1 Analysis of Operating Results, (4) Outlook for the Fiscal Year Ending March 31, 2013” for information on preconditions underlying the above outlook and other related information.

Contents

1. Operating Results

(1) Analysis of Operating Results

(Review of Performance in the Fiscal Year Ended March 2013)

In the fiscal period under review (year ended March 31, 2013), the Japanese economy saw continued weakness in consumer sentiment. However, signs of recovery began to appear, characterized by expectations about economic policies following the change of government in December 2012 and the associated decline of the yen and rising stock market prices. The size of the cosmetics market remained mostly unchanged as a result. Overseas, however, cosmetics markets are closely linked with economic conditions in their respective countries. European markets were limited to low growth, impacted by the debt crisis and high unemployment rates. By contrast, markets in North America and Asia, including China, expanded moderately.

For the year, consolidated net sales totaled ¥677.7 billion, down 0.7% from the previous year. Domestic sales declined 1.8%, and overseas sales edged up 0.7%.

In China, despite making significant marketing investments, the impact of anti-Japanese sentiment had a greater impact on revenue than expected. Due also to an increase in expenditures related to ***bareMinerals*** and a decline in marginal gain stemming from lower domestic sales, operating income fell 33.4%, to ¥26.0 billion. The Group posted a net loss of ¥14.7 billion for the year. In addition to the decline in operating income, this resulted from extraordinary losses totaling ¥36.3 million. The extraordinary losses included an impairment loss of ¥28.6 billion on goodwill related to Bare Escentuals, Inc., a U.S. cosmetics firm acquired in March 2010, as well as structural reform expenses of ¥5.7 billion related to a reorganization of production and R&D bases. The operating margin was 3.8%, the consolidated ROE was –5.1%, and the ratio of overseas sales to net sales was 44.9%.

Consolidated Performance

(Sales) (Millions of yen)

	Fiscal Year Ended Mar. 2013	Share of Total (%)	Fiscal Year Ended Mar. 2012	Share of Total (%)	Year-on-Year Increase/Decrease	
					Amount	% change
Domestic Cosmetics Business	345,882	51.0%	353,789	51.8%	–7,906	–2.2%
Global Business	322,349	47.6%	319,678	46.9%	+2,670	+0.8%
Others	9,494	1.4%	8,917	1.3%	+577	+6.5%
Sales Total	677,727	100.0%	682,385	100.0%	–4,657	–0.7%

Domestic Sales	373,252	55.1%	379,963	55.7%	–6,711	–1.8%
Overseas Sales	304,475	44.9%	302,422	44.3%	+2,053	+0.7%

(Income)

	Fiscal Year Ended Mar. 2013	Ratio to Net Sales (%)	Fiscal Year Ended Mar. 2012	Ratio to Net Sales (%)	Year-on-Year Increase/Decrease	
					Amount	% change
Domestic Cosmetics Business	27,508	7.9%	29,459	8.3%	–1,951	–6.6%
Global Business	(3,288)	–1.0%	8,212	2.6%	–11,500	—
Others	1,964	13.4%	1,381	9.9%	+583	+42.3%
Elimination	(138)	—	82	—	–221	—
Operating Income Total	26,045	3.8%	39,135	5.7%	–13,089	–33.4%
Ordinary Income	28,406	4.2%	39,442	5.8%	–11,036	–28.0%
Net Income	(14,685)	–2.2%	14,515	2.1%	–29,200	—

(Review by Reportable Segment)

(1) Domestic Cosmetics Business

■ Sales

In the Domestic Cosmetics Business segment, sales were down 2.2%, to ¥345.9 billion. Within this segment, sales in the cosmetics business category declined due to intensification of the competitive environment, and sales in the healthcare business category were down as core brands were impacted by overall market contraction.

In the cosmetics business category, we continued from the previous year to hone down the number of new product releases, launching only products chosen meticulously for being able to garner strong support from customers. We also continued fostering current mainstay products. During the year, we released products to meet the needs of customers. These included ***FullMake Washable Base,*** a totally new makeup base that enables makeup to be removed with warm water, as well as ***Special Gel Cream,*** a five-function-in-one product (beauty lotion, beauty essence, emulsion, mask, cream) in the ***AQUA LABEL*** line of self-selection skincare offerings.

In April 2012, we launched a new business model designed to generate new customer interaction opportunities by linking the Web to retail stores. This was the first change of our business model since introducing the voluntary chainstore system in 1923.

In addition, we sought to build frameworks aimed at reflecting customer opinions and refining our store-level responses. We also began sharing successful case studies throughout Japan.

However, some issues remained. These included the foundation market, which Shiseido has been strong for some time, as well as our interaction with the many seniors who have been loyal to our company and our efforts to deepen relationships with business partners.

In the healthcare business category, ***Chomeiso,*** a health and beauty food containing button parsnip—grown in a contracted farm in Yonaguni Island that does not use agrochemicals—continued performing well. With respect to ***The Collagen,*** a core brand that holds the No. 1 share of Japan's collagen food market, demand was affected by a sudden contraction of the overall retail sales market.

In other cosmetics-related businesses, various subsidiaries that do not bear the Shiseido name continued performing well. These included Ettusais Co., Ltd., which introduced ***Za***, a skincare and makeup brand that we sell in Asia, to Japan, as well as D'icila Co., Ltd. and Ipsa Co., Ltd. Another contributor was The Ginza Co., Ltd., which benefited from a recovery in sales at airport duty free stores.

■ Operating Income

The Domestic Cosmetics Business segment posted a 6.6% decline in operating income, to ¥27.5 billion. This was mainly due to a marginal decrease stemming from the fall in revenue.

(2) Global Business

■ Sales

Sales in the Global Business segment edged up 0.8%, to ¥322.3 billion, and grew 2.5% on a local-currency basis. Both the cosmetics business and professional business categories posted year-on-year sales increases.

At the prestige end of the cosmetics business, the global brand ***SHISEIDO*** achieved strong sales growth, driven mainly by ***Future Solution LX,*** a premium skincare line, ***WHITE LUCENT,*** a skin lightening cosmetic line, and ***Global Suncare,*** a line of sunscreens. In addition, the ***NARS*** makeup artist brand generated a significant sales increase, especially in North America. Moreover, our designer fragrances posted healthy sales growth, and the travel retail business also continued performing well. Regarding the ***bareMinerals*** brand, sales remained mostly unchanged from the previous year, which was below our expectation. Within this brand, ***READY,*** a new solid-type makeup foundation, performed well in North America, but existing powder-type foundations struggled. Seeking to foster the retail business, which has a large market scale, we undertook TV advertising and other media-related investments. However, it will take more time than expected to expand sales of this business.

In the top-priority Chinese market, our employees, offices, and factories were not affected by anti-Japanese demonstrations, but due to subsequent anti-Japanese sentiment we were unable to undertake aggressive promotional campaigns at year-end, when sales are normally strong. Accordingly, sales in China remained unchanged on a local-currency basis but increased slightly in yen terms.

In the Asian masstige market, we posted higher sales of ***Za,*** especially in Thailand, and we introduced ***Senka*** in Thailand, Singapore, and Malaysia.

In newly emerging nations, we introduced the ***bareMinerals*** and ***NARS*** brands in Brazil, the next "growth engine" economy. In India, we opened a representative office and studied ways to make a full-fledged market entry. We also expanded our business in new markets, launching sales in Tunisia and Argentina. As of December 31, 2012, the global brand ***SHISEIDO*** had a presence in 89 nations and regions (including Japan).

In the professional division, we posted increased sales in Japan of ***The Hair Care Adenovital,*** a next-generation hair-growth treatment incorporating "adenosine", an active medicinal ingredient. Zotos International, Inc., which sells hair products to beauty salons in the United States, also performed well. However, the esthetic spa brand ***Decléor*** struggled due to worsening economic conditions in Europe.

■ Operating Income

For the year, the Global Business segment posted an operating loss of ¥3.3 billion, down ¥11.5 billion from the previous year. This was due to several factors, such as aggressive marketing expenditures in growth markets, centered on China, and in the ***bareMinerals*** brand. Also, sales in China fell significantly below expectations due to anti-Japanese demonstrations that started in September 2012.

(3) Others

■ Sales

Sales from other business increased 6.5%, to ¥9.5 billion, owing mainly to healthy growth in both the frontier sciences division and the restaurant business.

In the frontier sciences division, bio-hyaluronic acid, a raw material for cosmetics and pharmaceuticals, performed well, as did ***NAVISION,*** a line of cosmetics for medical institutions derived from our beauty care skin research. Also, ***L'estrogel,*** a medical-use treatment for menopausal disorders, performed well, posting an increase in sales. Meanwhile, Shiseido Parlour Co., Ltd., a subsidiary in the restaurant business, enjoyed increased sales of cakes and other items at department stores, railway station, airports, and elsewhere, in addition to its head store in Ginza.

■ Operating Income

Operating income in this segment jumped 42.3%, to ¥2.0 billion, owing to an increase in the marginal gain stemming from higher sales.

(Outlook for the Fiscal Year Ending March 2014)

Consolidated Net Sales

(Billions of yen)

	Fiscal Year Ending Mar. 2014 (Estimate)	Fiscal Year Ended Mar. 2013	Year-on-Year Increase/Decrease	
			Amount	% change
Domestic Cosmetics business	349.0	345.9	+3.1	+0.9%
Global Business	351.0	322.3	+28.7	+8.9%
Others	10.0	9.5	+0.5	+5.3%
Net Sales	710.0	677.7	+32.3	+4.8%

Domestic Sales	376.0	373.3	+2.7	+0.7%
Overseas Sales	334.0	304.5	+29.5	+9.7%
Overseas Sales Ratio	47.0%	44.9%		

Consolidated Income

(Billions of yen)

	Fiscal Year Ending Mar. 2014 (Estimate)	Percent of Net Sales	Fiscal Year Ended Mar. 2013	Percent of Net Sales	Year-on-Year Increase/Decrease	
					Amount	% change
Operating Income	38.0	5.4%	26.0	3.8%	+12.0	+45.9%
Ordinary Income	38.0	5.4%	28.4	4.2%	+9.6	+33.8%
Net Income	20.0	2.8%	–14.7	–2.2%	+34.7	—

Consolidated Performance Indicators

	Fiscal Year Ending Mar. 2014 (Estimate)	Fiscal Year Ended Mar. 2013	Year-on-Year Increase/Decrease
Return on Equity	6.9%	–5.1 %	12.0%
Net Income per Share (Yen)	50.25	–36.90	87.14
Payout Ratio consolidated	39.8 %	—%	—%
Dividends per Share (Yen):			
Interim	10.00	25.00	–15.00
Year-End	10.00	25.00 (plan)	–15.00

In the year ending March 2014, the Group expects a rise in domestic sales, together with revenue growth in Europe, North America, China, and newly emerging nations. We also project year-on-year increases in operating income and ordinary income after factoring in a marginal gain stemming from higher net sales, as well as the impact of cost structural reforms and business structural reforms. For the year, we forecast consolidated net sales of ¥710 billion (up 4.8% year-on-year), operating income of ¥38 billion (up 45.9%), ordinary income of ¥38 billion (up 33.8%), and net income of ¥20 billion.

Outlook by Reportable Segment

Domestic Cosmetics Business

In the year ending March 2014, we expect the domestic cosmetics market to follow a moderate recovery path, despite some uncertainty about the future. In our Domestic Cosmetics Business segment, we will strengthen our position in the prestige domain, focus on the market for seniors, and advance our new business model. Through these initiatives, we predict a slight increase in segment sales for the year. We also look forward to growth in segment operating income thanks to the marginal gain from higher segment sales, as well as the benefits of cost structural reforms.

Global Business

In Europe, we expect conditions in the cosmetics market to remain difficult due to the impact of the debt crisis. In the Americas, the cosmetics market is expected to maintain moderate growth. In Asia, meanwhile, we look forward to continued market growth, especially in China. In this context, the Shiseido Group will focus on two key strengths: reinforcing business in China and enhancing the value of Bare Escentuals, Inc. We will also hone our responsiveness to newly emerging nations, such as the next "growth engine" economies. Through these efforts, we forecast a year-on-year increase in segment sales and a rise in segment operating income.

Others

Going forward, we will continue striving to reinforce our presence in the frontier science division, which is underpinned by cosmetics raw materials, medical-use pharmaceuticals, chromatography-related machinery, and cosmetics for medical institutions. For the segment, we forecast that sales and operating income will remain mostly unchanged.

We base our predictions on exchange rates of ¥85 per U.S. dollar, ¥115 per euro, and ¥14 per Chinese yuan.

(Reference)

[Overseas Sales (by Destination)]

(Millions of yen)

	Fiscal Year Ended March 2013	Share of Total (%)	Fiscal Year Ended March 2012	Share of Net Sales	Year-on-Year Increase/Decrease		
					Amount	% change	% change in local currency terms
Americas	92,973	13.7%	90,484	13.3%	+2,488	+2.8%	+3.4%
Europe	79,127	11.7%	82,219	12.0%	–3,091	–3.8%	+3.2%
Asia/Oceania	132,374	19.5%	129,717	19.0%	+2,656	+2.0%	+1.3%
(Incl. China)	90,723	13.4%	89,144	13.1%	+1,579	+1.8%	–0.2%
Overseas Sales	304,475	44.9%	302,422	44.3%	+2,053	+0.7%	+2.4%

(2) Analysis of Financial Position

As of March 31, 2013, total assets amounted to ¥715.4 billion, down ¥5.3 billion form a year earlier. The decline was due mainly to a decrease in intangible fixed assets stemming from impairment treatment of goodwill in Bare Escentuals, Inc. This was despite the impact of the weakening yen. Total liabilities were down ¥5.3 billion, due largely to decreases in accrued expenses and accrued bonuses for employees. Net assets remained mostly unchanged, as the effect of a ¥34.1 billion decline in retained earnings—stemming from impairment treatment of goodwill in Bare Escentuals, Inc.—was outweighed by the positive impact of foreign currency translation adjustments. Accordingly, the equity ratio at fiscal year-end was 40.2%, mostly unchanged from 40.3% a year earlier.

Net cash provided by operating activities amounted to ¥42.0 billion. Net cash used in investing activities totaled ¥25.5 billion. This was mainly due to investments in fixed assets. Net cash used in financing activities was ¥24.7 billion, due primarily to repayment of interest-bearing debt and cash dividend payments. As a result, cash and cash equivalents at the end of the year amounted to ¥80.3 billion, down ¥2.7 billion from March 31, 2012. In the year ahead, we do not expect cash and cash equivalents to change significantly.

Consolidated Cash Flows (Summary)

(Billions of yen)

Cash and Cash Equivalents at Beginning of Term	83.0
Net Cash Provided by Operating Activities	42.0
Net Cash Used in Investing Activities	(25.5)
[Investments in Fixed Assets]	[(29.7)] *
Net Cash Used in Financing Activities	(24.7)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	5.5
Net Change in Cash and Cash Equivalents	(2.7)
Cash and Cash Equivalents at End of Term	80.3

*Investments in Fixed Assets (Billions of yen)

Acquisition of Property, Plant, and Equipment	(18.8)
Increase in Intangibles	(5.8)
Long-Term Prepaid Expenses	(5.2)

As shown below, the equity ratio was in the 40% range based on book value. The equity ratio based on market price remained in the 70% range despite falling below the previous year's level due to weakness in stock prices since the year ended March 2012. The debt repayment term (4.4 years) is generally regarded as a safe level.

Cash Flow Indexes

	Fiscal Year Ended Mar. 2009	Fiscal Year Ended Mar. 2010	Fiscal Year Ended Mar. 2011	Fiscal Year Ended Mar. 2012	Fiscal Year Ended Mar. 2013
Equity Ratio (%)	55.6	44.9	41.6	40.3	40.2
Equity Ratio Based on Market Price (%)	95.0	104.1	77.5	78.9	73.8
Debt Repayment Term (Years)	1.5	3.1	2.9	3.5	4.4
Interest Coverage Ratio (Times)	23.6	45.4	32.8	27.3	22.5

Notes:
1. Equity ratio: (Net assets – Stock acquisition rights – Minority interests) ÷ Total assets
   Equity ratio based on market price: Market value of total stock ÷ Total assets
   Debt repayment term: Interest-bearing debt ÷ Operating cash flows
   Interest coverage ratio: Operating cash flows ÷ Payment of interest expenses
2. Each index is calculated based on consolidated financial figures.
3. Market value of total stock is calculated by multiplying the closing stock price at the end of the term by the number of shares outstanding at the end of the term (after deduction of treasury stock).
4. Interest-bearing debt refers to all liabilities listed in Consolidated Balance Sheets that incur interest. For payment of interest expenses, amounts shown in the Consolidated Statements of Cash Flows are used.

(3) Basic Shareholder Return Policy; Cash Dividends

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means, in addition to generating medium- and long-term share price gains. To this end, our fundamental policy is deploy to growth-oriented strategic investments to drive increases in earnings and improvements in capital efficiency, which will lead to medium- and long-term increases in dividends and higher share prices.

Going forward, our medium-term profit return objective is to achieve a consolidated dividend payout ratio of 40%. To this end, we will prioritize payment of stable dividends while implementing share buybacks in a flexible manner.

In the year under review, the Group posted a net loss due to an extraordinary loss in the form of an impairment loss associated with goodwill in Bare Escentuals, Inc., a consolidated subsidiary. However, the extraordinary loss will not affect our cash flow. The Company plans to declare a year-end cash dividend of ¥25.00 per share, as originally planned. Coupled with the ¥25.00 interim dividend, this will bring total annual dividends to ¥50.00 per share.

In the fiscal year ending March 2014, we plan to pay reduce both the interim and year-end dividends to ¥10.00 per share each, for total annual dividends of ¥20.00, due to efforts to reinforce our operational foundation and facilitate growth-oriented investments under our next three-year business plan starting in April 2014.

(4) Business and Other Risks

Business and other risks that could potentially affect the Shiseido Group are described in its most recent Securities Report (filed on June 26, 2012). Since there are no major changes, that section has been omitted from this report.

(Company Website)
http://group.shiseido.co.jp/ir/library/syoken/pdf/2011/1203all.pdf (Japanese only)

2. The Shiseido Group

For details about major changes in subsidiaries during the period, please refer to “Scope of Consolidation” under “(6) Basis of Presenting Consolidated Financial Statements” on page 23.

3. Management Policies

(1) Basic Corporate Policies

Shiseido has a corporate philosophy—“Our Mission, Values and Way”—that transcends nations, organizations, and brands. This philosophy sets a course for all of our activities and ensures that each and every employee shares the Shiseido *raison d’être* and spirit. “Our Mission” sets out a universal identity that forms the foundation of the Shiseido Group by identifying how and with what we can play a useful role in society. “Our Values” establishes the approach shared by all Group employees in order to realize “Our Mission.” “Our Way” sets out the conduct required of employees when working with different stakeholders in order to accomplish “Our Mission.” It sets out standards of behavior that include not only complying with the laws and regulations of each country or region and in-house regulations, but also performing duties to the highest of ethical standards.

[Our Mission]

We cultivate relationships with people
We appreciate genuine, meaningful values
We create beauty, we create wellness

[Our Values]

In Diversity, Strength
In Challenge, Growth
In Heritage, Excellence

[Our Way]

Toward Consumers
Toward Business Partners
Toward Shareholders
Toward Employees
Toward Society and the Earth

(2) Medium- and Long-Term Management Strategies and Numerical Management Targets

The Shiseido Group is implementing its three-year business plan (covering the period from April 2011 to March 2014), designed to help the Group enter a growth trajectory. Guided by the plan, the Group seeks to become a "global player representing Asia with its origins in Japan."
Under the plan, we were targeting annual average growth of 6% or more for net sales over the three-year period of the plan and achievement of a 10% operating margin during the three-year period. However, conditions have since changed that we did not envisage when the plan was formulated, due to such factors as economic weakness in Japan, economic slowdown in Europe, and sudden deterioration of business conditions in China. At this stage, therefore, we will have difficulty achieving our original targets for sales growth and operating margin.

(3) Issues to Address

In the year ending March 2014, we will continue striving to become a "global player representing Asia with its origins in Japan." We will direct particular attention to expanding and refining our unique strengths. To this end, we will pursue a strategy of "meticulous selection and concentration" and streamline the number of domains in which we focus our attention. Across all aspects of our operations—businesses, business models, brands, territories, and over-the-counter activities—we will relentlessly pursue growth. Specifically, we will seek to make our strong domains stronger and our large domains larger, while generating higher profits from highly profitable domains. In particular, we will rebuild and focus on three important domains: Japan, China, and Bare Escentuals, Inc.

In addition, we will steadily promote cost structural reforms and business structural reforms. At the same time, we will build frameworks to prevent accumulation of store-level inventories, a long-standing issue, while reassessing our involvement in unprofitable and low-earnings businesses.

With respect to our "Global Mega Brand Strategy," one of the four strategies outlined in our three-year business plan, we are focusing on a total of six brands: the global brand ***SHISEIDO*** and ***clé de peau BEAUTÉ*** and ***bareMinerals*** at the prestige end; and ***Za, Senka,*** and ***TSUBAKI*** at the masstige end. To support these brands, we will concentrate marketing expenditures with the aim of strengthening our over-the-counter promotions and cooperation with retail stores. Meanwhile, we will focus on refining the value of our brands as we target future growth.

Regarding the "Asia Breakthrough Strategy," we look forward to recovery in the growth potential of Japan, our home market. In China, where business conditions will remain tough for the time being, we will place top priority on building a business foundation to generate steady growth and high profitability.

As for the "New Frontier Strategy," as we steadily implement our new business model and achieve recovery in growth by reinforcing cooperation between the Web and actual retail stores. In newly emerging nations, we will focus on building our business in next-generation “growth engine” economies that will follow China. At the same time, we will promote efficiencies while honing nations and products.

In “Customer First Strategy,” we will seek to swiftly raise approval ratings from customers. To this end, we will focus in reflecting the opinions of customers in our products and services while refining our store-level responses.

Through the aforementioned initiatives, we will work more swiftly to build a foundation for our next three-year business plan, which will start in April 2014.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013
ASSETS		
Current Assets:		
Cash and Time Deposits	67,121	59,330
Notes and Accounts Receivable	112,874	118,232
Short-Term Investments in Securities	26,716	31,933
Inventories	71,902	84,552
Deferred Tax Assets	19,860	24,943
Other Current Assets	17,689	14,712
Less: Allowance for Doubtful Accounts	(935)	(1,023)
Total Current Assets	315,229	332,681
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and Structures	158,246	158,731
Less: Accumulated Depreciation	(98,806)	(102,689)
Buildings and Structures (net of depreciation)	59,439	56,042
Machinery, Equipment and Vehicles	81,581	84,597
Less: Accumulated Depreciation	(69,791)	(73,018)
Machinery, Equipment and Vehicles (net of depreciation)	11,789	11,579
Fixtures and Fittings	56,916	64,078
Less: Accumulated Depreciation	(38,045)	(44,130)
Fixtures and Fittings (net of depreciation)	18,871	19,948
Land	33,091	31,833
Leased Assets	8,706	7,517
Less: Accumulated Depreciation	(5,033)	(4,211)
Leased Assets (net)	3,673	3,306
Construction in Progress	2,931	5,095
Total Property, Plant and Equipment	129,796	127,805
Intangible Assets:		
Goodwill	84,539	57,127
Lease Assets	613	534
Trademarks	40,583	45,246
Other Intangible Assets	47,907	47,784
Total Intangible Assets	173,644	150,692
Investments and Other Assets:		
Investments in Securities	27,396	30,510
Prepaid Pension Expenses	20,948	17,155
Long-Term Prepaid Expenses	9,658	10,087
Deferred Tax Assets	18,084	20,373
Other Investments	26,026	26,121
Less: Allowance for Doubtful Accounts	(77)	(49)
Total Investments and Other Assets	102,037	104,198
Total Fixed Assets	405,478	382,696
Total Assets	720,707	715,377

(Millions of yen)

	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013
LIABILITIES		
Current Liabilities:		
Notes and Accounts Payable	48,305	43,542
Short-Term Debt	1,989	5,975
Current Portion of Long-Term Borrowings	5,915	31,685
Lease Obligations	1,830	1,733
Other Payable	44,273	39,627
Accrued Income Taxes	8,025	9,113
Reserve for Sales Returns	11,065	10,609
Accrued Bonuses for Employees	15,030	12,493
Accrued Bonuses for Directors	395	268
Provision for Liabilities and Charges	565	386
Provision for Structural Reforms	—	361
Deferred Tax Liabilities	20	8
Other Current Liabilities	27,302	31,417
Total Current Liabilities	164,719	187,225
Long-Term Liabilities:		
Bonds	90,000	90,000
Long-Term Debt	82,836	53,028
Lease Obligations	2,581	2,245
Accrued Retirement Benefits	42,089	43,355
Allowance for Loss on Guarantees	350	350
Allowance for Environmental Measures	486	445
Provision for Structural Reforms	—	1,396
Deferred Tax Liabilities	27,622	28,931
Other Long-Term Liabilities	6,306	4,665
Total Long-Term Liabilities	252,273	224,418
Total Liabilities	416,992	411,643
NET ASSETS		
Shareholders' Equity:		
Common Stock	64,506	64,506
Capital Surplus	70,263	70,258
Retained Earnings	225,598	191,519
Less: Treasury Stock	(3,778)	(3,697)
Total Shareholders' Equity	356,590	322,586
Valuation and Translation Adjustments		
Unrealized Gains on Available-for-Sale Securities, Net of Taxes	605	2,799
Foreign Currency Translation Adjustments	(66,702)	(37,832)
Total Valuation and Translation Adjustments	(66,096)	(35,033)
Stock Acquisition Rights	668	846
Minority Interests in Consolidated Subsidiaries	12,553	15,334
Total Net Assets	303,715	303,734
Total Liabilities and Net Assets	720,707	715,377

(2) Consolidated Statements of Income

(Millions of yen)

	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013
Net Sales	682,385	677,727
Cost of Sales	162,989	166,783
Gross Profit	519,395	510,944
Selling, General and Administrative Expenses	480,260	484,898
Operating Income	39,135	26,045
Other Income		
Interest Income	723	671
Dividend Income	800	628
Equity in Earnings of Affiliates	—	46
Rental Income	874	774
Subsidy Income	530	758
Foreign Exchange Gain	—	1,133
Others	1,182	1,057
Total Other Income	4,110	5,069
Other Expenses		
Interest Expense	1,824	1,781
Equity in Losses of Affiliates	122	—
Foreign Exchange Loss	604	—
Other	1,252	928
Total Other Expenses	3,802	2,709
Ordinary Income	39,442	28,406
Extraordinary Income		
Gain on Sales of Property, Plant and Equipment	1,332	1,384
Gain on Sales of Investments in Securities	26	88
Total Extraordinary Income	1,358	1,472
Extraordinary Losses		
Impairment Loss	96	*1 29,121
Structural Reform Expenses	—	*2 5,745
Loss on Disposal of Property, Plant and Equipment	1,422	1,419
Loss on Sales of Investments in Securities	258	14
Loss on Revaluation of Investments in Securities	76	19
Total Extraordinary Losses	1,854	36,320
Income before Income Taxes	38,947	(6,442)
Income Taxes – Current	13,953	15,374
Income Tax –Deferred	7,935	(9,104)
Total Income Taxes	21,888	6,269
Income before Minority Interests	17,058	(12,712)
Minority Interests in Earnings of Consolidated Subsidiaries	2,543	1,973
Net Income	14,515	(14,685)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013
Income before Minority Interests	17,058	(12,712)
Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	561	2,297
Foreign Currency Translation Adjustment	(12,144)	30,849
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method	(18)	37
Other Comprehensive Income	(11,601)	33,184
Comprehensive Income	5,456	20,472
Comprehensive Income Attributable to Owners of the Parent	3,375	16,377
Comprehensive Income Attributable to Minority Interests	2,081	4,094

(3) Consolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013
Shareholders' Equity		
Common Stock		
Balance at Beginning of Term in Review	64,506	64,506
Balance at End of Term in Review	64,506	64,506
Capital Surplus		
Balance at Beginning of Term in Review	70,258	70,263
Changes during Term in Review		
Disposal of Treasury Stock	5	(5)
Total Changes during Term in Review	5	(5)
Balance at End of Term in Review	70,263	70,258
Retained Earnings		
Balance at Beginning of Term in Review	231,336	225,598
Changes during Term in Review		
Distribution of Retained Earnings	(19,898)	(19,899)
Net Income	14,515	(14,685)
Disposal of Treasury Stock	0	(5)
Change in Consolidation Scope	(35)	92
Noncontrolling Interests, Capital Transactions, Others	(318)	419
Total Changes during Term in Review	(5,737)	(34,078)
Balance at Beginning of Term in Review	225,598	191,519
Treasury Stock		
Balance at Beginning of Term in Review	(3,874)	(3,778)
Changes during Term in Review		
Acquisition of Treasury Stock	(2)	(2)
Disposal of Treasury Stock	98	83
Total Changes during Term in Review	96	80
Balance at End of Term in Review	(3,778)	(3,697)
Total Shareholders' Equity		
Balance at Beginning of Term in Review	362,226	356,590
Changes during Term in Review		
Dividends from Surplus	(19,898)	(19,899)
Net Income	14,515	(14,685)
Acquisition of Treasury Stock	(2)	(2)
Disposal of Treasury Stock	104	71
Change in Consolidation Scope	(35)	92
Noncontrolling Interests, Capital Transactions, Others	(318)	419
Total Changes during Term in Review	(5,635)	(34,004)
Balance at End of Term in Review	356,590	322,586

(Millions of yen)

	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013
Valuation and Translation Adjustments		
Net Unrealized Gains or Losses on Securities		
Balance at Beginning of Term in Review	83	605
Changes during Term in Review		
Changes during Term Not Related to Shareholders' Equity (Net)	521	2,193
Total Changes during Term in Review	521	2,193
Balance at End of Term in Review	605	2,799
Translation Adjustments		
Balance at Beginning of Term in Review	(55,040)	(66,702)
Changes during Term in Review		
Changes during Term Not Related to Shareholders' Equity (Net)	(11,661)	28,869
Total Changes during Term in Review	(11,661)	28,869
Balance at End of Term in Review	(66,702)	(37,832)
Total Valuation and Translation Adjustments		
Balance at Beginning of Term in Review	(54,956)	(66,096)
Changes during Term in Review		
Changes during Term Not Related to Shareholders' Equity (Net)	(11,139)	31,062
Total Changes during Term in Review	(11,139)	31,062
Balance at End of Term in Review	(66,096)	(35,033)
Stock Acquisition Rights		
Balance at Beginning of Term in Review	590	668
Changes during Term in Review		
Changes during Term Not Related to Shareholders' Equity (Net)	77	177
Total Changes during Term in Review	77	177
Balance at End of Term in Review	668	846
Minority Interests		
Balance at Beginning of Term in Review	12,267	12,553
Changes during Term in Review		
Changes during Term Not Related to Shareholders' Equity (Net)	286	2,781
Total Changes during Term in Review	286	2,781
Balance at End of Term in Review	12,553	15,334
Total Net Assets		
Balance at Beginning of Term in Review	320,127	303,715
Changes during Term in Review		
Dividends from Surplus	(19,898)	(19,899)
Net Income	14,515	(14,685)
Acquisition of Treasury Stock	(2)	(2)
Disposal of Treasury Stock	104	71
Change in Consolidation Scope	(35)	92
Noncontrolling Interests, Capital Transactions, Others	(318)	419
Changes during Term Not Related to Shareholders' Equity (Net)	(10,775)	34,022
Total Changes during Term in Review	(16,411)	18
Balance at End of Term in Review	303,715	303,734

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013
Cash Flows from Operating Activities		
Income before Income Taxes	38,947	(6,442)
Depreciation	30,682	32,046
Amortization of Goodwill	5,519	5,491
Impairment Loss	96	29,121
(Gain) Loss on Disposal of Property, Plant and Equipment	90	35
(Gain) Loss on Sales of Investments in Securities	232	(73)
Loss on Valuation of Investments in Securities	76	19
Loss on Disaster	(922)	—
Structural Reform Expenses	—	5,745
Increase (Decrease) in Allowance for Doubtful Accounts	(10)	(52)
Increase (Decrease) in Reserve for Sales Returns	(183)	(937)
Increase (Decrease) in Accrued Bonuses for Employees	3,705	(3,046)
Increase (Decrease) in Accrued Bonuses for Directors	22	(127)
Increase (Decrease) in Provision for Liabilities and Charges	(140)	(234)
Increase (Decrease) in Accrued Retirement Benefits	1,004	850
(Increase) Decrease in Allowance for Environmental Measures	(8)	(41)
(Increase) Decrease in Prepaid Pension Expenses	3,611	3,793
Interest and Dividends Received	(1,523)	(1,299)
Interest Expense	1,824	1,781
Equity in (Earnings) Losses of Affiliates	122	(46)
(Increase) Decrease in Notes and Accounts Receivable	(12,716)	2,870
(Increase) Decrease in Inventories	(8,102)	(5,890)
Increase (Decrease) in Notes and Accounts Payable	9,627	(10,952)
Others	2,581	1,703
Subtotal	74,537	54,312
Interest and Dividends Received	1,471	1,292
Interest Paid	(1,927)	(1,867)
Income Tax Paid	(21,480)	(11,697)
Net Cash Provided by Operating Activities	52,599	42,040

(Millions of yen)

	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013
Cash Flows from Investing Activities		
Transfers to Time Deposits	(16,690)	(18,269)
Proceeds from Maturity of Time Deposits	21,751	19,605
Acquisition of Short-Term Investments in Securities	(314)	(231)
Proceeds from Sales of Short-term Investments in Securities	576	282
Acquisition of Investments in Securities	(220)	(15)
Proceeds from Sales of Investments in Securities	603	187
Acquisition of Property, Plant and Equipment	(17,719)	(18,763)
Proceeds from Sales of Property, Plant and Equipment	1,677	1,933
Acquisition of Intangible Assets	(7,016)	(5,755)
Payments of Long-Term Prepaid Expenses	(4,499)	(5,173)
Other	1,184	663
Net cash Used in Investing Activities	(20,668)	(25,534)
Cash Flows from Financing Activities		
Net Increase (Decrease) in Short-Term Debt	(3,431)	3,296
Proceeds from Long-Term Debt	649	1,507
Repayment of Long-Term Debt	(8,365)	(5,994)
Repayment of Lease Obligations	(2,602)	(2,147)
Acquisition of Treasury Stock	(2)	(2)
Sales of Treasury Stock	104	71
Cash Dividends Paid	(19,890)	(19,897)
Cash Dividends Paid to Minority Shareholders	(1,943)	(1,578)
Net Cash Used in Financial Activities	(35,482)	(24,745)
Effect of Exchange Rate Changes on Cash and Cash Equivalents·	**(2,067)**	5,517
Net Change in Cash and Cash Equivalents	**(5,618)**	(2,721)
Cash and Cash Equivalents at Beginning of Term	**88,592**	82,974
Cash and Cash Equivalents at End of Term	**82,974**	80,253

(5) Note on Assumptions for Going Concern

Not applicable

(6) Basis of Presenting Consolidated Financial Statements

Scope of Consolidation

(1) Number of consolidated subsidiaries: 93

Principal subsidiaries are listed in the Group's most recent Financial Report (submitted June 26, 2012). Since there are no major changes, the list is omitted from this report. Please refer to the following website for the list of principal subsidiaries.

http://group.shiseido.co.jp/ir/library/syoken/pdf/2011/1203all.pdf

[Additions: 1 company]

One company— SHISEIDO Kozmetik Anonim Sinketi (Shiseido Turkey) —was established during the period and thus has been included in the scope of consolidation in the year under review.

[Exclusions: 2 companies]

Two companies—Orbit, Inc., which was absorbed by Shiseido FITIT Co., Ltd. in a merger, and Blush Holdings, LLC, which was liquidated—were excluded from the scope of consolidation in the year under review.

(2) Nonconsolidated subsidiaries

Major Company Name: Beauté Prestige International Ltd. (UK)

(Reasons for excluding nonconsolidated subsidiaries from scope of consolidation)

Since this company is small in scale or does not engage in full-scale operations, its combined assets, net sales, net income (the Company's interest share) and retained earnings (the Company's interest share) have a minimal effect on the Company's consolidated financial statements, and it is insignificant in general, it is not included in the scope of consolidation.

(7) Changes in Accounting Policies

(Change in accounting policy for situations when a change in accounting estimate is difficult to distinguish)

Pursuant to an amendment to the Corporation Tax Act, the Company and its consolidated subsidiaries, effective the fiscal year ended March 31, 2013, have changed the depreciation method for property, plant and equipment purchased on/after April 1, 2012. That method now conforms to the amended Act.

The aforementioned change had a minimal effect on operating income, ordinary income, and loss before income taxes and minority interests in the period under review.

(8) Supplementary Information

Apart from the items described above, there are no significant changes to items outlined in the Company's most recent Financial Report (filed on June 26, 2012). Accordingly, such items have been omitted from this document.

(9) Notes Related to Concerning Consolidated Financial Statements

[Consolidated Statements of Income]

*1 Impairment Losses

Fiscal Year Ended March 2013 (April 1, 2012–March 31, 2013)

Impairment losses on fixed assets in Japan and overseas are as follows.

Use	Type	Location
Business-use assets	Goodwill, tools, instruments, fixtures	United States
	Buildings and structures, etc.	Chiyoda-ku, Tokyo, etc.
Idle assets, etc.	Buildings and structures, machinery and equipment, etc.	Kakegawa City, Shizuoka Prefecture

The Shiseido Group pools its business-use assets according to the minimum independent cash-flow-generating unit, based on business classification. Idle assets are pooled according to individual property.

In the Global Business segment, goodwill related to the acquisition of the Bare Escentuals Group was subject to impairment tests based on U.S. accounting standards, after comprehensive consideration of the current situation, in which sales have been underperforming projections. Consequently, such assets were devalued to their recoverable value, resulting in a ¥28,587 million loss (excluding the amount already amortized pursuant to Japanese accounting standards), reported as an extraordinary loss. The recoverable value is measured as the usage value, minus a 10% discount.

The book values of tools, instruments, and fixtures of Bare Escentuals, Inc. have been devalued to their recoverable value, resulting in a ¥502 million extraordinary loss. The recoverable value is computed using the net sale value, evaluated based on the estimated price if sold.

Among business-use assets, the book values of buildings and structures have been devalued to their recoverable value, resulting in a ¥10 million extraordinary loss.

The book values of idle assets, decommissioned in order to reinforce the Group’s production facilities, have been devalued to their recoverable value, with the reduction amount reported as an extraordinary loss. This includes an ¥11 million loss on buildings and structures and an ¥11 million loss on machinery and equipment. The recoverable value is computed using the net sale value, evaluated based on the estimated price if sold.

*2 Structural Reform Expenses

Fiscal Year Ended March 2013 (April 1, 2012–March 31, 2013)

Structural reform expenses are expenses associated with reorganization of production and R&D bases, included among one-time expenses related to business structural reforms resulting from drastic reassessment of organizations, infrastructures, and processes aimed at building a robust business structure. Such structural reform expenses are mainly as follows.

Impairment loss on fixed assets	¥3,981 million	
Allowance for demolition, removal,	¥1,551 million	etc.

Impairment losses on fixed assets included among structural reform expenses are as follows.

Use	Type	Location
Idle assets, etc.	Buildings and structures, land, machinery and equipment, etc.	Kamakura City, Kanagawa Prefecture; Yokohama City, Kanagawa Prefecture

The Shiseido Group pools idle assets according to individual property. The book values of Group assets scheduled for closure have been devalued to their recoverable value, with the reduction amount reported as an extraordinary loss. This includes a ¥2,411 million loss on buildings and structures, a ¥950 million loss on land, and a ¥620 million loss on machinery and equipment. The recoverable value is computed using the net sale value, evaluated based on the estimated price if sold.

[Segment Information]

1. Overview of Reportable Segments

With respect to its reportable segments, the Company is able to obtain delineated financial data from among its structural units. Accordingly, its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance by the Board of Directors.

The Company's main business is the production and sale of cosmetics. Under a business structure classified according to domestic and global regions, various business departments in the head office formulate comprehensive strategies and promote business activities. Consequently, the Company has classified its operations into two segments along geographical lines: Domestic Cosmetics Business and Global Business.

The Domestic Cosmetics Business segment includes the domestic cosmetics business (production and sale of cosmetics, cosmetic accessories, and toiletries), the healthcare business (production and sale of health & beauty foods and over-the-counter drugs), and the production and sale of non-Shiseido-brand products and mail-order products. The Global Business segment covers the overseas cosmetics business (production and sale of cosmetics, cosmetic accessories, and toiletries) and the domestic and overseas professional business (production and sale of beauty salon products).

2. Method of Computing Sales, Income/Loss, Assets, Liabilities, and Other Items by Reportable Segment

The accounting treatment method for the Group's reported business segments is generally the same as described in the Company's most recent Financial Report (filed on June 26, 2012) and "(6) Basis of Presenting Consolidated Financial Statements." Also, segment income is based on operating income. The prices of inter-segment transactions and transfers are determined by price negotiations based on the Company's submission of preferred prices after taking market conditions into account.

3. Business Segment Information

Fiscal Year Ended March 2012 (April 1, 2011–March 31, 2012)

(Millions of yen)

	Domestic Cosmetics Business	Global Business	Others	Subtotal	Adjustment	Total
Net Sales						
Sales to Outside Customers	353,789	319,678	8,917	682,385	—	682,385
Intersegment Sales or Transfers	2,049	2,290	5,085	9,425	(9,425)	—
Total	355,838	321,969	14,003	691,810	(9,425)	682,385
Segment Income	29,459	8,212	1,381	39,052	82	39,135
Segment Assets	210,319	406,674	45,391	662,384	58,323	720,707
Other Items						
Depreciation and Amortization	15,183	14,382	1,079	30,645	36	30,682
Amortization of Goodwill	141	5,377	—	5,519	—	5,519
Increase in Tangible and Intangible Fixed Assets	17,457	16,486	357	34,301	—	34,301

Notes: 1. “Other” includes businesses not included in the reporting segments. These include the frontier sciences business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, etc.) and the restaurant business.

2. Below is a description of adjustments.

(1) The “Segment Income” adjustment refers to inter-segment transaction eliminations amounting to ¥82 million.

(2) The “Segment Assets” adjustment includes inter-segment eliminations amounting to –¥2,564 million and companywide assets (not allocated to specific segments) totaling ¥60,888 million. Companywide assets consist mainly of assets not belonging to specific segments (cash and time deposits, short-term investments in securities, investments in securities, etc.) and assets related to administrative operations.

(3) The “Depreciation and Amortization” adjustment refers to depreciation expenses related to companywide assets and intersegment eliminations.

Long-term prepaid expenses are included in “Depreciation and Amortization” and “Increase in Tangible and Intangible Fixed Assets.”

3. Segment income is adjusted for Operating Income described in Consolidated Quarterly Statements of Income.

4. Previously, the Company’s subsidiaries in the Americas treated product samples and promotional materials used in retail store sales activities as assets at the time of acquisition and expenses at the time of shipment to customers, i.e., retail stores. Effective the fiscal year ended March 2012, however, such items are now treated as expenses at the time of acquisition, in the interests of consistency in internal Group accounting treatment.

Fiscal Year Ended March 2013 (April 1, 2012–March 31, 2013)

(Millions of yen)

	Domestic Cosmetics Business	Global Business	Others	Subtotal	Adjustment	Total
Net Sales						
Sales to Outside Customers	345,882	322,349	9,494	677,727	—	677,727
Intersegment Sales or Transfers	1,897	2,870	5,209	9,977	(9,977)	—
Total	347,780	325,220	14,704	687,705	(9,977)	677,727
Segment Income	27,508	(3,288)	1,964	26,184	(138)	26,045
Segment Assets	205,464	401,776	44,396	651,637	63,740	715,377
Other Items						
Depreciation and Amortization	14,882	16,124	1,007	32,015	31	32,046
Amortization of Goodwill	141	5,349	—	5,491	—	5,491
Increase in Tangible and Intangible Fixed Assets	12,908	15,169	220	28,298	—	28,298

Notes: 1. “Other” includes businesses not included in the reporting segments. These include the frontier sciences business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment, etc.) and the restaurant business.

2. Below is a description of adjustments.

(1) The “Segment Income” adjustment refers to inter-segment transaction eliminations amounting to –¥138 million.

(2) The “Segment Assets” adjustment includes inter-segment eliminations amounting to –¥2,648 million and companywide assets (not allocated to specific segments) totaling ¥66,388 million. Companywide assets consist mainly of assets not belonging to specific segments (cash and time deposits, short-term investments in securities, investments in securities, etc.) and assets related to administrative operations.

(3) The “Depreciation and Amortization” adjustment refers to depreciation expenses related to companywide assets and intersegment eliminations.

Long-term prepaid expenses are included in “Depreciation and Amortization” and “Increase in Tangible and Intangible Fixed Assets.”

3. Segment income is adjusted for Operating Income described in Consolidated Quarterly Statements of Income.

(Per-Share Data)

(Yen)

Fiscal Year Ended March 2012 (April 1, 2011–March 31, 2012)		Fiscal Year Ended March 2013 (April 1, 2012–March 31, 2013)	
Net assets per share	729.89	Net assets per share	722.42
Net income per share	36.47	Net income/(loss) per share	(36.90)
Net income per share (fully diluted)	36.44	Net income per share (fully diluted)	—

Note: 1. Despite the existence of latent shares, the Group has not stated a figure for fully diluted net income per share because it posted a net loss per share in the year under review.

2. The basis for calculating net assets per share is shown below.

	Fiscal Year Ended March 2012 (April 1, 2011–March 31, 2012)	Fiscal Year Ended March 2013 (April 1, 2012–March 31, 2013)
Total net assets (¥ millions)	303,715	303,734
Amount deducted from total net assets (¥ millions)	13,221	16,180
[Stock acquisition rights (¥ millions)]	(668)	(846)
[Minority interests (¥ millions)]	(12,553)	(15,334)
Net assets at term-end related to common stock (¥ millions)	290,494	287,553
Common stock at term-end used to calculate net assets per share (1,000 shares)	397,997	398,039

3. The basis for calculating net income/(loss) per share and fully diluted net income per share is shown below.

	Fiscal Year Ended March 2012 (April 1, 2011–March 31, 2012)	Fiscal Year Ended March 2013 (April 1, 2012–March 31, 2013)
Net income per share		
Net income/(loss) (¥ millions)	14,515	(14,685)
Amount not belonging to common stockholders (¥ millions)	—	—
Net income/(loss) related to common stock (¥ millions)	14,515	(14,685)
Average shares outstanding (1,000 shares)	397,974	398,007
Net income/(loss) per share (fully diluted)		
Net income adjustment (¥ millions)	—	—
Increase in common stock (1,000 shares)	306	—
(Stock options made available through new share subscription rights) (1,000 shares)	(306)	(—)
Latent shares not included in fully diluted net income per share calculation due to lack of dilution effect.	Stock options made available through stock acquisition rights (1,197 stock acquisition rights): 1,197 thousand shares of common stock	Stock options made available through stock acquisition rights (1,098 stock acquisition rights): 1,098 thousand shares of common stock

(Important Subsequent Event)

Not applicable

5. Other

(1) Top Management Changes

(a) Changes to representatives

Until March 31, 2013	From April 1, 2013
Representative Director, President & CEO Hisayuki Suekawa	Representative Director, Chairman, President, and CEO Shinzo Maeda

Note: Hisayuki Suekawa retired from the position of Representative Director, Director, and President & CEO as of March 31, 2013. Shinzo Maeda was appointed President & CEO on April 1, 2013, thus becoming Representative Director, Chairman, President, and CEO.

(b) Changes to other directors

[Directors]

[Changes to representative directors]

Name	Until March 31, 2013	From April 1, 2013
Hisayuki Suekawa	Representative Director, President & CEO	Senior Advisor

[New candidates (scheduled for appointment at 113th Annual General Meeting in June 2013)]

Title	Name
Director Corporate Executive Officer	Yu Okazawa
Director Corporate Executive Officer	Tooru Sakai

[Retired] (effective at the March 31, 2013)

Title	Name
Representative Director President & CEO	Hisayuki Suekawa

[Audit & Supervisory Board Members]

[New Candidate (scheduled for appointment at 113th Annual General Meeting in June 2013)]

Title	Name
Audit & Supervisory Board Member (External) (Part-time)	Akio Harada

[Corporate Officers]

[Promotions (effective April 1, 2013)]

Title	Name	Main Responsibilities or Positions
Corporate Executive Officer	Tooru Sakai	Responsible for Business Strategy of Domestic Cosmetics Business (Business Strategy)

[New candidates (effective April 1, 2013)]

Title	Name	Main Responsibilities or Positions
President & CEO	Shinzo Maeda	CEO, Chairman of the Board of Directors
Corporate Officer	Takahiro Hayashi	Responsible for General Affairs, Legal Affairs, Executive Affairs, and Public Relations President & CEO, Shiseido Parlour Co., Ltd.
Corporate Officer	Hiroshi Maruyama	Responsible for International Business (International Business Strategy and Marketing)

[Retired (effective March 31, 2013)]

Title	Name	Main Responsibilities or Positions
President & CEO	Hisayuki Suekawa	CEO
Corporate Officer	Michiko Achilles	Responsible for Public Relations, Consumer Information, Environmental Affairs, Corporate Culture Reforms and CSR
Corporate Officer	Kozo Hanada	Chief Officer of Professional Business Operations Division President & CEO, Shiseido Professional Co., Ltd.
Corporate Officer	Asa Kimura	Responsible for Cosmetic Research & Development and Software Development
Corporate Officer	Mitsuo Takashige	Responsible for Corporate Planning and General Affairs (Legal Affairs and Executive Affairs)

(Reference)
Top Management Structure at Close of 113th Annual General Meeting in June 2013 (plan)

[Directors]

Title	Name	Main Responsibilities or Positions
Representative Director, Chairman, President & CEO	Shinzo Maeda	CEO, Chairman of the Board of Directors
Representative Director Corporate Senior Executive Officer	Carsten Fischer	Responsible for Global Business (International Business, China Business, and Professional Business) and the Americas Chief Officer of International Business Division Chairman and CEO, Shiseido Americas Corporation Chairman and CEO, Shiseido America Inc. Chairman, Zotos International, Inc.
Director Corporate Executive Officer	Yu Okazawa	Responsible for Asian Breakthrough Strategy Chief Officer of China Business Division General Manager of Asia Pacific Sales Department Chairman, Shiseido China Co., Ltd. Chairman, Shiseido Liyuan Cosmetics Co., Ltd. Chairman, Shanghai Zotos Citic Cosmetics Co., Ltd.
Director Corporate Executive Officer	Tooru Sakai	Responsible for Domestic Cosmetics Business (Business Strategies)
Director Corporate Executive Officer	Tatsuomi Takamori	Responsible for Domestic Cosmetics Business Chief Officer of Domestic Cosmetics Business Division
Director Corporate Officer	Yoshinori Nishimura	Chief Financial Officer Responsible for Finance, Investor Relations, Information Systems Responsible for Planning and Internal Control
External Director (Independent)	Shoichiro Iwata	President & CEO, ASKUL Corporation
External Director (Independent)	Taeko Nagai	Vice President, Setagaya Arts Foundation External Director, Mitsui Chemicals, Inc. Chairman of International Theatre Institute
External Director (Independent)	Tatsuo Uemura	Professor, School of Law, Waseda University Professor, Waseda Law School Management Committee Member and Audit Committee Member, Japan Broadcasting Corporation (NHK)

Notes: 1. Representative directors are scheduled to be decided at the Board of Directors meeting held following the 113th Annual General Meeting in June 2013.
2. Independent: Shoichiro Iwata, Taeko Nagai, and Tatsuo Uemura are designated as independent directors under Article 436-2 of Securities Regulations of the Tokyo Stock Exchange, and are expected to be reappointed as independent directors following their election at the Annual Meeting of Shareholders.

[Audit & Supervisory Board Members]

Title	Name	Main Responsibilities or Positions
Audit & Supervisory Board Members (Full-time)	Yasuko Takayama	—
Audit & Supervisory Board Members (Full-time)	Toshio Yoneyama	Auditor, Shiseido Beauty Academy Auditor, Shiseido Social Welfare Foundation
Audit & Supervisory Board Members (External) (Independent; part-time)	Akio Harada	External Director, Seiko Holdings Corporation External Corporate Auditor, Sumitomo Corporation External Director, Japan Post Holdings Corporation President, Japan Criminal Policy Society President, International Civil and Commercial Law Centre Foundation
Audit & Supervisory Board Members (External) (Independent; part-time)	Nobuo Otsuka	Chairman, Keiseikai Hospital Group
Audit & Supervisory Board Members (External) (Independent; part-time)	Eiko Tsujiyama	Professor, School of Commerce and the Graduate School of Commerce, Waseda University External Corporate Auditor, Mitsubishi Corporation External Corporate Director, ORIX Corporation External Corporate Auditor, Lawson, Inc. External Corporate Auditor, NTT DoCoMo, Inc.

Note: Independent: Akio Harada and Nobuo Otsuka are designated as independent directors under Article 436-2 of Securities Regulations of the Tokyo Stock Exchange. Akio Harada is expected to be designated as an independent director following his election at the Annual Meeting of Shareholders.

[Corporate Officers Not Serving Concurrently as Directors]

Title	Name	Main Responsibilities or Positions
Corporate Executive Officer	Masaru Miyagawa	Responsible for Marketing of Domestic Cosmetics Business Division, clé de peau BEAUTÉ Marketing Unit, Healthcare Business, and Domestic Non-Shiseido Brand Businesses
Corporate Officer	Takahiro Hayashi	Responsible for General Affairs, Legal Affairs, Executive Affairs, Public Relations Director and President, Shiseido Parlour Co., Ltd.
Corporate Officer	Kiyoshi Ishimoto	Responsible for Supply Chain (Production, Purchasing, and Logistics)
Corporate Officer	Tsunehiko Iwai	Responsible for Technical Planning, Quality Management, Pharmaceuticals Business, CSR, and Environmental Affairs and Frontier Science Business
Corporate Officer	Hiroshi Maruyama	Responsible for International Business (International Business Strategy and Marketing)
Corporate Officer	Shigeto Ohtsuki	Responsible for Personnel, Corporate Culture Reforms General Manager of Personnel Department
Corporate Officer	Chikako Sekine	Responsible for Beauty Creation and Consumer Information General Manager of Beauty Consultation Planning Department
Corporate Officer	Youichi Shimatani	Responsible for Research & Development (Cosmetics and New Fields)
Corporate Officer	Shigekazu Sugiyama	Responsible for Advertising Creation and Corporate Culture
Corporate Officer	Ryuichi Yabuki	Responsible for Sales of Domestic Cosmetics Business President & CEO, FT Shiseido Co., Ltd. President & CEO, Shiseido Sales Co., Ltd.