

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

2014-4-25
Masahiko Uotani
President & CEO
SHISEIDO Co., Ltd.

In this document, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause actual results and achievements to differ from those anticipated in these statements.

FY2013 Results

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

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

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

Impact of Last-Minute Surge in Demand Before Consumption Tax Hike

< FY2013 >

- Increase in store sales: approx. ¥14 billion (adjusted using wholesale unit prices)
- Increase in sales at sales subsidiary: approx. ¥12 billion

< FY2014 >

- Decrease in sales at sales subsidiary: approx. ¥8 billion

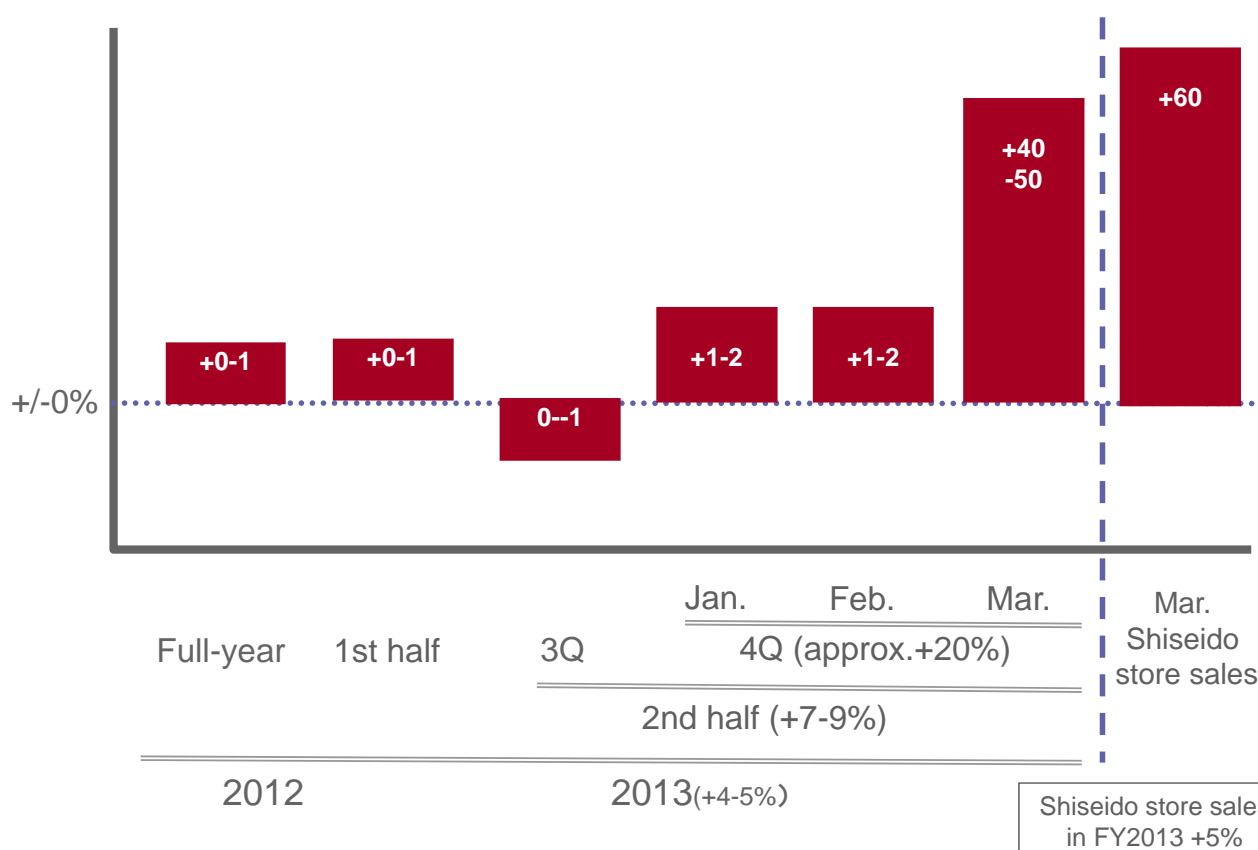
While the increase due to last-minute surge in demand in FY2013 was approx. ¥12 billion, the reactionary fall in FY2014 is expected to be approx. ¥8 billion.

< Current sales in April >

- Store sales: affected by reactionary fall
- Sales at sales subsidiary: Sales are exceeding the year-ago level

3

Domestic Market Growth Rate(Shiseido Estimate)



4

Domestic Cosmetics Sales

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

5

Global Business Sales

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

6

Shiseido's Propositions

Rebuild businesses in domestic market and restore growth potential.

- Strengthen marketing capabilities.
- Promote innovation.
- Improve sales structure and capabilities.
- Reform the organization and its culture.



Establish global brands to accelerate increase in earnings.

- Win the store-front competition.
- Ensure sustainable growth.
- Strengthen the financial position.



7

Initiatives Strengthen Brand and Marketing Capabilities

Establish a Global Marketing Model

Marketing

X

Innovation

- Consumer insight
- Purchasing behavior analysis
- Brand strategy
- Creativity
- Communication
- Sales network

- Basic research
- Development technology
- Commercialization research
- Quality control
- Usability
- Packaging

Build brand value.

8

Marketing Reform Project in Japan

Present

Operating many product lines and series across a wide range of prices and categories under the name *SHISEIDO*

Issue

While the impression and recognition of Shiseido as a company improved, the value provided to customers spread across various segments and lost focus.

Strengthen the brand *SHISEIDO*, the source and core of the absolute value of Shiseido.

9

Direction of Innovation in Domestic Brands and Lines

SHISEIDO

Offers the most advanced human science and best hospitality

ELIXIR

Combines the most advanced science leading the market and feminine beauty

MAQUILLAGE

Evolving into a trend makeup line that creates the femininity of a new era

BENEFIQUE

Evolving into a total cosmetic solution brand including point makeup and beauty care

HAKU

Evolving into a line specializing in skin brightening function

A line for senior customers

Introducing as a new line to represent “successful aging”

10

Initiatives Strengthen Brand and Marketing Capabilities

Establish brand portfolio strategy (optimal matrix for Brand and Area)

Present	Domestic	Europe	Americas	Asia	China
	⊙	⊙	⊙	⊙	⊙
	⊙			○	○
	⊙			○	○
	⊙			○	
	⊙			○	
A line for senior customers	⊙				
	⊙	○	○	○	○
	○	○	⊙	○	
	○	⊙	○	○	○
	○	○	⊙	○	
					⊙
					⊙
	○			⊙	⊙

⊙ Key market
○ Operating market

11

Outlook for FY2014

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

(Billion yen)	Forecast	YoY % Change	Local Currency	YoY Amount	*Real year-on-year change excluding special factors
Net Sales	780.0	+2.4%	+1%	+18.0	+4.4%
Domestic	370.0	-1.9%	-2%	-7.3	+2.5%
Overseas	410.0	+6.6%	+4%	+25.2	+6.3%
Operating Income	42.0	-15.4%	—	-7.6	*Supplement Data 11
Ordinary Income	42.0	-18.3%	—	-9.4	
Extraordinary Income / Loss	14.5	(-1.0)	—	+15.5	
Net Income	38.0	+45.3%	—	+11.9	

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

12

To expand profits through full implementation of the FY2014 Plan

1. Determine the level of reactionary fall after the consumption tax hike and countermeasures (after April)

2. Strengthen implementation of the brand strategy

Domestic

<i>BENEFIQUE</i>	May
<i>ULTIMUNE</i>	Sept.
<i>ELIXIR</i>	2nd half of FY2014
<i>MAQuillAGE</i>	2nd half of FY2014

A line for senior customers	2nd half of FY2014
<i>HAKU</i>	2nd half of FY2014
Men's hair care products	

Overseas

<i>AUPRES</i>	2nd half of FY2014
<i>BARESKIN</i>	May
<i>ULTIMUNE</i>	Sept.
<i>Urara</i>	2nd half of FY2014

3. Strengthen sales and distribution policies and develop retail channels

- Implement a new cosmetic specialty store policy
- Step up cooperation with large accounts and expand sales floors for self-selection cosmetics

4. Examine and streamline the cost structure throughout the company

5. Build the business management cycle and ensure it operates properly

This moment. This life. Beautifully. 

【Supplemental Data 1】 Sales by Geographic Segment

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

15

【Supplemental Data 2】 Market Growth Rate (% Shiseido Estimates)

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

16

【Supplemental Data 3】Cost of Sales/ SG&A

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

17

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

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

18

【Supplemental Data 5】
Sales and Operating Income by Reportable Segment

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

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

19

【Supplemental Data 6】
Domestic Cosmetics Sales and Operating Income

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

Domestic Cosmetic Business

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

20

【Supplemental Data 7】 Global Business Sales and Operating Income

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

Global Business

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

NARS fragrances etc.

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

21

【Supplemental Data 8】 Consolidated Balance Sheets

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

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

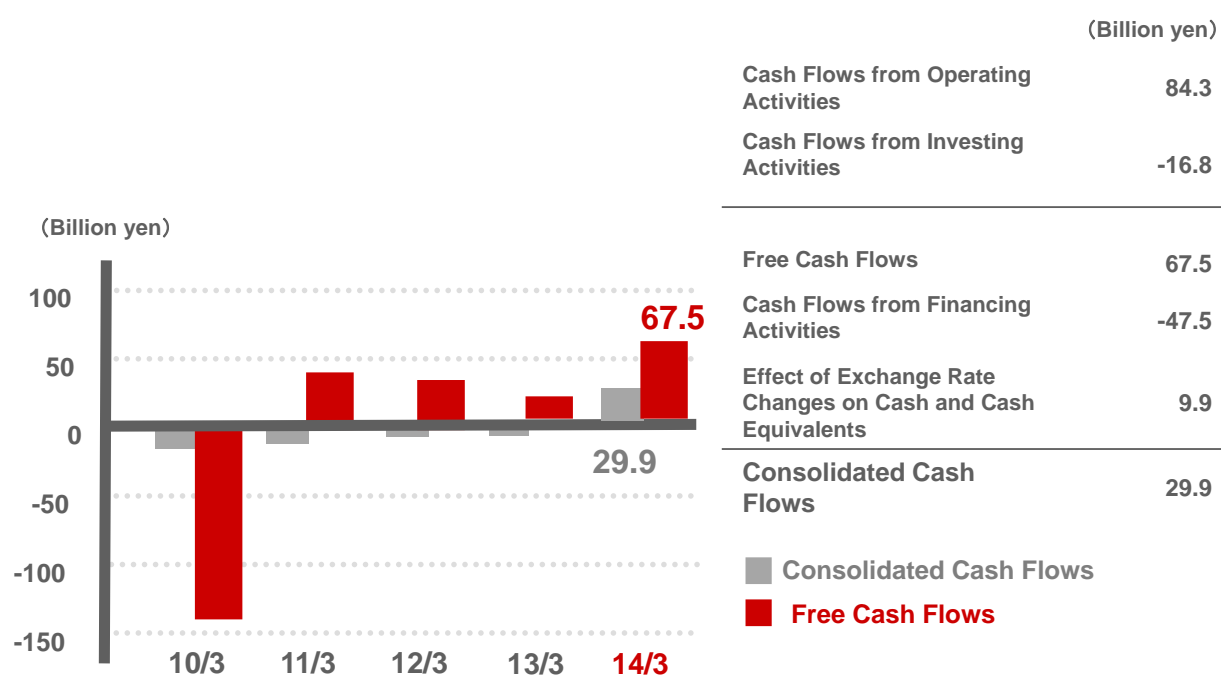
US1\$=¥105.4 1€=¥145.0 1RMB=¥17.4(2014/3)

US1\$=¥86.6 1€=¥114.7 1RMB=¥13.9(2013/3)

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

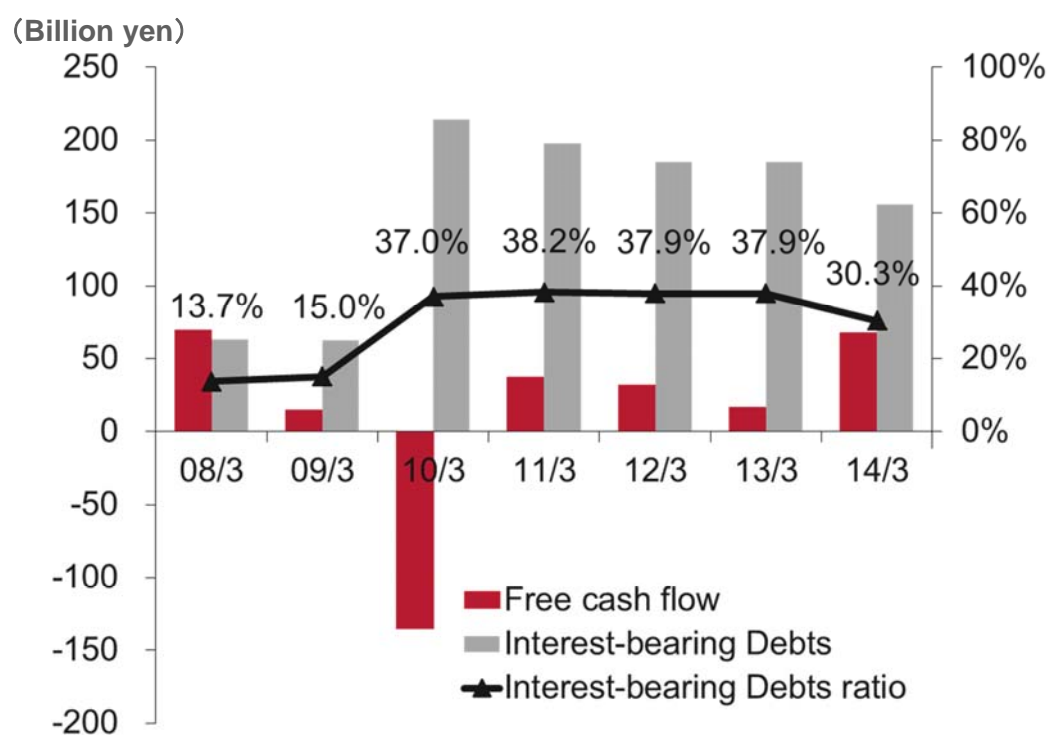
22

【Supplemental Data 9】 Consolidated Cash Flows



23

【Supplemental Data 10】 Interest-Bearing Debt Ratio etc.



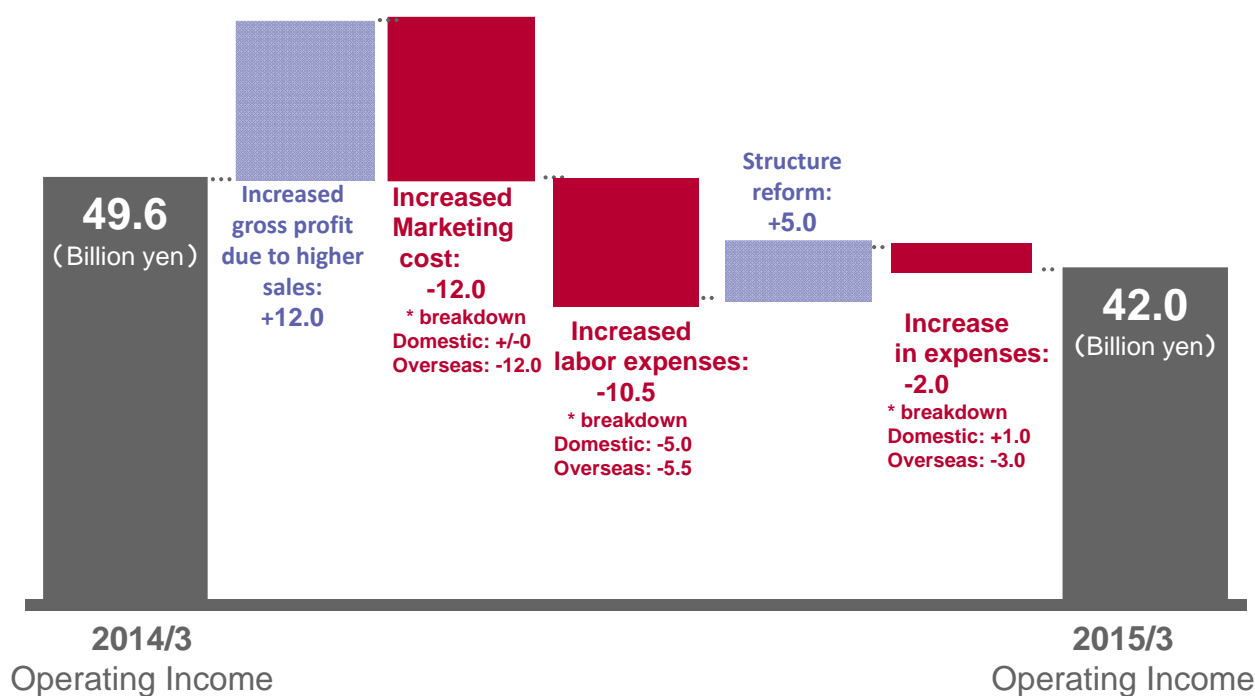
24

【Supplemental Data 11】 Adjusted YoY Growth Rate of FY2014 Sales

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

25

【Supplemental Data 12】 Factors of Changes in Operating Income



26

【Supplemental Data 13】

Capital Expenditure Depreciation Expenses etc.

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

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

27

【Supplemental Data 14】 Major Public Announcements

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

28