

# Results for FY2015 and Plan for FY2016

February 9, 2016

Masahiko Uotani  
Representative Director  
President and CEO



**SHISEIDO**

## **Fiscal Years**

<b>FY2015</b>	<b>Domestic<sup>1</sup>: Apr.-Dec. 2015, Overseas: Jan.-Dec. 2015</b>
<b>FY2014</b>	<b>Domestic<sup>1</sup>: Apr. 2014-Mar. 2015, Overseas: Jan.-Dec. 2014</b>
<b>FY2014 (Adjusted)<sup>2</sup></b>	<b>Domestic<sup>1</sup>: Apr.-Dec. 2014, Overseas: Jan.-Dec. 2014</b>
<b>FY2016</b>	<b>Domestic: Jan.-Dec. 2016, Overseas: Jan.-Dec. 2016</b>
<b>FY2015 (Adjusted)<sup>2</sup></b>	<b>Domestic: Jan.-Dec. 2015, Overseas: Jan.-Dec. 2015</b>

- 1. Excluding some subsidiaries**
- 2. Unaudited figures for reference**

**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.**

# Summary of Results

(Billion yen)	FY2015		FY2014(Adjusted) <sup>1</sup>				Announced Oct. 2015	Difference from Announce- ment
		% of Net Sales <sup>2</sup>		% of Net Sales <sup>2</sup>	YoY Change %	Change in Local Currency		
Net Sales	763.1	100%	677.5	100%	+ 12.6%	+ 7.8%	760.0	+ 3.1
Domestic	296.9	—	265.9	—	+ 11.7%	+ 11.5%	293.0	+ 3.9
Overseas	466.2	—	411.6	—	+ 13.3%	+ 5.4%	467.0	-0.8
Operating Income	37.7	4.9%	21.2	3.1%	+ 77.4%		30.0	+ 7.7
Ordinary Income	37.6	4.9%	22.8	3.4%	+ 64.8%		30.0	+ 7.6
Extraordinary Income/Loss (net)	5.3	0.7%	16.3	2.4%	-67.4%		5.5	-0.2
Net Income Attributable to Owners of Parent	23.2	3.0%	27.5	4.1%	-15.7%		13.0	+ 10.2
EBITDA	80.6	10.6%	77.5	11.4%	+ 4.1%			

Exchange Rates    USD 1 = JPY 121.1 (+ 14.3%), EUR 1 = JPY 134.3 (-4.4%), CNY 1 = JPY 19.2 (+ 11.7%)

1. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year)

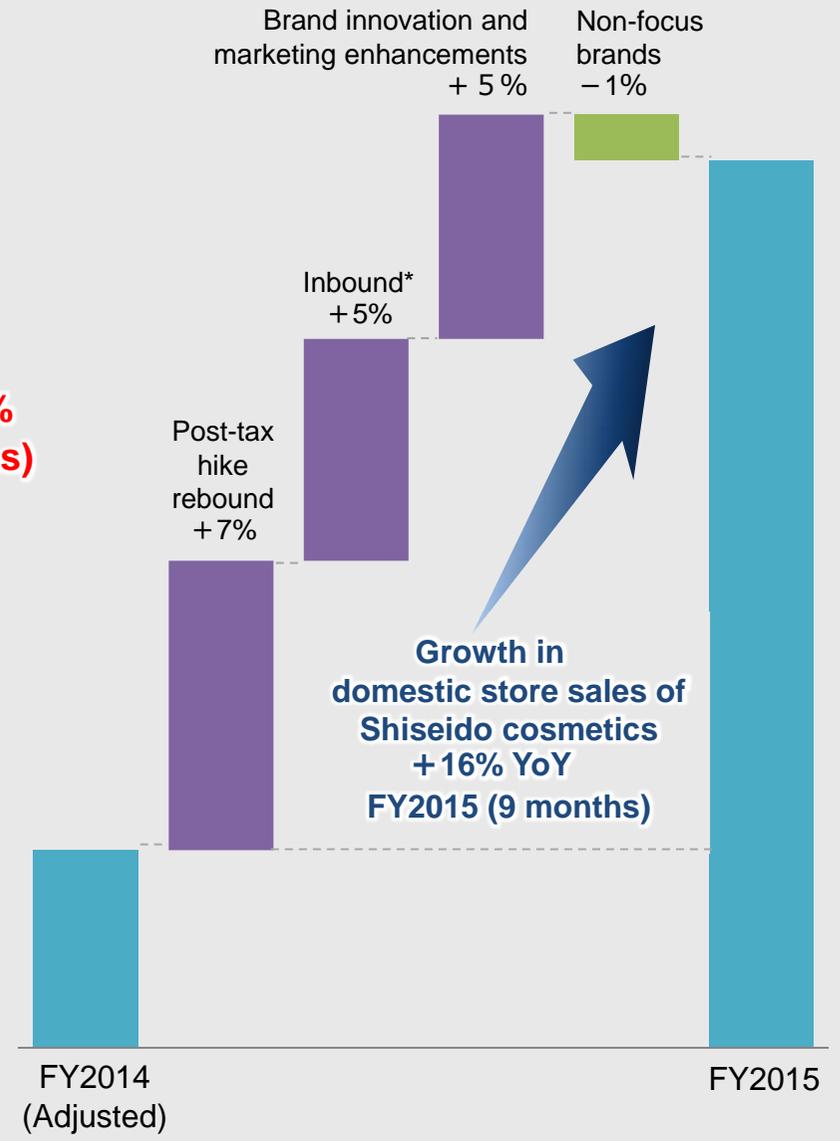
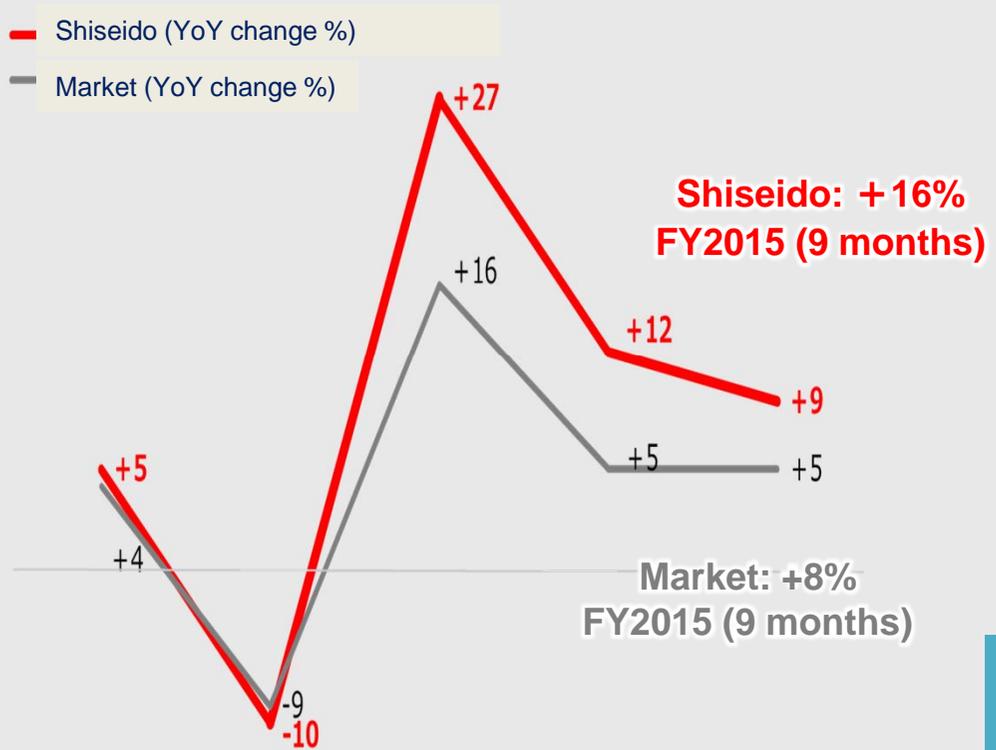
2. % of net sales for Domestic and Overseas are not shown because FY2015 and FY2014 (adjusted) are irregular. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year)

See slide 2 for details.

# Domestic Store Sales: Market vs. Shiseido

# Breakdown for Growth in Domestic Store Sales of Shiseido Cosmetics

FY2013	FY2014	FY2015		
		1Q	2Q	2nd Half (3 months)



\* inbound sales in the Japan Business (Excluding THE GINZA, etc. in Others)

# FY2015 Main Global Brands YoY Sales Growth



Japan  
**+32%**

China  
**+11%**

Asia  
Pacific  
**+4%**

Americas  
**+3%**

Europe  
**+8%**

Travel Retail  
**+9%**



Japan  
**+37%**

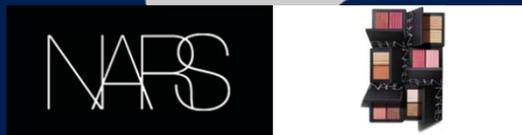
China  
**+32%**

Asia  
Pacific  
**+28%**

Americas  
**+31%**

Europe  
**+53%**

Travel Retail  
**+83%**



Asia  
Pacific\*  
**+48%**

Americas  
**+26%**

Europe\*  
**+74%**

\*YoY sales based on shipments (local currency basis). Actual results for Jan-Dec 2015.

\* For NARS: Travel retail sales is included in all regions. Asia Pacific includes Japan, Hong Kong, and etc.

# Sales by Region

(Billion yen)	FY2015	FY2014(Adjusted) <sup>1</sup>		
			YoY Change %	Change in Local Currency
Domestic	296.9	265.9	+ 11.7%	+ 11.5%
China	132.4	114.8	+ 15.4%	+ 3.7%
Asia	66.6	55.0	+ 21.2%	+ 15.0%
Americas	155.3	133.1	+ 16.7%	+ 3.5%
Europe	111.8	108.8	+ 2.8%	+ 4.6%
Overseas	466.2	411.6	+ 13.3%	+ 5.4%
Total	763.1	677.5	+ 12.6%	+ 7.8%

1. Adjusted to a 9-month period for domestic Group companies and a 12-month period for overseas Group companies. See slide 2 for details.

# Summary of Results

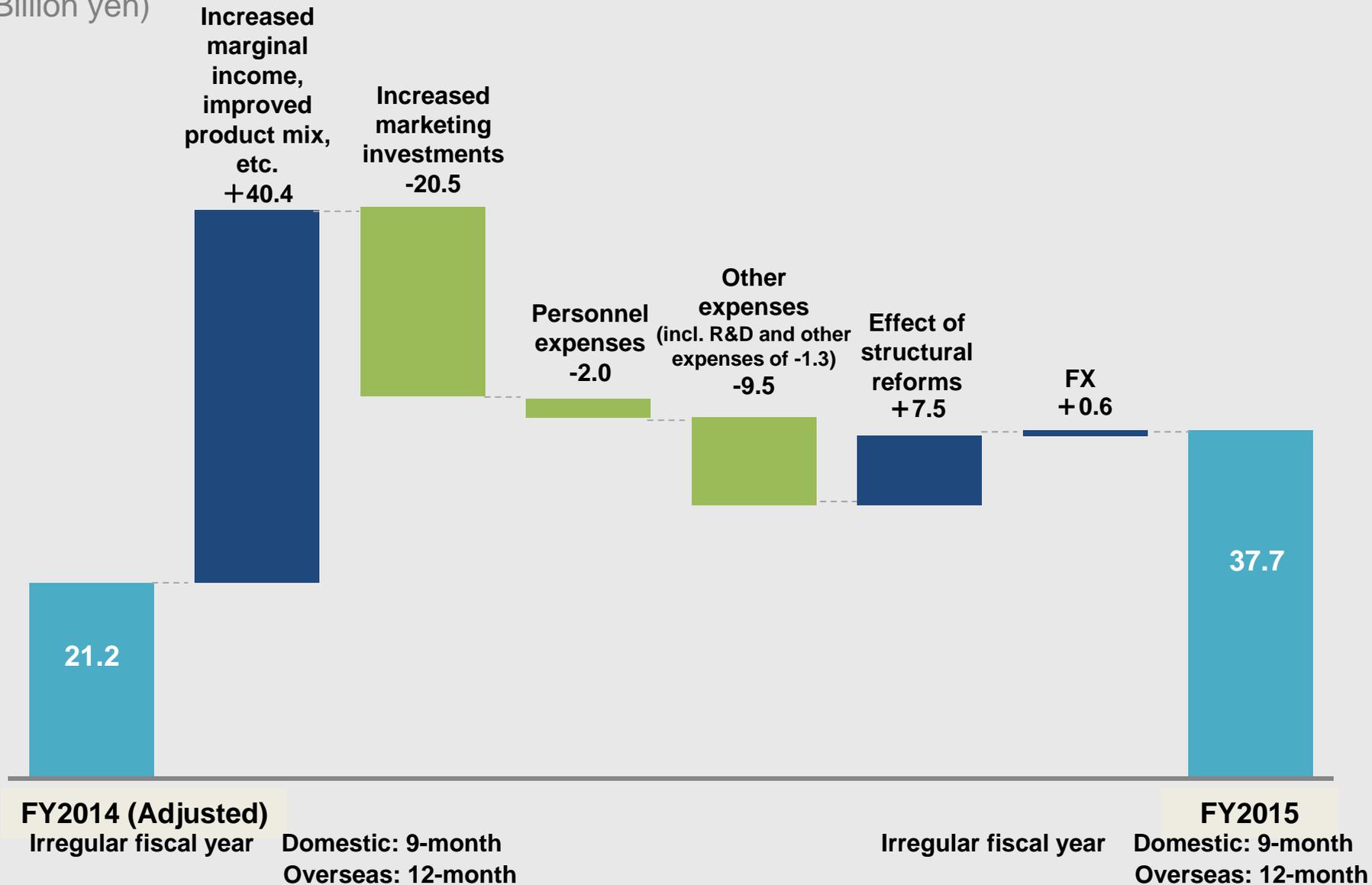
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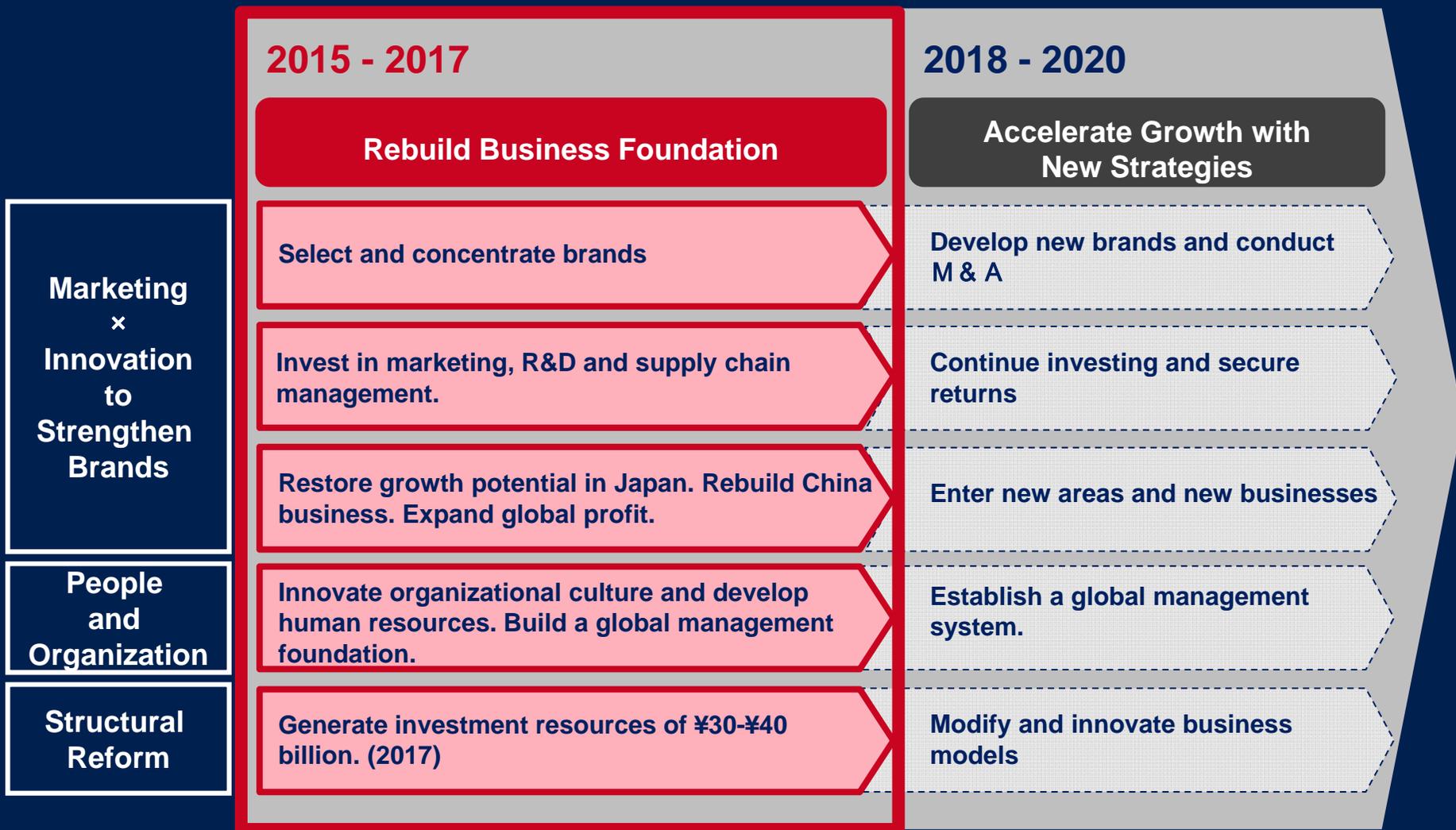
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2. % of net sales for Domestic and Overseas are not shown because FY2015 and FY2014 (adjusted) are irregular.  
(Domestic: 9-month fiscal year, Overseas:12-month fiscal year)  
See slide 2 for details.

# FY2015 Operating Income: Reasons for YoY Change

(Billion yen)



# VISION 2020 Roadmap



# FY2015 Progress on Track

- **Japan business back on a growth trajectory**
- **Prestige brands grew in all regions**
- **Established a regional headquarter system and created a foundation for improving profitability**
- **Determined large investments for the medium to long term in R&D and supply chain management**
- **Tackled legacy problems head on**
- **Made steady progress with cost structure reform**
- **Established a diverse management organization**
- **Created the framework for employees who will take on challenges**

# Key Tasks in 2016

- Sustain growth in Japan
- Rebuild the Cosmetics Business in China and restore local brands
- Increase profitability in Europe and the Americas
- Restore growth potential at Bare Escentuals

**Go forward with structural reforms and aggressive investment**



**Completely restructure the business foundation  
Ensure medium- and long-term growth**

# Sustainable Growth in Japan Business

(FY2016 Sales Plan: ¥406 billion +3%)

- Sustain growth in Prestige Business and Cosmetics Business
  - SHISEIDO, ELIXIR, MAQUILLAGE, HAKU, etc
- Fully Develop Low-Priced Cosmetics Brands
  - Renew and strengthen promotion of AQUALABEL, and INTEGRATE
- Reinforce the Personal Care Business and strengthen marketing and sales organization as a stand-alone business
  - Nurture and renew TSUBAKI and SENKA
  - Change distribution routed of MA CHÉRIE, AG+ and uno
- Respond to Inbound Demand

	YoY change in store sales	YoY change in market share		YoY change in store sales	YoY change in market share
	+43%	↗		+58%	↗
	+36%	↗		+34%	↗ (Wholesale shipment*)
	+14%	→		+5%	↘
	+15%	↗		+7%	↘
	+57%	↗		-22%	→ (Wholesale shipment*)

\*Wholesale shipment: shipment from whole sellers to retailers

Data source: Japan business YoY store sales (retail basis); actual results for Apr.-Dec. 2015. YoY comparison of share by brand and category in Japan: actual results for Apr.-Dec. 2015 (SRI basis); TSUBAKI and SENKA: actual wholesale shipments.



# Rebuild China Business

(FY2016 Sales Plan: ¥130.5 billion +10%, excluding extraordinary item\* +4%)

- The sales organization has largely normalized
- Further strengthen collaboration with distributors and cosmetics stores
- Reform organizational and HR systems and strengthen internal communication
- Rebrand AUPRES
- Revitalize the *URARA* and *PURE&MILD* brands

\*extraordinary item : ¥7.5 billion yen sales decrease  
due to the optimization of market  
inventory level carried out in 2015

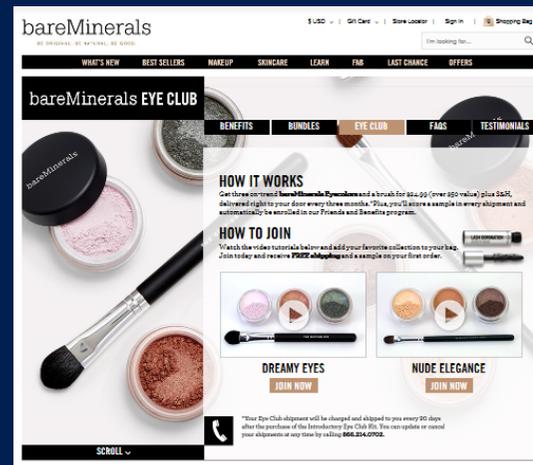


# Initiatives in Americas and EMEA Europe, the Middle East and Africa

(Americas: FY2016 Sales Plan: ¥174.0 billion +6%)  
 (EMEA: FY2016 Sales Plan: ¥87.0 billion -14%, excluding extraordinary item\* +11%)

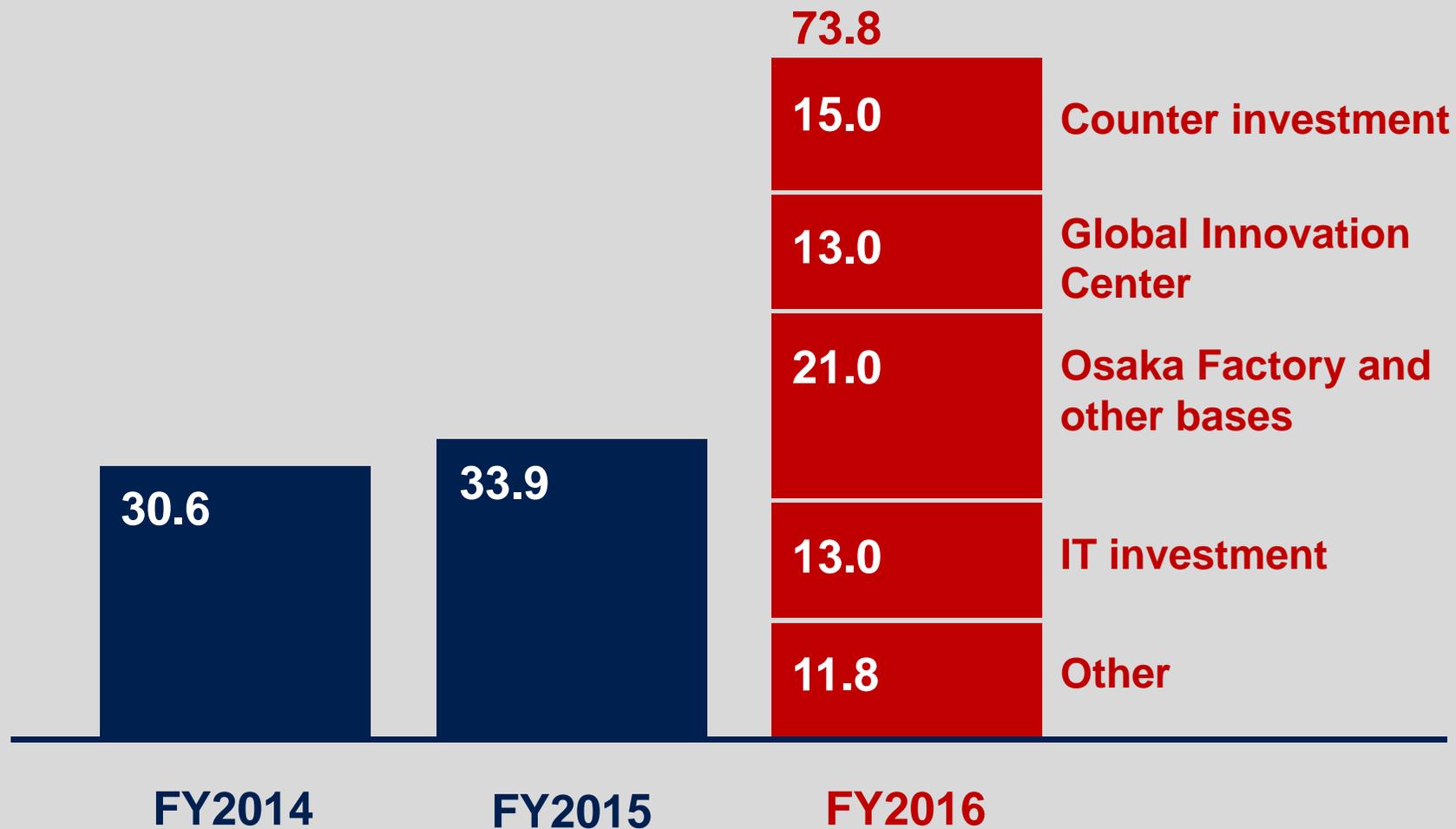
- Increase profitability in Americas and EMEA
  - Integrate business system and IT system  
Make efficiency by using shared services
  - Continue to nurture prestige brand and strengthen fragrance brands
- Restore growth potential and increase profitability of Bare Escentuals
  - Completely overhaul every single topics  
(marketing, channels, organization, operation cost)

\*extraordinary item : Impact of sales decline due to termination of fragrance brand contract



# Aggressive Capex to Achieve Medium-and Long-Term Growth

(Billion yen)



# Address the Uncertain Global Market Environment

- Slowing economy in China
- Fluctuating forex and stock markets
- Declining crude oil prices
- Rising U.S. interest rates
- Geopolitical risk
- Negative interest rates in Japan
- U.S. consumption trends

**Basic Plan for 2016**



**Implementation of  
additional contingency measures**

**Quarterly PDCA cycle**

**Successful execution  
of VISION 2020**

# FY2016 Outlook

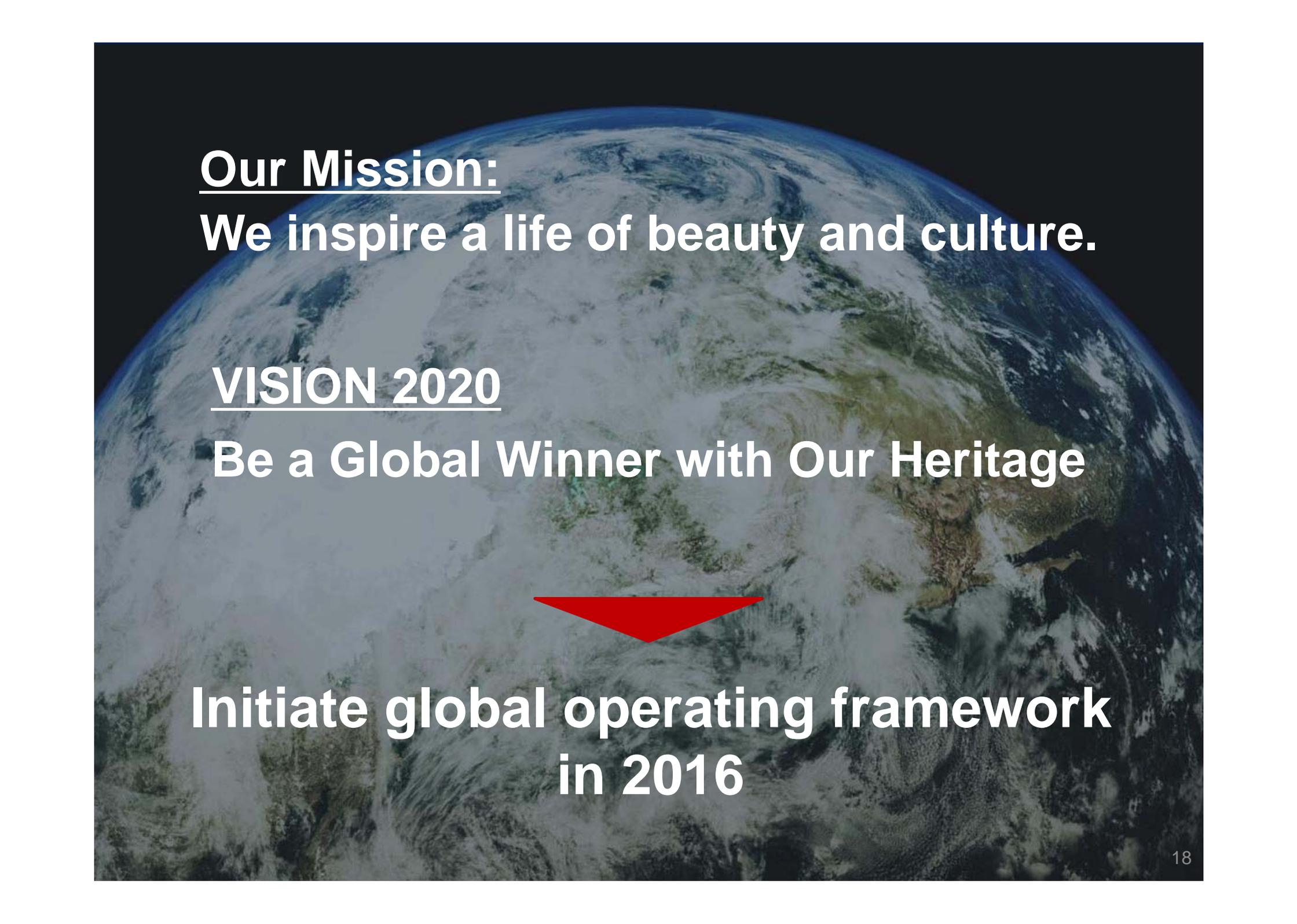
(Billion yen)	FY2016		FY2015	YoY Change	YoY Change after Adjustment*	
		% of Net Sales			JPY	Local Currency
Net Sales	872.0	100%	763.1	—	+ 1.0%	+ 3%
Operating Income	38.0	4.4%	37.7	—	-14.3%	-12%
Ordinary Income	38.0	4.4%	37.6	—	-14.1%	
Extraordinary Income	6.0	0.7%	5.3	—	-32.1%	
Net Income Attributable to Owners of Parent	28.0	3.2%	23.2	—	-5.0%	

ROE Forecast 7.0%

Exchange Rates USD 1 = JPY 119 (-2%), EUR 1 = JPY 130 (-3%), CNY 1 = JPY 18.0 (-6%)

Dividends Interim ¥10, Year-end ¥10 (planned)

\*For comparison purposes, figures for FY2015 have been adjusted to a 12-month fiscal period ended December 31, 2015 for Japan and overseas to correspond with the fiscal period for FY2016.



**Our Mission:**

**We inspire a life of beauty and culture.**

**VISION 2020**

**Be a Global Winner with Our Heritage**



**Initiate global operating framework  
in 2016**

SHISEIDO

# Supplemental Data 1

## Sales and Operating Income by Reportable Business Segment<sup>1</sup>

(Billion yen)	FY2015	FY2014 (Adjusted) <sup>2</sup>	
			YoY Change %
Japan Business	266.8	240.5	+ 10.9%
Global Business	478.8	424.3	+ 12.9%
Others	17.5	12.7	+ 37.8%
<b>Net Sales</b>	<b>763.1</b>	<b>677.5</b>	<b>+ 12.6%</b>
Japan Business	30.5	20.1	+ 52.1%
Global Business	2.1	-1.9	—
Others	4.9	3.1	+ 58.0%
Elimination/Corporate	0.1	-0.1	—
<b>Operating Income</b>	<b>37.7</b>	<b>21.2</b>	<b>+ 77.4%</b>

1. In the lead up to the start of a new organization system from fiscal 2016, the Company undertook a partial revision of its reportable segment classification method effective from the fiscal year under review. Accordingly, the “Domestic Cosmetics Business” and “Global Business” segments have been reclassified into the “Japan Business” and “Global Business” segments, respectively. Taking into account this change, certain subsidiaries previously included in the “Domestic Cosmetics Business” segment have been reallocated into the “Global Business” and “Others” segments. Moreover, and in order to more accurately grasp the condition of operating results in each segment, steps have also been taken to revise the allocation method of certain expenses. Data for the previous fiscal year’s operating results are presented after restatement based on changes to the business segment classification method and expenses allocation method.
2. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas: 12-month fiscal year) See slide 2 for details.

## Supplemental Data 2 Japan Business<sup>1</sup> Sales

(Billion yen)	FY2015	FY2014 (Adjusted) <sup>2</sup>	
			YoY Change %
Prestige	81.7	69.5	+ 17.6%
Cosmetics	136.4	124.2	+ 9.8%
Personal Care	32.2	31.3	+ 3.0%
Digital	5.6	4.8	+ 17.2%
Healthcare & Others	10.8	10.8	+ 0.4%
Japan Business	266.8	240.5	+ 10.9%

1. In line with organizational reforms, the former Domestic Cosmetics Business segment has been revised to the Japan Business Segment, and reportable segment classifications have been changed accordingly.
2. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year)

## Supplemental Data 3 Global Business<sup>1</sup> Sales

(Billion yen)	FY2015	FY2014 (Adjusted) <sup>2</sup>		
			YoY Change %	YoY Change in Exchange Rates
Cosmetics	438.4	384.6	+ 14.0%	+ 6.4%
Professional	40.4	39.6	+ 2.0%	-7.0%
Global Business	478.8	424.3	+ 12.9%	+ 5.1%

1. In line with organizational reforms, the former Global Business segment has been reorganized, and reportable segment classifications have been changed accordingly.
2. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year)

## Supplemental Data 4 Cost of Sales/SG&A

(Billion yen)	FY2015		FY2014 (Adjusted) <sup>1</sup>			
		% of Net Sales	Change in % of Net Sales +: % decrease	YoY Change	Change +: cost cuts	YoY Change Excl. Impact of Foreign Currency Exchange +: cost cuts
Cost of Sales	196.0	25.7%	+ 0.3%	+ 11.3%	-19.9	-8.8
SG&A	529.4	69.4%	+ 1.5%	+ 10.3%	-49.3	-28.2
(Domestic)	215.7	73.0%	+ 2.7%	+ 7.9%	-15.7	-15.7
(Overseas)	313.6	67.1%	+ 0.7%	+ 12.0%	-33.6	-12.4
Marketing Costs <sup>2</sup>	192.1	25.2%	-0.5%	+ 15.0%	-25.1	-19.1
Personnel Expenses <sup>2</sup>	196.0	25.7%	+ 1.6%	+ 5.9%	-10.9	-1.0
Other Expenses <sup>2</sup>	131.2	17.2%	+ 0.3%	+ 10.7%	-12.7	-8.2
M&A-Related Amortization Expenses	10.1	1.3%	+ 0.1%	+ 6.7%	-0.6	+ 0.1

1. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year)
2. Sales counter amortization expenses, which used to be classified as Other Expenses, moved to Marketing Costs. In addition, cost of BCs hired by distributors and retailers moved from Other Expenses to Personnel Expenses. Data for the previous fiscal year's operating results are presented after restatement based on changes to the business segment classification method and expenses allocation method.

## Supplemental Data 5

### Capital Expenditures, Depreciation and Amortization, etc.

(Billion yen)	FY2015	FY2014	FY2016 Forecast
Investments in Fixed Assets, and etc. <sup>1</sup>	33.9	30.6	73.8
Property, Plant and Equipment	18.5	18.1	57.0
Intangible Assets, and etc.	15.4	12.5	16.7
Depreciation & Amortization	31.8	33.4	35.6
Property, Plant and Equipment	17.4	17.6	19.2
Intangible Assets, and etc.	14.4	15.8	16.4
R&D Expenses	11.3	14.2	16.5

1. Investments in capital expenditures; property, plant and equipment; intangible fixed assets (excluding goodwill); and long-term prepaid expenses

## Supplemental Data 6

### Sales by Reportable Business Segment<sup>1</sup>

(Billion yen)	FY2016 Forecast	FY2015 Results		FY2015 (Adjusted) <sup>2</sup>		
			YoY Change %			
Japan	406.0	295.2	—	395.2	+ 2.7%	+ 3%
China	130.5	125.7	—	125.7	+ 3.8%	+ 10%
Asia Pacific	56.0	53.2	—	53.4	+ 4.8%	+ 5%
Americas	174.0	167.5	—	167.5	+ 3.9%	+ 6%
EMEA <sup>3</sup>	87.0	104.2	—	104.2	-16.5%	-14%
Travel Retail	18.5	17.2	—	17.2	+ 7.6%	+ 10%
<b>Total</b>	<b>872.0</b>	<b>763.1</b>		<b>863.3</b>	<b>+ 1.0%</b>	<b>+ 3%</b>

1. Effective from the fiscal year ending Dec. 31, 2016, the Company has revised its business segment classification method in line with change to its organization system. Under this change, plans are in place to reclassify the Company's business into "Japan business," "China Business," "Asia Pacific Business," "Americas Business," "EMEA Business," and "Travel Retail Business" segments.

2. FY2015 was a transitional fiscal period during which domestic results were for the nine months and overseas results were for the twelve months ended December 31, 2015. Domestic results for FY2015 have been annualized for comparability with FY2016.

3. Europe, the Middle East and Africa.