

SHISEIDO Co., Ltd.  
FY2013 **First Three Quarters  
Results and Outlook**

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.

2014-1-31

- I will be reviewing Shiseido's results for the first three quarters of fiscal year 2013 and explain our outlook for the full year.

1

**First Three Quarters Results (Ended December 2013)** SHISEIDO

(Billion yen)	Results	YoY % Change	Local Currency	YoY Amount
Net Sales	535.4 [174.9]	+10.4% [+15.7%]	+0.0% [+2.9%]	+50.6 [+23.7]
Domestic	271.4 [89.6]	-0.5% [+4.1%]	-0.6% [+3.9%]	-1.3 [+3.5]
Overseas	264.0 [85.3]	+24.5% [+31.1%]	+0.8% [+1.5%]	+51.9 [+20.2]
Operating Income	33.3	+264.3%	+197.6%	+24.2
Ordinary Income	35.4	+250.7%	—	+25.3
Extraordinary Income/Loss	-5.0	(-0.3)	—	-4.7
Net Income	16.7	+267.2%	—	+12.2

The figure in parentheses [ ] is the amount in the third quarter (3 months).  
The figure in parentheses ( ) is the amount in the previous fiscal year.

- Overseas Sales Ratio 49.3% (+5.5 pp)
- Operating Margin 6.2% (+4.3 pp)
- Exchange Rate 1 US\$ = ¥96.7 (+22%), 1 Euro = ¥127.4 (+25%),  
1 RMB = ¥15.7 (+25%)

- Let's begin with a summary of the statement of income.
- During the nine months ended in December 2013, consolidated net sales rose 10.4% over the same period last year, to 535.4 billion yen.
- Domestic sales in the third quarter increased 4.1% year on year, reflecting an increase after the reduction in shipments in September in addition to firm store sales. Domestic sales for the nine months ended in September 2013 decreased 0.5% to 271.4 billion yen.
- Overseas sales in the third quarter from July to September rose 1.5% in local currency terms. Although sales fell in the Americas, sales in Europe and Asia rose after the decline in sales the previous year. Overseas sales for the nine months ended in September 2013 rose 0.8% in local currency terms and 24.5% in yen, to 264.0 billion yen.

2-1

### First Three Quarters Results (Ended December 2013) SHI/EIDO

(Billion yen)	Results	YoY % Change	Local Currency	YoY Amount
Net Sales	535.4 [174.9]	+10.4% [+15.7%]	+0.0% [+2.9%]	+50.6 [+23.7]
Domestic	271.4 [89.6]	-0.5% [+4.1%]	-0.6% [+3.9%]	-1.3 [+3.5]
Overseas	264.0 [85.3]	+24.5% [+31.1%]	+0.8% [+1.5%]	+51.9 [+20.2]
Operating Income	33.3	+264.3%	+197.6%	+24.2
Ordinary Income	35.4	+250.7%	—	+25.3
Extraordinary Income/Loss	-5.0	(-0.3)	—	-4.7
Net Income	16.7	+267.2%	—	+12.2

The figure in parentheses [ ] is the amount in the third quarter (3 months).  
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- Overseas Sales Ratio 49.3% (+5.5 pp)
- Operating Margin 6.2% (+4.3 pp)
- Exchange Rate 1 US\$ = ¥96.7 (+22%), 1 Euro = ¥127.4 (+25%),  
1 RMB = ¥15.7 (+25%)

- Operating income increased 264.3% compared to last year, to 33.3 billion yen. Factors contributing to the increase were lower personnel costs including bonuses and pension expenses and lower other costs as a result of cost structure reforms in Japan, and efficient management of marketing costs and increased gains from the weak yen overseas.
  - Ordinary income climbed 250.7% year on year, to 35.4 billion yen, mainly due to valuation gains on foreign currency denominated assets as a result of the weak yen in addition to increased operating income.
- Net income rose 267.2%, to 16.7 billion yen.

2-2

### Sales by Reportable Segment SHI/EIDO

(Billion yen)	FY2013 First Three Quarters			FY2013 Third Quarter (3 months)		
		YoY % Change	Local Currency		YoY % Change	Local Currency
Domestic Cosmetics	251.2	-0.4%	-0.4%	82.3	+4.5%	+4.5%
Global Business	276.8	+22.7%	+0.3%	89.9	+28.6%	+0.8%
Others	7.4	+4.4%	+4.4%	2.8	+7.6%	+7.6%
Total	535.4	+10.4%	+0.0%	174.9	+15.7%	+2.9%

\* For a year-on-year comparison of the first three quarters only, please refer to the supplemental data on p.17.

- Next, we look at sales by reportable segment. In my explanation of sales information by reportable segment, I will focus on the figures for the third quarter.
- I will come to Domestic Cosmetics and Global Business later.
- In the Others segment, sales rose 7.6%, reflecting the inclusion of sales of French restaurant L'Osier, newly reopened in October, in the favorably performing food and restaurant business.

3

### Domestic Cosmetics Sales by Reportable Segment ∫HI/EIDO

(Billion yen)	FY2013 First Three Quarters			FY2013 Third Quarter (3 months)		
		YoY Amount	YoY % Change		YoY Amount	YoY % Change
Counseling	132.2	+2.5	+1.9%	47.3	+4.3	+9.9%
Self-selection	54.9	-2.1	-3.6%	16.1	-0.0	-0.2%
Toiletries	26.9	-1.7	-6.0%	7.2	-0.9	-10.6%
Cosmetics	213.9	-1.3	-0.6%	70.6	+3.4	+5.0%
Healthcare	11.2	+0.0	+0.1%	3.3	-0.2	-5.2%
Others	26.0	+0.4	+1.6%	8.4	+0.4	+4.5%
Domestic Cosmetics	251.2	-0.9	-0.4%	82.3	+3.6	+4.5%

\* For a year-on-year comparison of the first three quarters only, please refer to the supplemental data on p.18.

<Third quarter>

- Market growth was the same level as the previous year as a result of recovery in personal consumption.
- Although store sales (Counseling + Self-selection) growth remained flat overall, sales via department stores and drugstores were higher than the year-ago level.
- The amount relating to special recovery of market inventory that was recorded as an extraordinary loss is not included in the above amounts.

- This is a breakdown of Domestic Cosmetics sales.
- In the third quarter, the domestic cosmetics market was perceived to be on a par with the previous year as a result of the recovery in personal consumption.
- Although our store sales growth remained flat overall, sales via department stores and drugstores were higher than the year-ago level, and there was a real sense of recovery in the middle-price range.
- Totally, cosmetics shipment sales rose 5%, reflecting enhancement of the product lineup in December, in addition to an increase after the reduction in shipments in September.
- By product category, the counseling category achieved sales growth of 9.9%. This growth was driven by continued strong sales of *Day Care Revolution* launched the previous year and extra sales of *Enriched Serum* launched in the second quarter in the *ELIXIR* line, as well as liquid-type *True Foundation* from the *MAQuillAGE* line.

4-1

### Domestic Cosmetics Sales by Reportable Segment ∫HI/EIDO

(Billion yen)	FY2013 First Three Quarters			FY2013 Third Quarter (3 months)		
		YoY Amount	YoY % Change		YoY Amount	YoY % Change
Counseling	132.2	+2.5	+1.9%	47.3	+4.3	+9.9%
Self-selection	54.9	-2.1	-3.6%	16.1	-0.0	-0.2%
Toiletries	26.9	-1.7	-6.0%	7.2	-0.9	-10.6%
Cosmetics	213.9	-1.3	-0.6%	70.6	+3.4	+5.0%
Healthcare	11.2	+0.0	+0.1%	3.3	-0.2	-5.2%
Others	26.0	+0.4	+1.6%	8.4	+0.4	+4.5%
Domestic Cosmetics	251.2	-0.9	-0.4%	82.3	+3.6	+4.5%

\* For a year-on-year comparison of the first three quarters only, please refer to the supplemental data on p.18.

<Third quarter>

- Market growth was the same level as the previous year as a result of recovery in personal consumption.
- Although store sales (Counseling + Self-selection) growth remained flat overall, sales via department stores and drugstores were higher than the year-ago level.
- The amount relating to special recovery of market inventory that was recorded as an extraordinary loss is not included in the above amounts.

- The self-selection category reported a 0.2% decline in sales. While *AQUALABEL*, helped by the continuing development of *Special Gel Cream*, achieved sales growth, sales of lines such as the men's cosmetics line *UNO* struggled.
- The toiletries category saw a fall of 10.6% in sales. Although sales of the *SENKA* were solid, sales of the leading line *TSUBAKI* were below the year-ago level.
- In the Healthcare Business Division, sales decreased 5.2%. Although sales of *Kirei no Susume* beauty drinks were brisk, sales of core product *The Collagen* sank, under the impact of market contraction.
- The Others Division posted sales growth of 4.5%. This growth was driven by *THE GINZA* and *IPSA*.
- As a result, Domestic Cosmetics Business sales in the third quarter rose 4.5%, while sales for the nine months ended December 2013 fell 0.4%, to 251.2 billion yen.

4-2

## Global Business Sales by Reportable Segment

SHISEIDO

(Billion yen)	FY2013 First Three Quarters			FY2013 Third Quarter (3 months)		
		YoY % Change	Local Currency		YoY % Change	Local Currency
Cosmetics	241.7	+23.6%	+0.0%	78.1	+30.4%	+0.8%
Professional	35.1	+16.6%	+2.0%	11.8	+17.9%	+0.8%
Global Business	276.8	+22.7%	+0.3%	89.9	+28.6%	+0.8%

\* For a year-on-year comparison of the first three quarters only, please refer to the supplemental data on p.19.

- Next, we look at Global Business.
- In the Overseas Cosmetics Division, sales increased 0.8% in local currency terms, with growth in China offsetting decline in the Americas.
- The Overseas and Domestic Professional Division showed sales growth of 0.8%, largely due to growth in the Asia region overseas, which offset year-on-year decline in Japan.
- As a result, Global Business sales in the third quarter edged up 0.8%, while sales for the nine months ended September 2013 climbed 0.3% in local currency terms and 22.7% in yen, to 276.8 billion yen.

5

## Sales by Geographic Segment

SHISEIDO

(Billion yen)	FY2013 First Three Quarters			FY2013 Third Quarter (3 months)		
		YoY % Change	Local Currency		YoY % Change	Local Currency
Japan	271.4	-0.5%	-0.6%	89.6	+4.1%	+3.9%
Americas	83.0	+23.8%	+1.4%	27.9	+20.4%	-4.8%
Europe	69.8	+27.6%	+2.3%	23.9	+33.8%	+1.2%
Asia/Oceania	111.2	+23.1%	-0.6%	33.5	+39.4%	+7.9%
Overseas	264.0	+24.5%	+0.8%	85.3	+31.1%	+1.5%
Total	535.4	+10.4%	+0.0%	174.9	+15.7%	+2.9%

\* For a year-on-year comparison of the first three quarters only, please refer to the supplemental data on p.20.

- Looking at sales by geographic segment, the Americas region saw sales decline of 4.8% in local currency terms. Global brand *SHISEIDO* and *NARS* continued to perform strongly and the fragrance business which started handling *Ferragamo* generated additional sales, but sales of *Bare Escentuals* were below the year-ago level mainly due to the promotion of structural reforms such as closing unprofitable stores.
- In Europe, sales increased 1.2%. Sales of global brand *SHISEIDO* were brisk in Italy, Spain and airport duty free shop business due to factors such as the launch of the new skincare line *IBUKI*.
- In Asia/Oceania, sales increased 7.9%. China recorded high single digit growth, thanks to the sales contributions of brands and areas that are the focus of efforts, in addition to a rise after last year's decline. In other parts of Asia, while sales in some countries such as South Korea struggled, Vietnam and Malaysia recorded strong sales.

6

### Cost of Sales/ SG&A

JHI/EIDO

(Billion yen)	13/12 Result			12/12 Result		YoY Increase/ Decrease +cost cut	YoY % Change
		% of Net Sales	% pt. Change +decrease		% of Net Sales		
Cost of Sales	131.5	24.6%	-0.5%	116.9	24.1%	-14.6	+12.5%
SG&A	370.5	69.2%	+4.8%	358.7	74.0%	-11.8	+3.3%
(Domestic)	196.6	72.7%	+4.5%	209.3	77.2%	+12.8	-6.1%
(Overseas)	174.0	65.7%	+4.2%	149.4	69.9%	-24.6	+16.5%
Advertising & Selling	112.7	21.1%	+2.6%	115.0	23.7%	+2.3	-2.0%
Personnel	134.0	25.0%	+1.2%	126.8	26.2%	-7.2	+5.7%
Others	117.2	21.9%	+0.8%	110.2	22.7%	-7.0	+6.4%
M&A-related Amortization Cost	6.7	1.2%	+0.2%	6.8	1.4%	+0.1	-1.6%

- Moving on, this slide shows cost of sales and SG&A expenses for the first three quarters compared with the same period of the previous fiscal year.
- The cost of sales as a percentage of net sales rose 0.5 percentage points from the previous year, to 24.6%.
- Although there were factors for improvement in the ratio of cost of sales in Japan such as reduction in personnel costs in relation to production and improvement in the product mix due to expansion of products in the middle and high price ranges, the increase in allowance for sales returns relating to the recovery of lower-ranked products had a negative effect.
- SG&A expenses as a percentage of net sales fell 4.8 percentage points from the previous year, to 69.2%.

7-1

### Cost of Sales/ SG&A

JHI/EIDO

(Billion yen)	13/12 Result			12/12 Result		YoY Increase/ Decrease +cost cut	YoY % Change
		% of Net Sales	% pt. Change +decrease		% of Net Sales		
Cost of Sales	131.5	24.6%	-0.5%	116.9	24.1%	-14.6	+12.5%
SG&A	370.5	69.2%	+4.8%	358.7	74.0%	-11.8	+3.3%
(Domestic)	196.6	72.7%	+4.5%	209.3	77.2%	+12.8	-6.1%
(Overseas)	174.0	65.7%	+4.2%	149.4	69.9%	-24.6	+16.5%
Advertising & Selling	112.7	21.1%	+2.6%	115.0	23.7%	+2.3	-2.0%
Personnel	134.0	25.0%	+1.2%	126.8	26.2%	-7.2	+5.7%
Others	117.2	21.9%	+0.8%	110.2	22.7%	-7.0	+6.4%
M&A-related Amortization Cost	6.7	1.2%	+0.2%	6.8	1.4%	+0.1	-1.6%

- Domestic costs were down 12.8 billion yen, primarily due to greater cost efficiency as a result of cost structure reforms and the certain costs being lower than forecast, in addition to lower personnel costs.
- Overseas costs increased 24.6 billion yen due to the weak yen but decreased 8.7 billion yen in real terms excluding the effect of the weak yen, largely owing to cost efficiency improvements. SG&A as a percentage of net sales fell 4.2 percentage points.
- A breakdown by cost item reveals that the share of marketing costs decreased 2.6 percentage points, to 21.1%. Improvements in costs efficiency in Japan and overseas contributed to the drop.
- Personnel costs as a percentage of net sales dropped 1.2 percentage points, to 25.0%. This fall reflects reduction in bonuses in Japan and a decrease in retirement benefit expenses.
- Other costs as a percentage of net sales fell 0.8 percentage points, to 21.9%. Efficient cost management, including cost structure reforms in Japan and overseas contributed to this decrease.
- Please refer to the supplemental data for a breakdown of domestic and overseas SG&A expenses.

7-2

## Operating Income by Reportable Segment

SHI/EIDO

(Billion yen)		13/12 Result	12/12 Result	YoY Amount	YoY % Change
Domestic Cosmetics	Operating Income	28.1	17.5	+10.6	+60.6%
	OP Margin	11.1%	6.9%	+4.2 pp	
Global Business	Operating Income before Amortization	9.9	-2.9	+12.8	—
	Operating Income	3.3	-9.6	+12.9	—
	OP Margin	1.2%	-4.2%	+5.4 pp	
Others	Operating Income	1.6	1.4	+0.2	+15.6%
	OP Margin	14.5%	12.7%	+1.8 pp	
Elimination/Corporate	Operating Income	0.3	-0.1	+0.5	—
Total	Operating Income before Amortization	40.0	15.9	+24.1	+151.2%
	Operating Income	33.3	9.2	+24.2	+264.3%
	OP Margin	6.2%	1.9%	+4.3 pp	

- Let us now move on to operating income by reportable segment.
- In Domestic Cosmetics, operating income increased 10.6 billion yen due to lower personnel costs as a result of a reduction in bonuses and efficient management of marketing costs and other costs though cost structure reforms, which offset an increase in costs of sales associated with the recovery of store-level inventory.
- The OP margin climbed 4.2 percentage points from the previous year, to 11.1%.
- In Global Business, operating income rose 12.9 billion yen due to the weak yen, in addition to efficient management of marketing costs. The OP margin improved 5.4 percentage points, to 1.2%.

8

## Consolidated Balance Sheets

SHI/EIDO

(Billion yen)	13/12	Change from 2013/3	Excluding Foreign Currency Exchange	Foreign Currency Exchange
Total Current Assets	346.0	+13.3	-11.0	+24.3
Cash Deposits and Securities	105.2	+14.0	+7.3	+6.7
Notes & Accounts Receivable	107.7	-10.5	-18.5	+8.0
Inventories	94.7	+10.2	+2.4	+7.7
Total Fixed Assets	392.0	+9.1	-14.9	+24.1
Property Plant and Equipment	131.1	+3.3	-2.4	+5.7
Intangible Assets	158.8	+8.1	-8.6	+16.8
Investments and Other Assets	102.1	-2.3	-3.9	+1.6
Total Assets	738.0	+22.4	-25.9	+48.3

  

(Billion yen)	13/12	Change from 2013/3	Excluding Foreign Currency Exchange	Foreign Currency Exchange
Total Liabilities	392.2	-20.3	-33.6	+13.3
Notes & Accounts Payable	46.0	+2.5	+0.0	+2.5
Other Payables	31.8	-7.9	-8.3	+0.4
Interest-bearing Debt	173.5	-11.2	-12.6	+1.5
Total Net Assets	345.8	+42.7	+7.6	+35.0
Shareholders' Equity	325.9	+3.4	—	—
Other Comprehensive Income	0.2	+35.7	—	—
Minority Interests	18.8	+3.5	—	—
Total Liabilities and Net Assets	738.0	+22.4	-25.9	+48.3

US\$1 = ¥97.8 1€ = ¥131.9 1RMB = ¥16.0 (13/12)  
US\$1 = ¥86.6 1€ = ¥114.7 1RMB = ¥13.9 (13/3)

\* NOTE: Major accounts only  
Equity Ratio: 44.2%, Interest-bearing Debt Ratio: 33.4% (13/12)  
Equity Ratio: 40.1%, Interest-bearing Debt Ratio: 37.9% (13/3)

- Let us now turn out attention to the balance sheet.
- Total assets increased 22.4 billion yen from the end of the previous fiscal year, to 738.0 billion yen. This includes an increase due to the weak yen of 48.3 billion yen, and total assets, excluding the foreign currency effects, decreased 25.9 billion yen.
- Notes and accounts receivable fell 10.5 billion yen, mainly due to the difference in sales in the applicable periods.
- Inventories rose 10.2 billion yen, primarily due to the effect of the weak yen.
- Interest-bearing debt dropped 11.2 billion yen, reflecting progress with the repayment of borrowings for the acquisition of *Bare Escentuals*.
- As a result, the equity ratio rose 4.1 percentage points from the end of the previous fiscal year, to 44.2%, and the interest-bearing debt ratio fell 4.5 percentage points, to 33.4%.

9

## Outlook for FY2013

SHI/EIDO

(Billion yen)	Forecast	YoY % Change	Local Currency	YoY Amount	Difference from October Forecast
Net Sales	750.0	+10.7%	+0%	+72.3	+10.0
Domestic	367.0	-1.7%	-2%	-6.3	+/-0.0
Overseas	383.0	+25.8%	+2%	+78.5	+10.0
Operating Income	42.0	+61.3%	—	+16.0	+2.0
Ordinary Income	44.0	+54.9%	—	+15.6	+3.0
Extraordinary Income/Loss	-6.5	-34.8	—	+28.3	+3.0
Net Income	19.0	-14.7	—	+33.7	+4.0

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

- Overseas Sales Ratio 51.1% (+6.2%)
- Operating Margin 5.6% (+1.8%)
- Exchange Rate 1 US\$ = ¥98 (+22%), 1 Euro = ¥130 (+26%), 1 RMB = ¥15.9 (+26%)
- Dividend Interim: ¥10 Year-end: ¥10 (plan)

- Next, I will explain outlook for the full year.
- We expect that net sales will be 750.0 billion yen, up 10.0 billion yen from our previous forecast. Our domestic sales forecast is 367.0 billion yen, unchanged from our previous forecast. We raised our overseas sales forecast by 10.0 billion yen, to 383.0 billion yen, to reflect the replacement of exchange rates based on actual rates and a strong fourth-quarter performance in the Americas driven by fragrance.
- Our operating income forecast is 42.0 billion yen, 2.0 billion yen higher than our previous forecast, due to solid profits in the first nine months, offsetting negative factors in the fourth quarter such as the aggressive investment of marketing costs in Japan and overseas and reduction of shipments in China.
- We expect that net income will be 19.0 billion yen, up 4.0 billion yen from our previous forecast. This upward revision is due mainly to revision of the amount of extraordinary loss due to special recovery provided for in the second quarter, in addition to increased operating income.

10-1

## Outlook for FY2013

SHI/EIDO

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Ordinary Income	44.0	+54.9%	—	+15.6	+3.0
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- Exchange Rate 1 US\$ = ¥98 (+22%), 1 Euro = ¥130 (+26%), 1 RMB = ¥15.9 (+26%)
- Dividend Interim: ¥10 Year-end: ¥10 (plan)

- We expect that net income will be 19 billion yen, up 4 billion yen from our previous forecast. This upward revision is due mainly to revision of the amount of extraordinary loss due to special recovery provided for in the second quarter, in addition to increased operating income.
- The possible sale of the *DECLÉOR* and *CARITA* businesses announced in October is currently under negotiation and will not be reflected in results for fiscal 2013. We will announce details promptly upon conclusion of negotiations.
- As for dividends, we plan to pay a year-end dividend of 10 yen and 20 yen for the year as initially announced, based on our policy of “to make stable payment of dividends while aiming for a consolidated payout ratio of approximately 40% in the medium term.”

10-2

**Future Initiatives/Japan (Fourth Quarter)** SHISEIDO

**Focus on expansion in the prestige segment**

<p style="background-color: #333; color: white; text-align: center; padding: 2px;">Prioritizing investment in advertising and ramping up store promotions</p>	<p style="background-color: #333; color: white; text-align: center; padding: 2px;">Targeting the senior market</p>
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Global brand SHISEIDO





BENEFIQUE THEOTY SMART LIQUID EYELINER

- Next, I will explain our future initiatives, starting with Japan.
- In the fourth quarter, given the recovery in consumer confidence, we will focus on expansion in the prestige segment, including middle price range lines, in preparation for the scenario of further growth from fiscal 2014.
- More specifically, we will ramp up advertising and store promotions of the global brand SHISEIDO which has highly appealing new products and star items such as *Lacquer Gloss* and *Future Solution LX*.
- We also plan to expand and improve our product line-up ahead of revision of ratio of the wholesale price to retail price in April, including launching limited liquid eyeliner and lipstick products from THEOTY, a makeup product series from the BENEFIQUE line on January 21.
- Also, for the expanding senior market, with the aim of boosting demand in preparation for the launch of a new line in fiscal 2014, we incorporated in newspapers a tabloid full of beauty information that will please customers on the theme of "successful aging," which we have advocated for many years.
- In conjunction with this, in the Tokyo metropolitan area, we also called for participants in the *Kirameki Master Salon* beauty consultation and have received a great many bookings.

**Future Initiatives/Japan (Fourth Quarter)** SHISEIDO

<p style="background-color: red; color: white; text-align: center; padding: 2px;">Strengthening products in middle-price range lines</p>	<p style="background-color: red; color: white; text-align: center; padding: 2px;">Launching summer products early</p>
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Prioritizing investment in advertising and ramping up store promotions



MAQuillAGE  
ESSENCE GLAMOROUS ROUGE NEO



AG+  
Age Deodorant Spray



ELIXIR  
Lifting Moisture Pact UV



ANESSA  
Perfect Essence Sunscreen

- Additionally, as new products for the spring, we will renew the base *makeup* offering in our ELIXIR line for the first time in seven years and, from the MAQuillAGE line, we will launch ESSENCE GLAMOROUS ROUGE NEO, which develops the technology for which we won a top award at the International Federation of Societies of Cosmetic Chemists conference, and will aggressively invest in its advertising, including TV spots.
- We also plan to start advertising summer products from lines such as ANESSA and AG+, which we will start distribution to stores in March, early on and to link this to expansion of sales in FY2014.

**Future Initiatives/China** SHI/EIDO

**Priority development and consolidation of AUPRES and URARA (specialty store business)**



**Focus on expansion in the two coastal provinces, which have large cosmetics markets**

**Establish robust brands through relentless distinction and concentration and develop a lean management structure**

- Moving on to China. In the fourth quarter, we continued to focus our efforts on the development of the two brands *AUPRES* and *URARA*, launched exclusively for China, and the two coastal provinces which have large markets.
- For *AUPRES*, after conducting our autumn season promotion around the *Time-Lock Series*, in November, we organized a road show, touring major cities with team of beauty consultants led by a locally renowned makeup artist.
- Also, for *URARA*, we worked to expand sales by holding taster session for the media, advertising on TV and the Internet, and holding salons for members, focusing on the mainstay Multi-vitalizing Line.
- As a result, store sales, including sales of these two brands, have improved steadily. However, fourth-quarter shipment sales dropped from the previous year due to the curtailment of shipments for reduction of market inventory, and full-year shipment sales were also slightly below the year-ago level.
- The new fiscal year has already started overseas. In China, we will establish robust brands in 2014 through continued relentless selection and concentration and develop a lean management structure, aiming to ensure sales growth and double-digit profitability.

**Future Initiatives/Bare Escentuals** SHI/EIDO

**Laying the foundations for future growth**

Direct to Consumer (DTC) Business	Retail Business
 <p>Airing of new infomercial for core foundation product</p>	 <p>Rationalization of number of stores Expansion of per-store sales</p>

**Strengthening of synergy between Direct to Consumer (DTC) business and retail business**

- Next, I will talk about *Bare Escentuals*. In fiscal 2013, *Bare Escentuals* worked on rationalizing the number of stores and expanding per-store sales to lay a foundation for future growth and strengthened its products and communication capacity.
- While sales were solid in the fourth quarter thanks to the contribution of Christmas coffrets in the holiday shopping season, annual sales saw a mid single-digit decline just as planned due to structural reforms that were implemented.
- In fiscal 2014, we will steadily implement efforts for growth recovery by, for instance, launching a new infomercial program for a key foundation product in North America in February and will continue to strengthen the ties between direct-to-consumer and retail businesses, which is *Bare Escentuals'* unique and highly original business model.

Corporate advertising  
"This moment. This life. Beautifully."  
"Trying to reach the Pinnacle of Beauty"



- Finally, our New Year advertisement includes our corporate commitment to try to reach the pinnacle of beauty in addition to our corporate message, "This Moment. This Life. Beautifully."
- This is based on our goal as a cosmetics company helping our customers have more positive attitudes through cosmetics and our determination for Shiseido Group's revival by continuing to take on challenges and reforming ourselves.
- We very much hope for your continued support throughout this year. This concludes my presentation.

This moment. This life. Beautifully. 

**[Supplemental Data]**  
**Sales by Reportable Segment**

SHISEIDO

(Billion yen)	13/12 Result		12/12 Result		YoY% Change	Local Currency
		% of Net Sales		% of Net Sales		
Domestic Cosmetics	251.2	46.9%	252.1	52.0%	-0.4%	-0.4%
Global Business	276.8	51.7%	225.6	46.5%	+22.7%	+0.3%
Others	7.4	1.4%	7.1	1.5%	+4.4%	+4.4%
Total	535.4	100%	484.8	100%	+10.4%	+0.0%

17

**[Supplemental Data]**  
**Domestic Cosmetics Sales by Reportable Segment**

SHISEIDO

(Billion yen)	13/12 Result		12/12 Result		YoY Amount	YoY% Change
		% of Net Sales		% of Net Sales		
Counseling	132.2	24.7%	129.8	26.8%	+2.5	+1.9%
Self-selection	54.9	10.3%	56.9	11.7%	-2.1	-3.6%
Toiletries	26.9	5.0%	28.6	5.9%	-1.7	-6.0%
Cosmetics	213.9	40.0%	215.3	44.4%	-1.3	-0.6%
Healthcare	11.2	2.1%	11.2	2.3%	+0.0	+0.1%
Others	26.0	4.8%	25.6	5.3%	+0.4	+1.6%
Domestic Cosmetics	251.2	46.9%	252.1	52.0%	-0.9	-0.4%

18

**[Supplemental Data]**

**Global Business Sales by Reportable Segment**

SHISEIDO

	13/12 Result		12/12 Result		YoY Amount	YoY% Change	Local Currency
	(Billion yen)	% of Net Sales		% of Net Sales			
Cosmetics	241.7	45.1%	195.5	40.3%	+46.2	+23.6%	+0.0%
Professional	35.1	6.6%	30.1	6.2%	+5.0	+16.6%	+2.0%
Global Business	276.8	51.7%	225.6	46.5%	+51.2	+22.7%	+0.3%

**[Supplemental Data]**

**Sales by Geographic Segment**

SHISEIDO

	13/12 Result		12/12 Result		YoY Amount	YoY% Change	Local Currency
	(Billion yen)	% of Net Sales		% of Net Sales			
Japan	271.4	50.7%	272.7	56.2%	-1.3	-0.5%	-0.6%
Americas	83.0	15.5%	67.0	13.8%	+15.9	+23.8%	+1.4%
Europe	69.8	13.0%	54.7	11.3%	+15.1	+27.6%	+2.3%
Asia/Oceania	111.2	20.8%	90.4	18.7%	+20.9	+23.1%	-0.6%
Overseas	264.0	49.3%	212.1	43.8%	+51.9	+24.5%	+0.8%
Total	535.4	100%	484.8	100%	+50.6	+10.4%	+0.0%

**[Supplemental Data]**  
**SG&A-Breakdown by Domestic/Overseas**

(Billion yen)		13/12 Result	12/12 Result	YoY Increase/Decrease +:cost cut	YoY% Change
Domestic		56.4	60.9	+4.5	-7.4%
Overseas		56.2	54.1	-2.2	+4.1%
Advertising & Selling		112.7	115.0	+2.3	-2.0%
Domestic		78.4	83.6	+5.1	-6.2%
Overseas		55.6	43.3	-12.4	+28.6%
Personnel		134.0	126.8	-7.2	+5.7%
Domestic		61.6	64.7	+3.1	-4.9%
Overseas		55.6	45.4	-10.2	+22.4%
Others		117.2	110.2	-7.0	+6.4%
Domestic		0.1	0.1	-	+/-0.0%
Overseas		6.6	6.7	+0.1	-1.7%
M&A-related Amortization Cost		6.7	6.8	+0.1	-1.6%
Domestic		196.6	209.3	+12.8	-6.1%
Overseas		174.0	149.4	-24.6	+16.5%
Total		370.5	358.7	-11.8	+3.3%