


# Presentation on Acquisition of Bare Escentuals, Inc.

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January 15, 2010

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- 1 Overview of Sales/Profits Post Transaction**
  - 2 Overview of Bare Escentuals, Inc.
  - 3 Significance of this Acquisition
  - 4 Overview of the Transaction and Financial Impact

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## Overview of Sales/Profits Post Transaction (1/2)

(in billions of yen)

	Shiseido (3/09)		Bare Escentuals (12/08)		Pro-Forma (Simple Sum)	
	Amount	Margin	Amount	Margin	Amount	Margin
Sales	690.3	-	57.5	-	747.8	-
Operating Income	49.9	7.2%	18.1	31.5%	68.0	9.1%
Net Income	19.4	2.8%	10.1	17.6%	29.5	3.9%

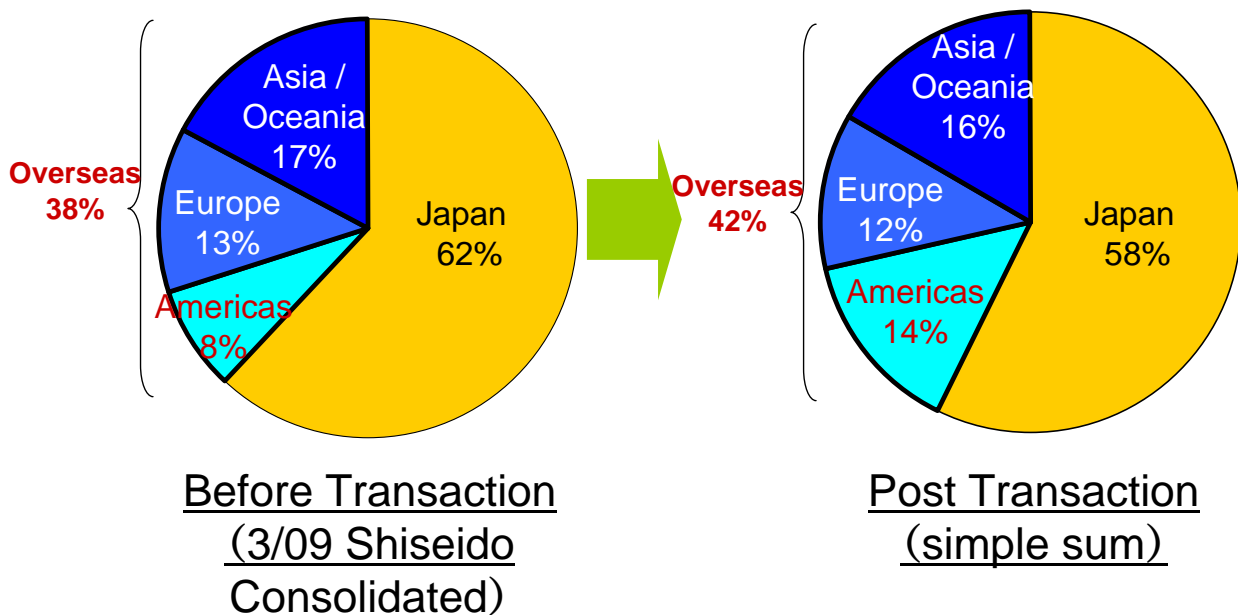
\*Translated to yen based on our 3/09 exchange rate (1/08 - 12/08 average) of \$1=103.44 yen

Move on to a new stage to become  
a "Global Player Representing Asia with its Origins in Japan"

(Note) The above numbers represent the simple sum and do not include any consolidation adjustments.

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## Overview of Sales/Profits Post Transaction (2/2)



(Note1) The above numbers represent the simple sum and do not include any consolidation adjustments.

(Note2) Japan segment of the post transaction include non-US operation of Bare Escentuals.

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## Overview of Bare Escentuals, Inc.

SHISEIDO

Name:	Bare Escentuals, Inc.
Founded:	1976
Location:	California, United States
Businesses:	Manufacturing and distribution of cosmetics
Employees:	2,779 (as of December 28, 2008)
Key Brands:	Mineral foundation “bareMinerals”
Business Model:	<ol style="list-style-type: none"> <li>1. Direct marketing such as through TV shopping channels</li> <li>2. Selling at stores (department stores and company-owned boutiques)</li> </ol>

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# Bare Escentuals, Inc. Products

## Make-up



bareMinerals

## Skin Care



RareMinerals



Buxom and bareVitamins



md formulations

# Business Model



TV shopping



Boutique

Bare Escentuals has built a new business model that actively utilizes direct marketing channels such as TV shopping and at the same time aims to secure customers through promoting its products in department stores and company-owned boutiques

# Ms. Leslie Blodgett (Director and CEO)



## Biography

Prior to joining BE, she worked for Neutrogena, P&G and Max Factor

- 1995: Launched bareMinerals cosmetics line
- 1997: Introduced Bare Escentuals through QVC
- 2006: IPO of Bare Escentuals

Appearing on TV shopping programs herself, she is the public face of Bare Escentuals, Inc.

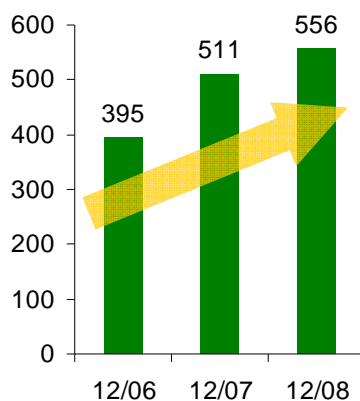
Leslie will continue in her management role after consummation of Tender Offer

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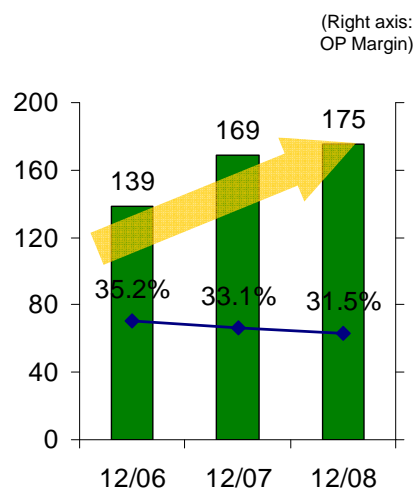
## Financial Overview of BE

(in 100 millions of US\$)

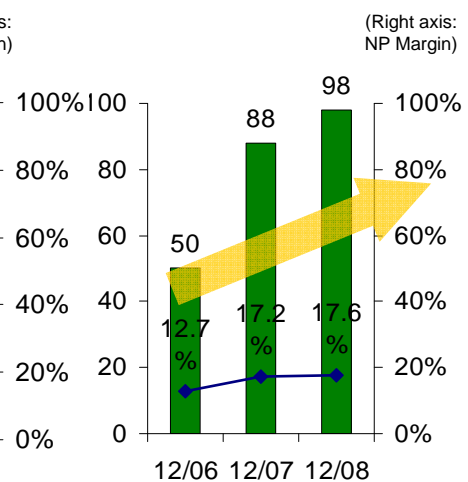
### Sales



### Operating Income



### Net Income



Strong sales and profit growth

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SHISEIDO

## Our Long - term Vision

To Become a "Global Player Representing Asia with its Origins in Japan"

### Hurdles as global player

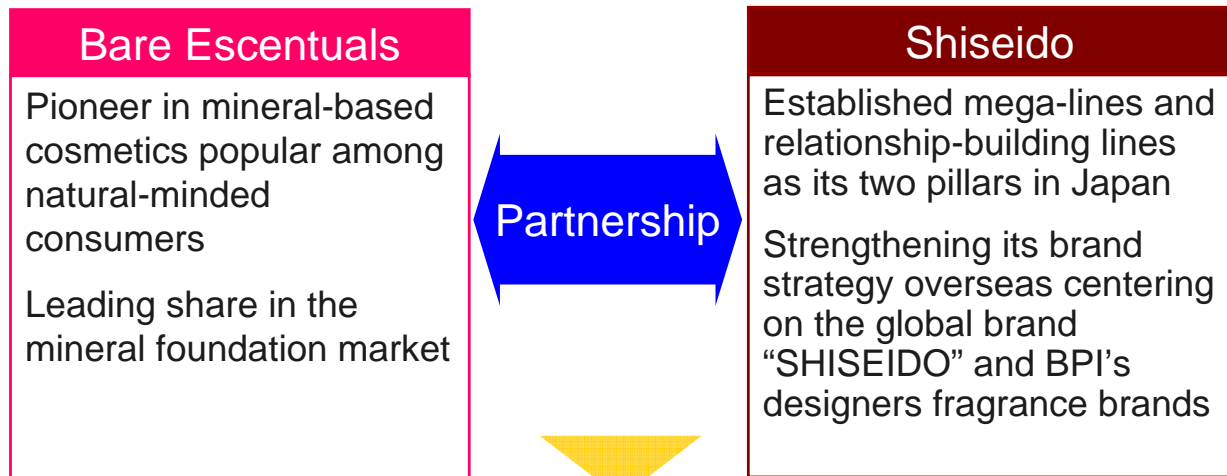
Boosting its growth potential in markets around the world to achieve higher growth than the global cosmetics market

Transforming the management culture to continue generating ROE and operating margin comparable to those of global competitors

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## Benefits of the Acquisition (1/3)

Acquisition of new brand value

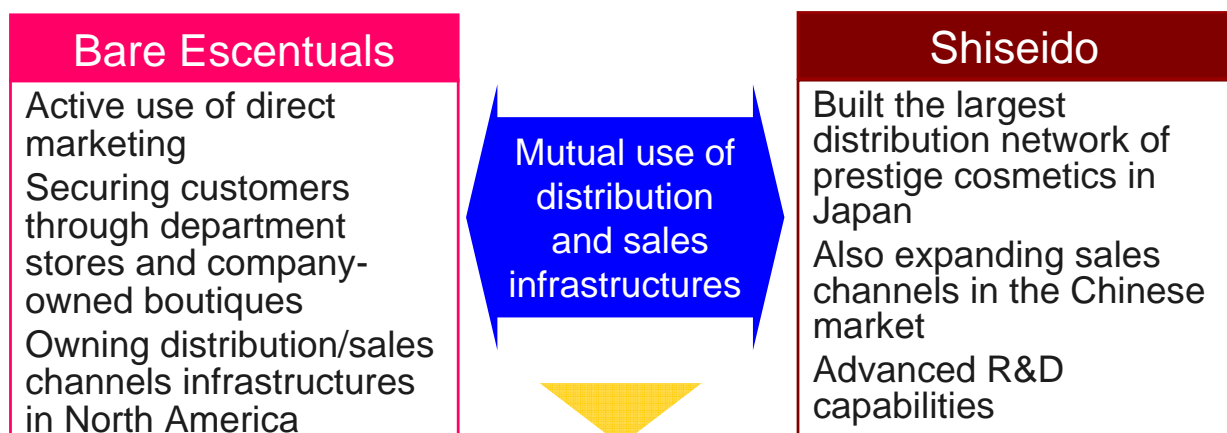


The transaction will enable us to build a competitive brand portfolio that can accurately respond to a wide range of customer needs

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## Benefit of the Acquisition (2/3)

Strong complementary relationship for distribution, sales, and research and development



- Expand contact points with a variety of customers
- Improve the productivity of distribution/sales infrastructures
- Utilizing our R&D capabilities with particular focus on skin care

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## Benefit of the Acquisition (3/3)

### Strengthening operational bases in North America

Strong market presence of Bare Escentuals, Inc. in North America

- Strong brand awareness through the direct marketing efforts
- 800 retail outlets and 1,500 spa salons in the United States



Improve our presence in North America

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## Outline of the Acquisition

Method	Tender offer by a special purpose acquisition company to be established under "Shiseido Americas Corporation," our subsidiary
Offer Price	<ul style="list-style-type: none"> <li>■ \$18.2 per share (40.8% premium to the 3-month average price)</li> <li>■ Acquisition Cost (assuming 100% acquisition) ~\$1.7bn (160bn yen)</li> <li>■ Deal value including target debt ~\$1.9bn (180bn yen)</li> </ul>
Offer Period	We expect the offer to commence in late January (within 10 business days from announcement) and to be open for 30 business days, subject to possible extensions and a subsequent offer period
Other	Transaction has been approved by the Board of Directors of Bare Escentuals

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## Financing for the Acquisition

Financing will be a combination of cash and cash equivalents at hand (30bn yen) and a bank bridge loan (150bn yen)



Optimal financing selected from a range of options, after taking into consideration the business condition, financial position and market trends

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## Impact on Consolidated Performance

- Sales and profits will be consolidated from the year ending March 2011
- Project team will be established immediately after consummation of the tender offer

Discuss and determine specific policies and execution plans to maximize the acquisition synergies at an early stage

- Details to be announced at the appropriate time as soon as they are determined

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## Shareholder Return Pre-Acquisition

- Strategic investments leading to new growth, consistent dividend payment and flexible share buybacks
- If no M&A transactions are pending, priority placed on shareholder return



Pay stable cash dividends and buy back and retire treasury stocks flexibly, focusing on achieving a total return ratio target of 60% for medium term

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# Shareholder Return Post-Acquisition

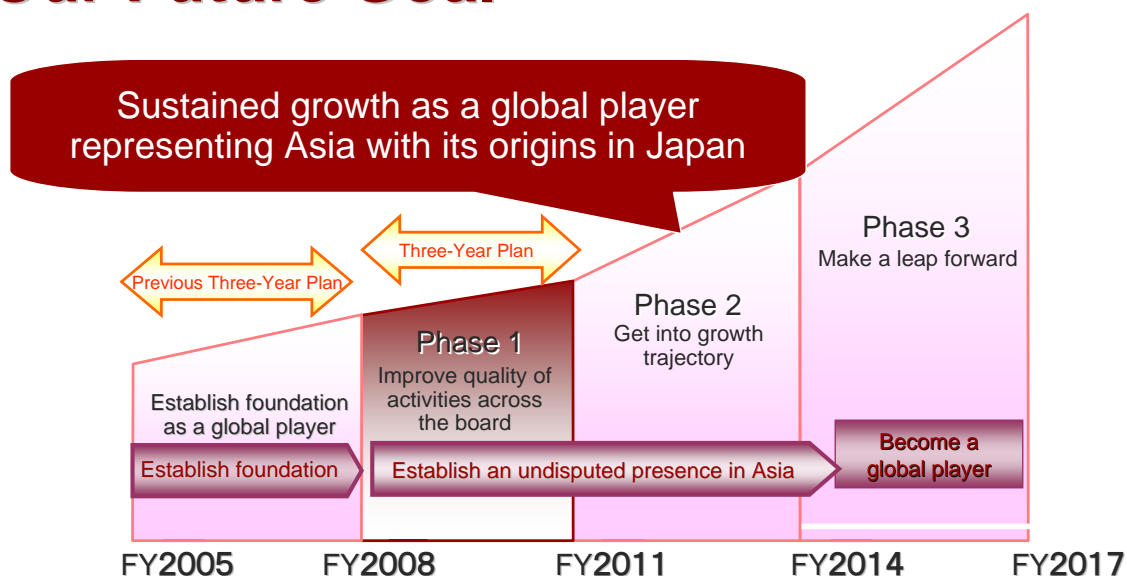
Changing situation given the large acquisition of Bare Escentuals

## (Shareholder Return Post-Acquisition)

- Taking into consideration the changes from the acquisition, we may need to review the policy of "total return ratio of 60% for medium-term"
- Will continue focusing on maintaining consistent dividends and increasing dividends linked to profit increases

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## Our Future Goal



FY2017: Net sales in excess of ¥1 trillion (over 50% overseas sales);  
 Consistently generate solid operating margins (12% or higher);  
 ROE comparable to that of global competitors (15% or higher)

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## International Efforts

### 1. Growth Strategy in the Global Markets

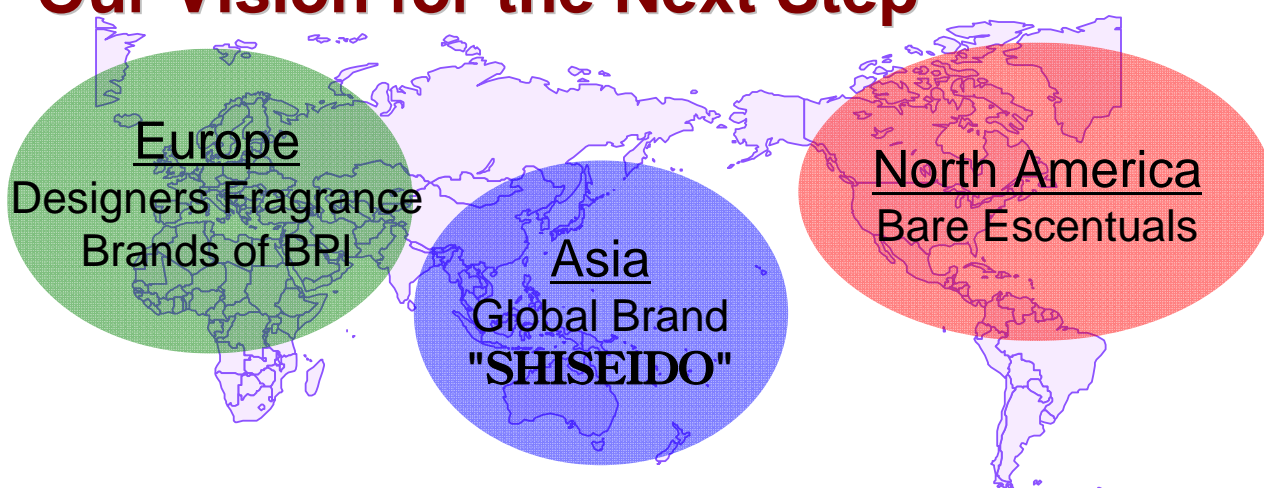
- Renovation of the global brand
- Active investments in growing markets such as China
- Entry into untapped markets

### 2. Management to Respond to Accelerated Globalization

- Strengthening operation platforms in countries already entered into
- Upgrading HR development program globally
- Introduction of a core information system

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## Our Vision for the Next Step



- Continue to be a company driven by the business expansion in Asia, particularly China
- Have multiple major global brands being rolled out worldwide
- Increase presence in Europe and North America

**The True Global Player Representing Asia**

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This moment. This life. Beautifully. 

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The tender offer to which this presentation relates has not yet commenced, and this presentation is neither an offer to purchase, nor a solicitation of an offer to sell any securities. Stockholders of Bare Escentuals are advised to read the Tender Offer Statement on Schedule TO, the offer to purchase and any other documents relating to the tender offer that are filed with the Securities and Exchange Commission (the "SEC") when they become available because they will contain important information. Stockholders of Bare Escentuals may obtain copies of these documents for free, when available, at the SEC's website at [www.sec.gov](http://www.sec.gov) or at the Shiseido's website at [http://www.shiseido.co.jp/e/ir/ir\\_news/index.htm](http://www.shiseido.co.jp/e/ir/ir_news/index.htm).

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