

FY2014 First Quarter Results and Outlook

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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.

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First Quarter Results (Ended June 2014)

(Billion yen)	Results	YoY % Change	Local Currency	YoY Amount
Net Sales	168.4	+3.7%	-2.3%	+6.0
Domestic	79.5	-3.2%	-3.3%	-2.6
Overseas	88.8	+10.8%	-1.4%	+8.6
Operating Income	1.4	-80.2%	—	-5.5
Ordinary Income	1.4	-80.9%	—	-6.1
Income before Income Taxes	2.1	-72.1%	—	-5.5
Net Income	-1.8	(2.7)	—	-4.4

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

- Overseas Sales Ratio **52.8% (+3.4 pp)**
- Operating Margin **0.8% (-3.4 pp)**
- Exchange Rate **1 US\$ = ¥102.8 (+11%), 1 Euro = ¥140.8 (+15%),
1 RMB = ¥16.9 (+14%)**

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Domestic Cosmetics Business Sales and Operating Income

(Billion yen)		Q1 of 2015/3		Q1 of 2014/3		YoY Amount	YoY % Change
			% of Net Sales		% of Net Sales		
	Counseling	34.2	20.3%	36.4	22.5%	-2.2	-6.0%
	Self-selection	19.7	11.7%	18.7	11.5%	+0.9	+5.0%
	Toiletries	8.1	4.8%	9.3	5.7%	-1.2	-13.4%
	Cosmetics	62.0	36.8%	64.5	39.7%	-2.5	-3.9%
	Healthcare	3.6	2.1%	3.8	2.3%	-0.2	-4.8%
	Others	7.7	4.6%	7.6	4.7%	+0.2	+2.1%
	Domestic Cosmetics Business Sales	73.3	43.5%	75.8	46.7%	-2.5	-3.3%

(Billion yen)	Q1 of 2015/3	Q1 of 2014/3	YoY Amount	YoY % Change
Operating Income	4.0	7.1	-3.1	-43.5%
OP Margin	5.5%	9.4%	-3.9 pp	

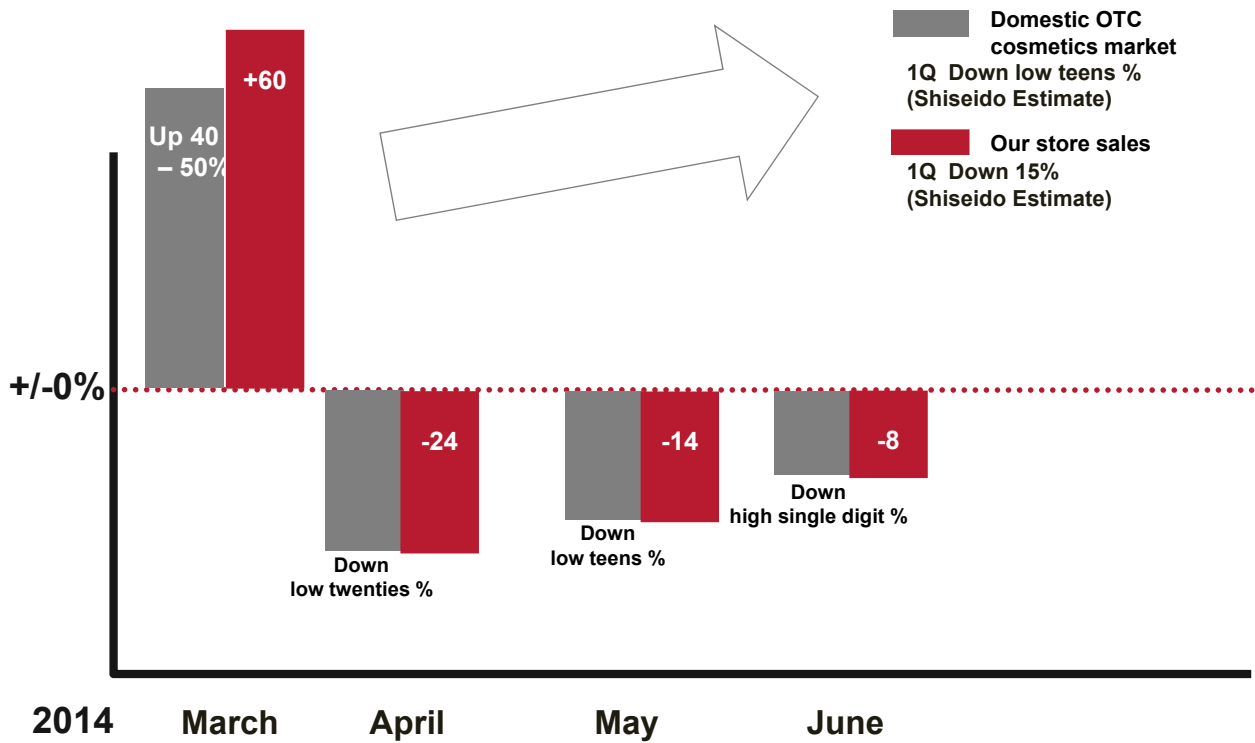
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Domestic: Summary of Results for the First Quarter of FY2014

Net Sales	<ul style="list-style-type: none"> ● Decline following the surge in demand before the consumption tax hike ● Store sales were recovering ● The decline following the surge in demand will not continue into the second quarter
Operating Income	<ul style="list-style-type: none"> ● A lower margin due to decreased sales ● Higher personnel costs due to increased bonuses
Initiatives	<ul style="list-style-type: none"> ● Countermeasures against the decline following the surge in demand before the consumption tax hike ● Preparations for brand innovations ● Preparations for boosting joint initiatives with major retailers

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Domestic: Decline Following the Surge in Demand before the Consumption Tax Hike/ Store Sales Were Recovering



Domestic: Countermeasures against the Reactionary Fall and Brand/Line Innovation

April to June Enhanced Sampling to attract new customers and encourage repeat purchases

July to September Practicing watashi+ summer campaign
Started pre-sales of *ULTIMUNE* on July 30

October Renewing domestic lines, one by one



Pre-sale of *ULTIMUNE*



Joint initiatives with major retailers



New *ELIXIR*

Launch of :
MAQuillage,
HAKU, and
a new line
targeting the
senior market

Global Business Sales and Operating Income

(Billion yen)	Q1 of 2015/3		Q1 of 2014/3		YoY Amount	YoY % Change	Local Currency
		% of Net Sales		% of Net Sales			
Cosmetics	81.8	48.6%	73.7	45.4%	+8.1	+10.9%	-1.3%
Professional	10.8	6.4%	10.5	6.5%	+0.2	+2.2%	-5.5%
Global Business Sales	92.6	55.0%	84.3	51.9%	+8.3	+9.8%	-1.8%

(Billion yen)	Q1 of 2015/3	Q1 of 2014/3	YoY Amount	YoY % Change
Operating Income before Amortization	-1.0	1.0	-2.0	—
Operating Income	-3.3	-1.1	-2.2	—
OP Margin	-3.6%	-1.3%	-2.2 pp	

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Overseas: Summary of Results for the First Quarter (Jan–Mar) of FY2014

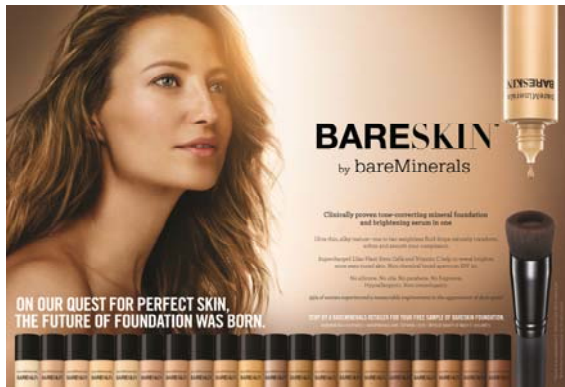
Area	YoY % Change of Net Sales (Local Currency)	Descriptions
Americas	+5.3% (-5.5%)	(+) The NARS brand remained strong (-) Decline in sales attributed to logistics problems
Europe	+10.6% (-3.6%)	(+) Strong sales in Italy, Spain, and Russia (-) Decline in sales of fragrance business (-) Increase in the allowance of sales returns in Greece
Asia	+15.2% (+3.3%)	(+) China: Year-on-year growth secured thanks in part to the launch of a new line of skin-brightening products from AUPRES.



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Overseas: Initiatives for the Second Quarter (Apr–Jun) of FY2014

Area	Q2 Sales	Descriptions
Americas	Year-on-year increase	(+) Strong sales of the <i>NARS</i> brand (+) Sales of <i>bareMinerals</i> were on the recovery trend due to the launch of <i>BARESKIN</i> liquid foundation. (+) Restoration of the logistics structure (with an increase of operation costs as a negative factor)
Europe	Year-on-year decline	(+) Favorable results in Russia (-) Decrease of sales attributed to the sales of the <i>DECLÉOR</i> and <i>CARITA</i> business
Asia	Year-on-year increase	(+) Year-on-year growth secured thanks in part to increase in sales of <i>Za</i> and sales in e-commerce site in China



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Overseas: Initiatives for the Second Half (Jul–Dec) of FY2014

1. Launch of *ULTIMUNE* from the global brand *SHISEIDO*

2. Enhanced initiatives in China



Launch scheduled for September
ULTIMUNE



Launch scheduled for August
AUPRES Aqua Energy Line



Launch scheduled for September
URARA Prime Line

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Consolidated Balance Sheets

(Billion yen)	2014/6	Change	(Compared to end of Mar. 2014)	
			Excl. Foreign Exchange	Foreign Exchange
Total Current Assets	346.1	-56.5	-50.4	-6.1
Cash Deposits and Securities	95.4	-33.5	-31.8	-1.7
Notes & Accounts Receivable	109.6	-28.7	-26.6	-2.1
Inventories	99.7	+9.4	+11.3	-1.9
Total Fixed Assets	393.7	-5.1	+0.6	-5.7
Property Plant and Equipment	131.2	-3.7	-2.1	-1.5
Intangible Assets	159.9	-6.8	-3.2	-3.6
Investments and Other Assets	102.6	+5.4	+5.9	-0.5
Total Assets	739.8	-61.6	-49.9	-11.7

US1\$ = ¥102.9 1€ = ¥141.6 1RMB = ¥16.6 (2014/6)

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

(Billion yen)	2014/6	Change	(Compared to end of Mar. 2014)	
			Excl. Foreign Exchange	Foreign Exchange
Total Liabilities	405.3	-37.3	-33.9	-3.4
Other Payables	34.8	-13.3	-13.0	-0.2
Interest-bearing Debt	138.5	-17.4	-17.2	-0.2
Liability Related to/Reserve for Retirement Benefit	76.4	+15.5	+15.7	-0.1
Total Net Assets	334.5	-24.2	-16.0	-8.3
Shareholders' Equity	319.4	-16.1	—	—
Other Comprehensive Income	-4.7	-7.7	—	—
Minority Interests	18.8	-0.4	—	—
Total Liabilities and Net Assets	739.8	-61.6	-49.9	-11.7

* NOTE: Major account.t title only

Equity Ratio: 42.5%, Interest-bearing Debt Ratio: 29.3%

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Outlook for the First Half Ending September 2014

(Billion yen)	Q1	YoY % Change	Q2	YoY % Change	1st half	YoY % Change	Forecast Difference
Net Sales	168.4	+3.7%	201.6	+1.8%	370.0	+2.6%	+4.0
Domestic	79.5	-3.2%	99.5	-0.2%	179.0	-1.6%	+/-0.0
Overseas	88.8	+10.8%	102.2	+3.8%	191.0	+6.9%	+4.0
Operating Income	1.4	-80.2%	13.1	-2.8%	14.5	-28.9%	+/-0.0
Ordinary Income	1.4	-80.9%	13.1	-3.0%	14.5	-31.0%	+/-0.0
Extraordinary Income / Loss	0.7	—	15.8	(-7.9)	16.5	(-7.9)	+/-0.0
Net Income	-1.8	(2.7)	26.3	+866.6%	24.5	+355.6%	+/-0.0

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

- Overseas Sales Ratio 51.6% (+2.0 pp)
- Operating Margin 3.9% (-1.8 pp)
- Exchange Rate 1 US\$ = ¥102 (+7%), 1 Euro = ¥140 (+12%),
1 RMB = ¥16.7 (+8%)

Full-Year Forecasts for FY2014

(Billion yen)	2015/3	2014/3	YoY Amount	YoY % Change	Local Currency	Forecast Difference
Net Sales	780.0	762.0	+18.0	+2.4%	+1%	+/-0.0
Domestic	370.0	377.3	-7.3	-1.9%	-2%	+/-0.0
Overseas	410.0	384.8	+25.2	+6.6%	+4%	+/-0.0
Operating Income	42.0	49.6	-7.6	-15.4%	—	+/-0.0
Ordinary Income	42.0	51.4	-9.4	-18.3%	—	+/-0.0
Extraordinary Income / Loss	14.5	-1.0	+15.5	—	—	+/-0.0
Net Income	38.0	26.1	+11.9	+45.3%	—	+/-0.0

- Overseas Sales Ratio 52.6%
- Operating Margin 5.4%
- Forecasted ROE 10.7%
- Exchange Rate 1 US\$ = ¥100 (+2%), 1 Euro = ¥135 (+4%),
1 RMB = ¥16.5 (+4%)

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VISION 2020 and Mid-Term Management Plan

To realize management suited to a global company, all members of the management team and responsible persons from domestic and overseas offices discussed business challenges and proposed strategies

- 1) Determining a vision for Shiseido and resetting our business domains
- 2) Developing a new global brand portfolio strategy
- 3) Strengthening innovation strategy
- 4) Promoting reform of the organization and corporate culture
- 5) Strengthening business base

Formulated outline of VISION 2020 and mid-term management plan

Will be setting specific numerical targets and developing detailed measures

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Thorough Review and Streamlining of the Company-wide Cost Structure

Continue to promote reform of cost structure

We will centralize media-buying in key overseas markets in July 2014

Cost reduction effect in FY2013 through FY2014 as compared to FY2011

Cumulative cost reduction from FY2011 **¥24.0 billion**

Greater-than-planned reduction achieved in Q1 of FY2014



Aggressive investments in marketing and R&D

Enhancement of Brand Marketing

Introduce the Brand Management System
Promote visualization

Company-wide efforts
ICHIGAN Project



Be a more competitive organization

This moment. This life. Beautifully.



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[Supplemental Data 1]
Sales and Operating Income by Reportable Segment

SHISEIDO

(Billion yen)	Q1 of 2015/3	Q1 of 2014/3	YoY Amount	YoY % Change
Domestic Cosmetics Business	73.3	75.8	-2.5	-3.3%
Global Business	92.6	84.3	+8.3	+9.8%
Others	2.5	2.2	+0.2	+10.7%
Sales	168.4	162.4	+6.0	+3.7%

Domestic Cosmetics Business	4.0	7.1	-3.1	-43.5%
Global Business	-3.3	-1.1	-2.2	—
Others	0.7	0.5	+0.1	+24.3%
Elimination/ Corporate	0.0	0.3	-0.3	—
Operating Income	1.4	6.9	-5.5	-80.2%

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[Supplemental Data 2] Sales by Geographic Segment

(Billion yen)	Q1 of 2015/3		Q1 of 2014/3		YoY Amount	YoY % Change	Local Currency
		% of Net Sales		% of Net Sales			
Japan	79.5	47.2%	82.2	50.6%	-2.6	-3.2%	-3.3%
Americas	26.8	15.9%	25.5	15.7%	+1.3	+5.3%	-5.5%
Europe	23.9	14.2%	21.6	13.3%	+2.3	+10.6%	-3.6%
Asia/Oceania	38.2	22.7%	33.2	20.4%	+5.0	+15.2%	+3.3%
Overseas	88.8	52.8%	80.2	49.4%	+8.6	+10.8%	-1.4%
Total	168.4	100%	162.4	100%	+6.0	+3.7%	-2.3%

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[Supplemental Data 3] Cost of Sales and SG&A

(Billion yen)	Q1 of 2015/3			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	39.4	23.4%	-0.1%	-1.6	+4.3%	-2.7	+1.1
SG&A	127.6	75.8%	-3.3%	-9.9	+8.4%	-7.0	-2.9
(Domestic)	64.1	80.8%	-4.5%	-1.6	+2.5%	—	-1.6
(Overseas)	63.5	71.3%	-2.7%	-8.3	+15.1%	-7.0	-1.3
Advertising & Selling	38.0	22.6%	-1.3%	-3.4	+10.0%	-2.4	-1.0
Personnel	47.7	28.3%	-1.3%	-3.9	+8.9%	-2.2	-1.7
Others	39.6	23.5%	-0.6%	-2.4	+6.4%	-2.2	-0.2
M&A-related Amortization Cost	2.4	1.4%	-0.1%	-0.2	+9.6%	-0.2	+0.0

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[Supplemental Data 4] SG&A: Domestic and Overseas Breakdown

(Billion yen)	Q1 of 2015/3	Q1 of 2014/3	YoY Increase/ Decrease +: cost cut	YoY % Change	Foreign Currency Exchange	Excl. Foreign Currency Exchange +: cost cuts
Domestic	16.6	16.5	-0.1	+0.7%	—	-0.1
Overseas	21.4	18.0	-3.3	+18.5%	-2.4	-0.9
Advertising & Selling	38.0	34.5	-3.4	+10.0%	-2.4	-1.0
Domestic	27.5	26.0	-1.5	+5.8%	—	-1.5
Overseas	20.1	17.8	-2.4	+13.4%	-2.2	-0.2
Personnel	47.7	43.8	-3.9	+8.9%	-2.2	-1.7
Domestic	19.9	19.9	+0.1	-0.3%	—	+0.1
Overseas	19.7	17.3	-2.4	+14.1%	-2.2	-0.2
Others	39.6	37.2	-2.4	+6.4%	-2.2	-0.2
Domestic	0.0	0.0	±0	+/-0.0%	—	±0
Overseas	2.3	2.1	-0.2	+9.8%	-0.2	+0.0
M&A-related Amortization Cost	2.4	2.1	-0.2	+9.6%	-0.2	+0.0
Domestic	64.1	62.5	-1.6	+2.5%	—	-1.6
Overseas	63.5	55.2	-8.3	+15.1%	-7.0	-1.3
Total	127.6	117.7	-9.9	+8.4%	-7.0	-2.9