



FY2014 First Half 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.

First Half Results for FY2014

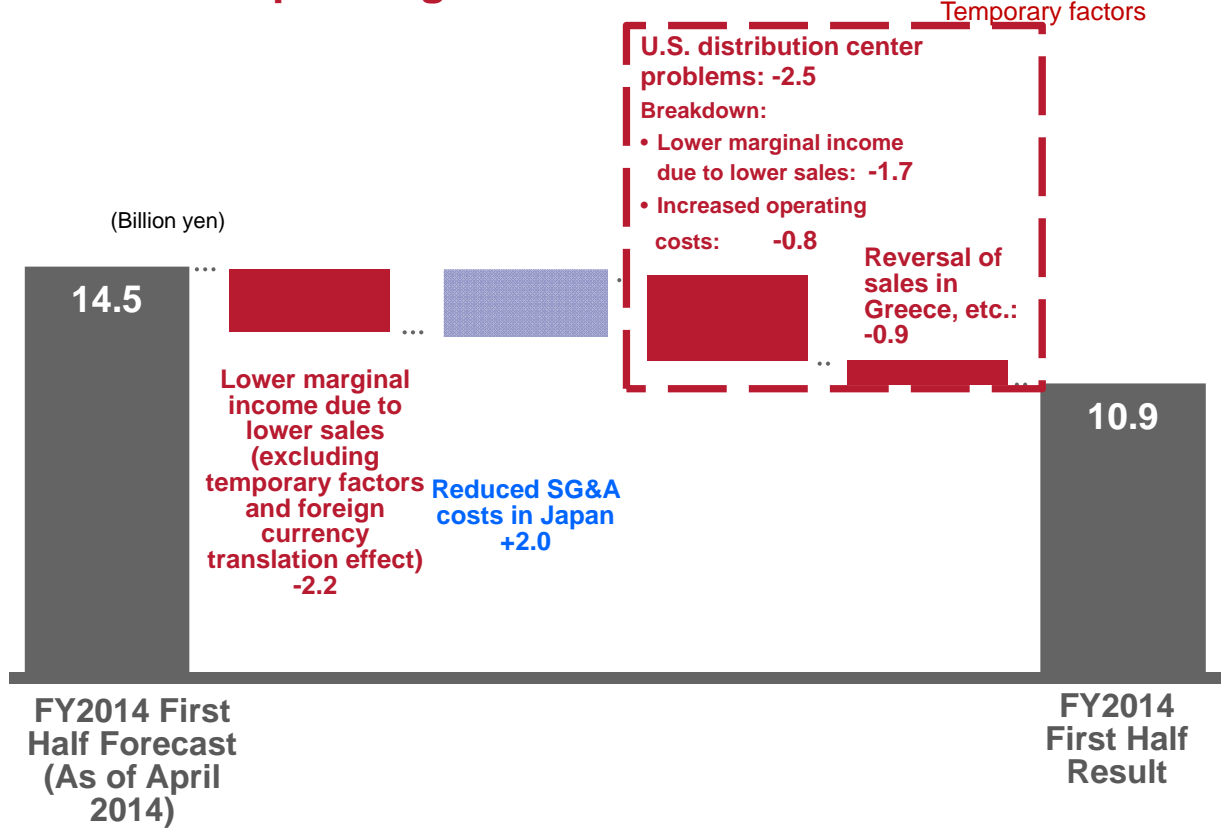


(Billion yen)	14/9 Result		13/9 Result		Difference from July announcement	YoY Change	YoY Change %	Local Currency
		% of Net Sales		% of Net Sales				
Net sales	365.7	100%	360.5	100%	-4.3	+5.2	+1.4%	-2.7%
Domestic	172.6	47.2%	181.9	50.4%	-6.4	-9.3	-5.1%	-5.2%
Overseas	193.1	52.8%	178.6	49.6%	+2.1	+14.5	+8.1%	-0.1%
Operating Income	10.9	3.0%	20.4	5.7%	-3.6	-9.5	-46.4%	-51.9%
Ordinary Income	11.5	3.1%	21.0	5.8%	-3.0	-9.5	-45.2%	
Extraordinary Income/Loss (net)	20.9	5.8%	- 7.9	-2.2%	+4.4	+28.8	-	
Net Income	24.6	6.7%	5.4	1.5%	+0.1	+19.3	+358.0%	
EBITDA	51.6	14.1%	33.8	9.4%	-	+17.8	+52.7%	

● ROE 14.8%

● Exchange Rates USD 1 = JPY 102.5 (+7.2%); EUR 1 = JPY 140.4 (+11.9%); CNY 1 = JPY 16.7 (+7.6%)

FY2014 1H Operating Income: Difference from Initial Plan



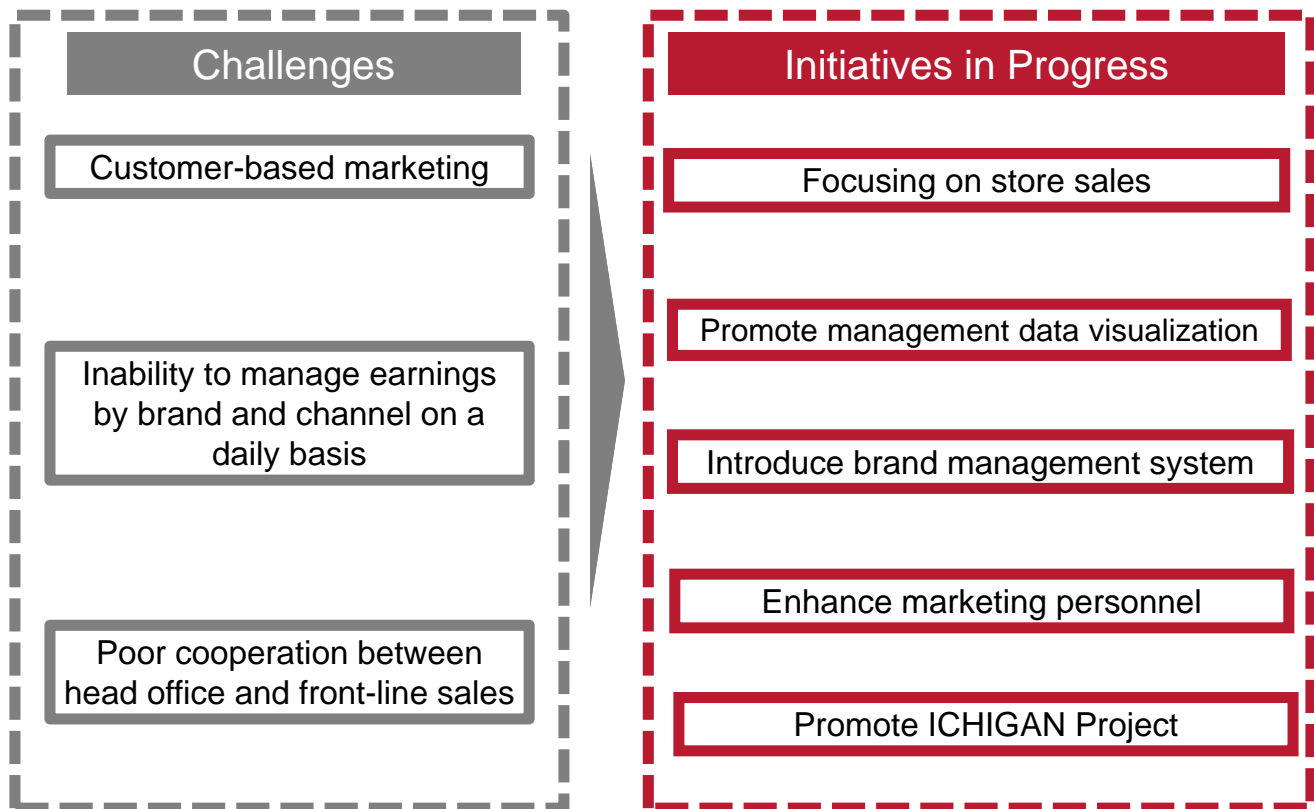
Shiseido's Fundamental Challenge: Break Free from a Vicious Cycle



Initiatives needed for breaking free from this cycle



Domestic Business Reforms Now in Progress



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Become a Company Superbly Able to Create Strong Brands

Reengineer Organizational Functions in Japan

Integrate head office and sales company functions
(sales, marketing and planning)

Reorganize cosmetics business based on customer
purchasing behavior

Make the personal care business a separate division

Make the e-commerce/digital business a separate division

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Radically Reengineer Business Structure

Identify structural challenges and completely resolve them

Costs

SCM costs

Product and promotional item inventories

Rebates to retailers

Back office costs

Radically reengineer business structure

- Move up to FY2014 2H and begin full-scale implementation in FY2015
- Target cost reductions of ¥30-¥40 billion over three years

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Factors Depressing the China Business and Countermeasures

Declining Brand Capabilities

Late response to market and customer changes

- Sales activities overly focused on sell-in
- Reduced expenditures for marketing targeting customers
- Unclear positioning for each brand and line
- Declining sales for each brand and line
- Late response to e-commerce
- Deficient product innovation

- Customer Segmentation Project (5 months long)
- Restructure brand portfolio
- Marketing Academy/hire and nurture marketing personnel
- Establish a separate e-commerce division with its own manager
- Enhance R&D functions

Inefficient Organization

Inventory Buildup among Retailers and Distributors

- High cost structure, low marketing expenditures
- Overlapping head office and local subsidiary processes
- Organization not customer-oriented
- Inadequate beauty consultant HR system, low motivation
- Increasing inventories at stores and distributors

- Hire HR manager
- Restructure organization
- Transform beauty consultant system
- Localize marketing
- Optimize store inventory levels

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Staunch Commitment to Restructuring the China Business

FY2013: Focused on Optimizing Store Inventories in Japan

- Equalized sales volume at stores (sell out) and sales subsidiary (sell in)
- Established framework in which all activities center on store sales

FY2014

- Decisively reduce excess store inventories in China
- Accelerate and strengthen localization of marketing
- Implement radical organizational reform

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Full-Year Forecast for FY2014

(Billion yen)	15/3	14/3	YoY Change %	Local Currency	Difference from July Announcement		
					1H	2H	Full year
Net sales	770.0	762.0	+1.0%	-2%	-4.3	-5.7	-10.0
Domestic	367.0	377.3	-2.7%	-3%	-6.4	+3.4	-3.0
Overseas	403.0	384.8	+4.7%	-1%	+2.1	-9.1	-7.0
Operating Income	25.0	49.6	-49.6%	-	-3.6	-13.4	-17.0
Ordinary Income	26.0	51.4	-49.4%	-	-3.0	-13.0	-16.0
Extraordinary Income/Loss (net)	18.5	-1.0	-	-	+4.4	-0.4	+4.0
Net Income	30.0	26.1	+14.7%	-	+0.1	-8.1	-8.0

● Overseas Sales Ratio 52.3%

● Operating Profitability 3.2%

● Forecast ROE 8.6%

● Exchange Rates USD 1 = JPY103.0 (+5%) , EUR 1 = JPY 139.5 (+8%) , CNY 1 = JPY 16.7 (+5%)

● Cash dividends Interim: JPY 10; Year-end: JPY 10 (plan)

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This moment. This life. Beautifully. 

Supplemental Data 1

Domestic Cosmetics Business Sales and Operating Income

(Billion yen)	14/9 Result		13/9 Result		YoY Change	YoY Change %
		% of Net Sales		% of Net Sales		
Counseling	78.2	21.4%	84.9	23.6%	-6.7	-7.8%
Self-selection	38.6	10.6%	38.8	10.7%	-0.1	-0.4%
Toiletries	17.7	4.8%	19.6	5.4%	-2.0	-10.1%
Cosmetics	134.5	36.8%	143.3	39.7%	-8.8	-6.1%
Healthcare	7.9	2.2%	8.0	2.2%	-0.0	-0.5%
Others	17.6	4.8%	17.6	4.9%	-0.1	-0.5%
Domestic Cosmetics Business Sales	160.0	43.8%	168.9	46.8%	-8.9	-5.3%

(Billion yen)	14/9 Result	13/9 Result	YoY Change	YoY Change %
Operating Income	12.7	17.1	-4.4	-25.7%
Operating Profitability	7.9%	10.1%	-2.2 pt.	

Supplemental Data 2
Global Business Sales and Operating Income

(Billion yen)	14/9 Result		13/9 Result		YoY Change	YoY Change %	Local Currency
		% of Net Sales		% of Net Sales			
Cosmetics	178.6	48.8%	163.6	45.4%	+15.0	+9.2% [+9.6%]	+0.9% [+1.2%]
Professional	22.2	6.1%	23.3	6.5%	-1.1	-4.7% [+4.1%]	-9.5% [-0.2%]
Global Business Sales	200.9	54.9%	186.9	51.9%	+13.9	+7.5% [+9.0%]	-0.4% [+1.1%]

Note: Figures in brackets exclude the effect of the sale of the *DECLÉOR* and *CARITA* brands.

(Billion yen)	14/9 Result	13/9 Result	YoY Change	YoY Change %
Operating Income before Amortization of Goodwill and Sales Rights	1.7	6.3	-4.6	-72.5%
Operating Income	-2.8	2.0	-4.8	—
Operating Profitability	-1.4%	1.0%	-2.4 pt.	

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Supplemental Data 3
Sales and Operating Income by Reportable Segment

(Billion yen)	14/9 Result	13/9 Result	YoY Change	YoY Change %
Domestic Cosmetics Business	160.0	168.9	-8.9	-5.3%
Global Business	200.9	186.9	+13.9	+7.5%
Others	4.8	4.7	+0.2	+3.3%
Sales	365.7	360.5	+5.2	+1.4%

Domestic Cosmetics Business	12.7	17.1	-4.4	-25.7%
Global Business	-2.8	2.0	-4.8	-
Others	1.0	0.9	0.1	+6.4%
Elimination/Corporate	0.0	0.4	-0.3	-
Operating Income	10.9	20.4	-9.5	-46.4%

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Supplemental Data 4 Sales by Geographic Segment

(Billion yen)	14/9 Result		13/9 Result		YoY Change	YoY Change %	Local Currency
		% of Net Sales		% of Net Sales			
Japan	172.6	47.2%	181.9	50.4%	-9.3	-5.1%	-5.2%
Americas	58.6	16.0%	55.1	15.3%	+3.6	+6.5%	-1.0%
Europe	48.1	13.2%	45.9	12.7%	+2.2	+4.9%	-5.6%
Asia/ Oceania	86.4	23.6%	77.7	21.6%	+8.7	+11.2%	+3.8%
China	59.2	16.2%	52.1	14.5%	+7.1	+13.5%	+5.4%
Asia (excl. China)	27.1	7.4%	25.5	7.1%	+1.6	+6.3%	+0.5%
Overseas	193.1	52.8%	178.6	49.6%	+14.5	+8.1%	-0.1%
Total	365.7	100%	360.5	100%	+5.2	+1.4%	-2.7%

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Supplemental Data 5 Cost of Sales/SG&A

(Billion yen)	14/9 Result			YoY Change +: cost cuts	YoY Change %	Impact of Foreign Currency Exchange	Excl. Impact of Foreign Currency Exchange +: cost cuts
		% of Net Sales	% pt. Change +: decrease				
Cost of Sales	88.4	24.2%	+0.7%	+1.3	-1.4%	-4.0	+5.2
SG&A	266.4	72.8%	-3.4%	-15.9	+6.4%	-10.2	-5.7
(Domestic)	133.5	77.6%	-4.5%	-1.0	+0.8%	-	-1.0
(Overseas)	132.9	68.6%	-2.8%	-14.9	+12.6%	-10.2	-4.7
Marketing Costs	84.4	23.1%	-1.2%	-5.4	+6.9%	-3.7	-1.8
Personnel Expenses	95.1	26.0%	-1.5%	-6.8	+7.7%	-3.1	-3.8
Other Expenses	82.3	22.5%	-0.7%	-3.4	+4.4%	-3.1	-0.4
M&A-Related Amortization Cost	4.6	1.2%	-0.0%	-0.2	+4.7%	-0.4	+0.2

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Supplemental Data 6 Breakdown of SG&A Expenses by Domestic/Overseas

(Billion yen)	14/9 Result	13/9 Result	YoY Change +:cost cut	YoY Change %	Impact of Foreign Currency Exchange	Excl. Impact of Foreign Currency Exchange +:cost cuts
Domestic	37.5	39.5	+2.0	-5.1%	-	+2.0
Overseas	46.9	39.4	-7.5	+18.9%	-3.7	-3.8
Marketing Costs	84.4	79.0	-5.4	+6.9%	-3.7	-1.8
Domestic	54.9	51.6	-3.3	+6.5%	-	-3.3
Overseas	40.1	36.6	-3.5	+9.6%	-3.1	-0.4
Personnel Expenses	95.1	88.2	-6.8	+7.7%	-3.1	-3.8
Domestic	41.0	41.3	+0.3	-0.8%	-	+0.3
Overseas	41.3	37.5	-3.7	+10.0%	-3.1	-0.7
Other Expenses	82.3	78.8	-3.4	+4.4%	-3.1	-0.4
Domestic	0.1	0.1	+/-0.0	+/-0.0%	-	+/-0.0
Overseas	4.6	4.4	-0.2	+4.7%	-0.4	+0.2
M&A-related Amortization Expenses	4.6	4.4	-0.2	+4.7%	-0.4	+0.2
Domestic	133.5	132.5	-1.0	+0.8%	-	-1.0
Overseas	132.9	118.0	-14.9	+12.6%	-10.2	-4.7
Total	266.4	250.5	-15.9	+6.4%	-10.2	-5.7

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Supplemental Data 7 Other Income and Extraordinary Income

Other Income/Expenses				Extraordinary Income/Losses			
(Billion yen)	14/9 Result	13/9 Result	YoY Change	(Billion yen)	14/9 Result	13/9 Result	YoY Change
Interest Income	0.6	0.5	+0.1	Gain on Transfer of Businesses	22.4	-	+22.4
Interest Expense	-0.7	-0.9	+0.2	Structural Reform Expense	-1.7	-7.3	+5.7
Net Interest Income and Expense	-0.1	-0.4	+0.3	Gain/Loss on Sales or Disposal of Property, Plant and Equipment	0.3	-0.2	+0.6
Foreign Exchange Gain/Loss	0.1	0.4	-0.4	Impairment Loss	-	-0.9	+0.9
Dividend Income	0.3	0.4	-0.1	Gain/Loss on Sales or Revaluation of Investments in Securities, etc.	-0.1	0.6	-0.7
Others	0.3	0.2	+0.1	Total	20.9	-7.9	+28.8
Total	0.6	0.6	-0.1				

●Gain on Transfer of Businesses: sale of the *DECLÉOR* and *CARITA* brands

●Structural Reform Expense: Early retirement bonus, etc.

●Gain/Loss on Sales or Disposal of Property, Plant and Equipment: Gain on sales of properties by overseas subsidiaries, etc.

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Supplemental Data 8 Net Income and Comprehensive Income

(Billion yen)	14/9 Result	13/9 Result	YoY Change
Income before Income Taxes	32.5	13.1	+19.3
Tax Expenses (Tax rate)	6.3 (19.5%)	6.2 (47.3%)	-0.1 (27.8%)
Minority Interests in Net Income of Consolidated Subsidiaries	1.5	1.6	+0.1
Net Income	24.6	5.4	+19.3
Comprehensive Income	14.0	43.6	-29.5

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Supplemental Data 9 Consolidated Balance Sheets

(Billion yen)	14/9	Change from 14/3	Excl. Foreign Exchange	Foreign Exchange
Total Current Assets	389.7	-12.9	-2.4	-10.5
Cash, Time Deposits and Short-term Investments in Securities	135.4	+6.5	+10.1	-3.6
Notes & Accounts Receivable	110.5	-27.8	-24.5	-3.3
Inventories	99.7	+9.4	+12.3	-2.9
Total Fixed Assets	378.7	-20.0	-11.5	-8.5
Property, Plant and Equipment	130.3	-4.6	-2.2	-2.3
Intangible Assets	148.7	-18.0	-12.5	-5.5
Investments and Other Assets	99.7	+2.6	+3.4	-0.8
Total Assets	768.5	-32.9	-13.9	-19.0

(Billion yen)	14/9	Change from 14/3	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Liabilities	410.5	-32.1	-26.7	-5.4
Notes & Accounts Payable	58.5	+7.6	+8.7	-1.1
Interest-bearing Debt	139.3	-16.6	-16.3	-0.3
Accrued/Liabilities for Retirement Benefits	74.7	+13.9	+14.0	-0.2
Total Net Assets	357.9	-0.8	+12.8	-13.6
Shareholders' Equity	345.8	+10.3	-	-
Accumulated Other Comprehensive Income	-8.0	-11.0	-	-
Minority Interests in Consolidated Subsidiaries	19.1	-0.1	-	-
Total Liabilities and Net Assets	768.5	-32.9	-13.9	-19.0

Exchange Rates

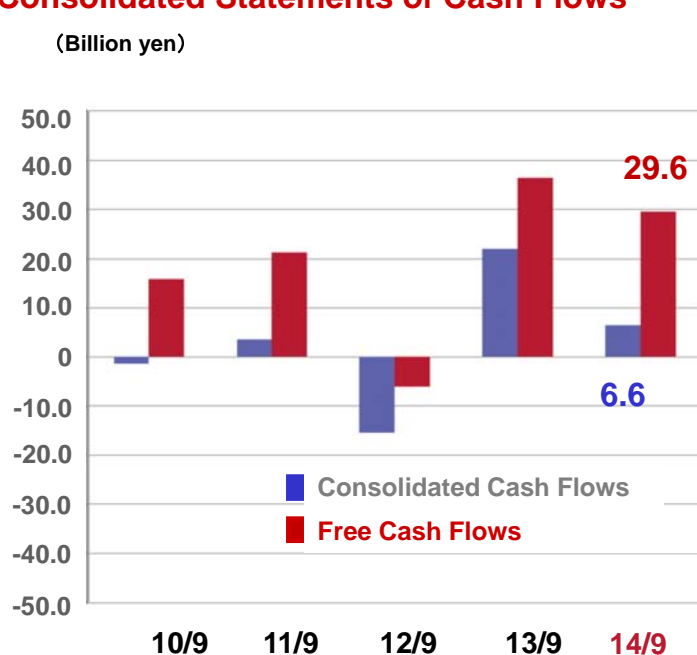
Sept. 30, 2014 (June 30, 2014): USD 1 = JPY 101.3; EUR 1 = JPY 138.2; CNY 1 = JPY 16.3
Mar. 31, 2014 (Dec. 31, 2013): USD 1 = JPY 105.4; EUR 1 = JPY 145.0; CNY 1 = JPY 17.4

Note: Major line items only

Equity Ratio: 44.0%
Interest-bearing Debt Ratio: 28.0%

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Supplemental Data 10 Consolidated Statements of Cash Flows



(Billion yen)

Cash Flows from Operating Activities	8.2
Cash Flows from Investing Activities	21.5
Free Cash Flows	29.6
Cash Flows from Financing Activities	-20.3
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-2.7
Consolidated Cash Flows	6.6

(Billion yen)	Sept. 30, 2014	Mar. 31, 2014
Cash, Time Deposits and Short-term Investments in Securities	135.4	128.9
Interest-bearing Debt	139.3	155.9
Net Cash	-3.9	-27.0

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Supplemental Data 11 Capital Expenditures, Depreciation Expenses, etc.

(Billion yen)	14/9 Result	13/9 Result	YoY Change	YoY Change %	15/3 Estimate	YoY Change	YoY Change %
Investment in Plant and Equipment, etc. *	12.4	14.0	-1.6	-11%	33.5	+3.9	+13%
Property, Plant and Equipment	8.0	10.0	-2.0	-20%	20.8	+1.4	+7%
Intangible Assets, etc.	4.4	4.0	+0.4	+9%	12.8	+2.5	+24%
Depreciation	16.2	16.6	-0.4	-2%	34.3	+0.7	+2%
Property, Plant and Equipment	8.5	8.8	-0.3	-3%	18.3	-0.0	-0%
Intangible Assets, etc.	7.7	7.8	-0.1	-1%	16.0	+0.7	+5%
R&D Expenses	6.6	6.6	-0.0	-0%	13.9	+0.3	+2%
Advertising Expenses	23.4	22.6	+0.8	+4%	51.1	+1.8	+4%

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

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