

# FY2015 First Quarter Results and Outlook

July 31, 2015  
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Corporate Officer, CFO  
Shiseido Co., Ltd.

SHISEIDO



- I am Norio Tadakawa from Shiseido.
- I would like to review our business results for the first quarter of fiscal 2015 and explain our outlook for fiscal 2015.

## First Quarter Results (Ended June 2015)

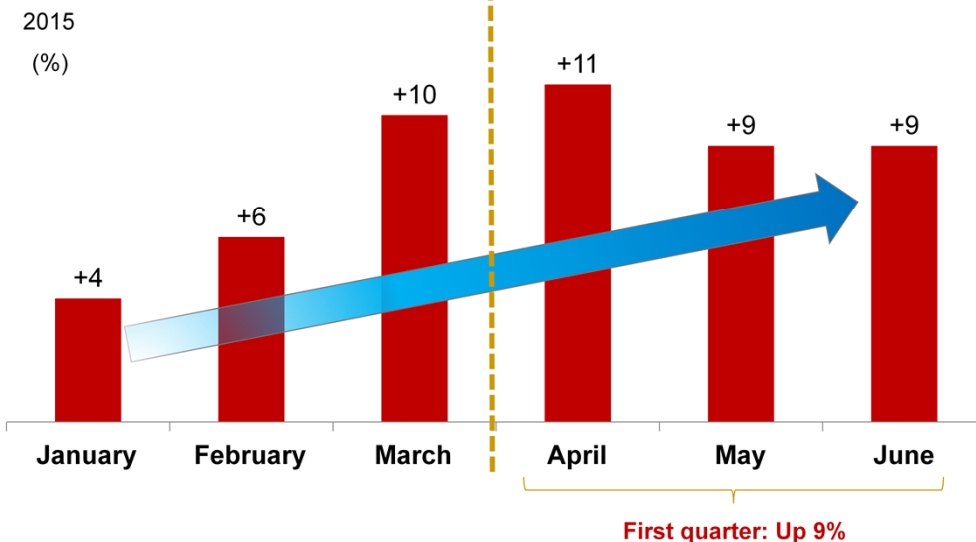
(Billion yen)	15/12 Result		15/3 Result		YoY Amount	YoY Change %	Change in Local Currency
		% of Net Sales		% of Net Sales			
Net Sales	202.3	100%	168.4	100%	+33.9	+20.2%	+15.0%
Domestic	92.0	45.5%	79.5	47.2%	+12.5	+15.7%	+15.6%
Overseas	110.3	54.5%	88.8	52.8%	+21.4	+24.1%	+14.5%
Operating Income	13.0	6.4%	1.4	0.8%	+11.7	+857.6%	+844.8%
Ordinary Income	13.6	6.7%	1.4	0.9%	+12.1	+840.6%	
Income before Income Taxes	15.5	7.7%	2.1	1.3%	+13.4	+638.4%	
Net Income Attributable to Owners of Parent	3.7	1.8%	-1.8	-1.1%	+5.5	—	

Exchange Rates USD 1 = JPY 119.1 (+15.9%); EUR 1 = JPY 134.2 (-4.7%); CNY 1 = JPY 19.1 (+12.9%)

- Let's begin with a summary of the statement of income. Net sales for the first quarter were 202.3 billion yen, up 20.2% year on year and up 15.0% in local currency terms. They were the highest first-quarter sales ever.
- Domestic sales were up 15.7%. Strong store sales gave a boost to shipment sales.
- Overseas, sales rose 14.5% year on year in local currency terms reflecting strong sales in each region and increased 24.1% in yen terms on a weaker yen.
- Operating income increased 11.7 billion yen year on year, to 13.0 billion yen. Higher margins due to increased sales both in Domestic and overseas greatly contributed to this growth, resulting in the largest operating income in recent years.
- We recorded net income of 3.7 billion yen, up 5.5 billion yen year on year, thanks to the increase in operating income. The tax rate is high because tax expenses increased due to a smaller benefit related to the elimination of unrealized earnings.

## Growth Rate of Store Sales of Domestic Cosmetics

**SHISEIDO: Changes in store sales from the year before last**



- I will now review store sales of the Domestic Cosmetics.
- Results for 2015 are compared with the same period of the year before last, or 2013, to exclude the impact of the consumption tax hike in the previous year.
- In the first quarter, store sales, which began to rise in January this year, continued to increase, climbing 9% from the same period of the year before last. This reflects in part the contribution of inbound sales from overseas tourists to Japan, in addition to the continuous increase in sales of brands that we have been innovating since October last year.
- The inbound sales situation differs depending on the area. We estimate, however, that about 60% of the increase in the overall store sales of the company from the year before last, which excludes the impact of the consumption tax hike, can be attributed to inbound sales.

## Japan Business: Sales and Operating Income in the First Quarter

(Billion yen)	15/12 Result		15/3 Result		YoY Amount	YoY Change %
		% of Net Sales		% of Net Sales		
Prestige	25.4	12.5%	19.7	11.7%	+5.7	+29.1%
Cosmetics	43.0	21.2%	37.4	22.2%	+5.6	+15.0%
Personal Care	9.1	4.5%	9.8	5.8%	-0.7	-7.0%
Digital	1.8	0.9%	1.4	0.9%	+0.3	+22.3%
Healthcare & Others	3.4	1.7%	3.6	2.1%	-0.2	-5.1%
<b>Japan Business</b>	<b>82.6</b>	<b>40.8%</b>	<b>71.9</b>	<b>42.7%</b>	<b>+10.8</b>	<b>+15.0%</b>

(Billion yen)	15/12 Result	15/3 Result	YoY Amount	YoY Change %
Operating Income	9.1	4.0	+5.0	+124.8%
Operating Profitability	10.6%	5.4%	+5.2 pt.	

Note: 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. See Supplemental Data 1 for details.

- Next, we look at results by business segment. Net sales of Japan Business were 82.6 billion yen in total, up 15.0% year on year.
- To start accelerating consumer-oriented marketing in April, we reorganized our business based on consumers' point of purchase.
- Sales of Prestige, which include brands that are mostly handled at department stores and cosmetics specialty stores, increased 29.1% year on year, to 25.4 billion yen.
- This is attributed to sales of the global brand *SHISEIDO*, which have been increasing since the previous year, when *ULTIMUNE* was launched, and *clé de peau BEAUTÉ*, which has enjoyed strong support among consumers.
- Sales of Cosmetics, whose main sales channels are drug stores and GMS, increased 15.0%, to 43.0 billion yen.

## Japan Business: Sales and Operating Income in the First Quarter

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- Sales of *HAKU*, a skin brightening brand, grew significantly. We renewed this brand and released a skin lotion and emulsion, thereby making it a line. Sales of *ANESSA*, a suncare brand that is extremely popular among overseas tourists to Japan, also grew significantly.
- In addition, *ELIXIR* and *MAQuillage*, which we renewed last year, remained strong by expanding opportunities to meet new consumers.
- Sales of Personal Care, which mainly handles body care and haircare products, declined year on year overall, although the skincare brand *SENKA* remained brisk, driven by cleansing and body care products. This is because *TSUBAKI*, a haircare brand whose lineup was expanded as a result of the innovation in March this year, struggled in the harsh competitive environment.

## Japan Business: Sales and Operating Income in the First Quarter

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Note: 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. See Supplemental Data 1 for details.

- With regard to Digital, sales of the mainstay brands including the global brand *SHISEIDO*, *ELIXIR*, and *MAQuillage* grew steadily at *watashi+*.
- Operating income increased 5.0 billion yen year on year, to 9.1 billion yen. We stepped up marketing investments, such as advertising, which resulted in an increase of sales and allowed the margin to exceed the marketing investments.

## Japan Business: Future Initiatives

### Enhancing unique values to increase brand equity



SHISEIDO

*ULTIMUNE Power Infusing Eye Concentrate*  
A serum for the area around the eyes  
To be launched in September



TSUBAKI

Products for out-bath treatment  
To be launched in September



BENEFIQUE

AC Line and IM Line  
New lines  
To be launched in September

ELIXIR

*Enriched Serum*  
A serum/ To be launched in August  
*Enriched Cream*  
Cream/ To be launched in October



- In the Japan Business, we will continue to enhance the values of our mainstay brands that we have been innovating.
- In the Prestige segment, we will launch Power Infusing Eye Concentrate of *ULTIMUNE*, a serum for the area around the eyes, on September 1 this year from the global brand *SHISEIDO* and introduce a new line from *BENEFIQUE* on September 21.
- In Cosmetics, we will launch two special care items from *ELIXIR*. First, we will innovate the *Enriched Serum*, a serum that has enjoyed strong consumer support since its launch in 2013. In addition, we will launch *Enriched Cream*, an item that responds to the needs of consumers seeking resilient skin, on October 21. By using these items as the hook, we will establish the brand value of *ELIXIR*, which has evolved into a highly functional aging care brand that incorporates the latest collagen research.

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- In addition, we will completely renew products for out-bath treatment of *TSUBAKI* in September. We have already innovated products for use in the bath from this brand and will continue to increase opportunities to meet consumers through the renewal of products for out-bath treatment.



## Inbound

An opportunity for us to meet with foreign customers continuously

Before they come to Japan

During their visit to Japan

After they leave Japan



Dividing consumer behaviors into the three phases of before they come to Japan, during their visit to Japan, and after they leave Japan, to establish a virtuous circle in which they purchase our products even after they leave Japan

- Next, I explain our enhanced initiatives for the inbound market.
- The inbound market has continued to expand since October last year and began to be boosted by other elements this year, such as the easing of visa requirements for Chinese nationals. Shiseido also saw sharp growth in sales of brands in the high-end range and skincare brands, especially at urban department stores and drug stores.
- To better meet this demand, we pooled the Group's collective strength, such as increasing counter staff and interpreters at subject stores in Ginza and Shinsaibashi, adding multi-language support to the tablets that are used to communicate with customers, and dispatching store maintenance staff who usually work at drug stores for unpacking tasks at department stores to allow counter staff to concentrate on customer services.

## Inbound

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Dividing consumer behaviors into the three phases of before they come to Japan, during their visit to Japan, and after they leave Japan, to establish a virtuous circle in which they purchase our products even after they leave Japan

- In addition, we will divide the behaviors of consumers who visit Japan into the three phases of before they come to Japan, during their visit to Japan, and after they leave Japan, strengthening our measures in each phase to transcend boundaries between countries, something that is possible because we operate globally. We will thus increase our inbound sales and establish a virtuous circle in which consumers will continue to purchase our products even after they return to their home countries.

## Global Business: Sales and Operating Income in the First Quarter

(Billion yen)	15/12 Result		15/3 Result		YoY Amount	YoY Change %	Change in Local Currency
		% of Net Sales		% of Net Sales			
Cosmetics	104.6	51.7%	81.8	48.6%	+22.8	+27.8%	+18.2%
Professional	9.2	4.6%	10.8	6.4%	-1.5	-14.3%	-21.6%
Global Business	113.8	56.3%	92.6	55.0%	+21.2	+22.9%	+13.6%

(Billion yen)	15/12 Result	15/3 Result	YoY Amount	YoY Change %
Operating Income before Amortization of Goodwill, etc.	4.7	-1.1	+5.9	—
Operating Income	2.3	-3.5	+5.8	—
Operating Profitability	2.0%	-3.7%	+5.7 pt.	

Note: In line with organizational reforms, the former Global Business segment has been reorganized, and reportable segment classifications have been changed accordingly. See Supplemental Data 1 for details.

- Moving on to the Global Business.
- Sales were 113.8 billion yen, rising 13.6% in local currency terms. Operating income rose 5.8 billion yen, to 2.3 billion yen, reflecting a higher margin exceeding the marketing investment due to increased sales with greater investment in consumer marketing.

## Overseas: Summary of Results for the First Quarter (Jan - Mar) and Second Quarter (Apr - Jun) of FY2015

Region	YoY % Change of Net Sales (Change in Local Currency)	Descriptions
China	<b>[First quarter]</b> <b>+26.7%</b> <b>(+12.8%)</b>	(+) Strong sales of prestige brands such as <i>clé de peau BEAUTÉ</i> and the global brand <i>SHISEIDO</i> (+) Favorable results of e-commerce
	<b>[Second quarter]</b> <b>YoY decline</b>	(-) Revision of the conditions of contracts with distributors (-) Reduction of inventories of cosmetics specialty stores and distributors

\* The year-on-year changes in sales in the second quarter shown in this document are based on a simple aggregation of preliminary figures. Accordingly, they may differ from the actual year-on-year sales changes by region in local currency terms, which are disclosed in the consolidated settlement of accounts.



*clé de peau BEAUTÉ* counter



*SHISEIDO ULTIMUNE*

- This screen shows key points for each geographical region in the first quarter and the second quarter, which has already ended, in the Global Business.
- Looking first at China. First-quarter sales were up 12.8% in local currency terms. In the fourth quarter of last year, we reduced market inventories to an appropriate level and also put in place an environment for concentrating on counter activities. As a result, first-quarter shipment sales exceeded the year-ago level when there was a decline in reaction to the increase in product lineups at the end of the fiscal year.
- Amid the growth in China's affluent population, prestige brands, such as the global brand *SHISEIDO* and *clé de peau BEAUTÉ*, performed well. E-commerce sales also grew steadily as a result of active implementation of web communications through SNS.

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*clé de peau BEAUTÉ* counter



*SHISEIDO ULTIMUNE*

- .On the other hand, second-quarter sales were below the year-ago level. This result reflects our revision of the conditions of contracts with major distributors, which caused cosmetics specialty stores and distributors with excessive inventories to refrain from placing orders and reduce the inventory. Consequently, market inventories were reduced in line with initial plans for each channel and the rationalization of the inventory levels of distributors was almost complete.

## Overseas: Summary of Results for the First Quarter (Jan - Mar) and Second Quarter (Apr - Jun) of FY2015

Region	YoY % Change of Net Sales (Change in Local Currency)	Descriptions
Asia	<b>[First quarter]</b> <b>+21.8%</b> <b>(+12.5%)</b>	(+) Favorable results of travel retail business (+) Continued strength of <i>ULTIMUNE</i>
	<b>[Second quarter]</b> <b>YoY increase</b>	(+) Favorable results of travel retail business (+) Strong sales of new sunscreen under the global brand <i>SHISEIDO</i>

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Travel retail



Perfect UV Protection N

- In Asia, first-quarter sales climbed 12.5%. The travel retail business performed strongly and sales of *ULTIMUNE* also contributed to the overall sales growth.
- Second-quarter sales also continued to exceed the year-ago level, with sustained strength in the travel retail business and the contribution of a new sunscreen under the global brand *SHISEIDO* to the sales expansion.

## Overseas: Summary of Results for the First Quarter (Jan - Mar) and Second Quarter (Apr - Jun) of FY2015

Region	YoY % Change of Net Sales (Change in Local Currency)	Descriptions
Americas	<b>[First quarter]</b> <b>+35.6%</b> <b>(+19.0%)</b>	(+) Strong sales of <i>NARS</i> and fragrance business (+) Launched the <i>Complexion Rescue</i> from <i>bareMinerals</i> (+) Rebound from the impact of the shipment problems at our distribution center in the United States in the previous year
	<b>[Second quarter]</b> <b>YoY decline</b>	(+) Favorable results of <i>NARS</i> (-) Reactionary fall from the launch of major new product from <i>bareMinerals</i> in the previous year

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NARS counter



Complexion Rescue from bareMinerals

- Turning next to the Americas. First-quarter sales climbed 19.0%. *NARS* and the fragrance business maintained high growth, and *bareMinerals*, including the strongly performing new product *Complexion Rescue* launched in January, remained on the recovery path. Sales were high compared to the previous year, partially due to the effects of the shipment problems at a distribution center in the US in the previous year.
- Second-quarter sales were down year on year, mainly because of a decline in *bareMinerals*, partially affected by the launch of the major new product *BARESKIN* in the same period of the previous year, despite brisk sales of *NARS*.

## Overseas: Summary of Results for the First Quarter (Jan - Mar) and Second Quarter (Apr - Jun) of FY2015

Region	YoY % Change of Net Sales (Change in Local Currency)	Descriptions
Europe	<b>[First quarter]</b> <b>+9.9%</b> <b>(+12.4%)</b>	(+) Strong sales of the global brand <i>SHISEIDO</i> in Russia and Spain (+) Favorable results of fragrance business (-) Struggle in Germany and others
	<b>[Second quarter]</b> <b>YoY unchanged</b>	(+) Favorable results in Italy (+) Hit of new sunscreen under the global brand <i>SHISEIDO</i> (-) Struggle in Germany and Spain

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ISSEY MIYAKE

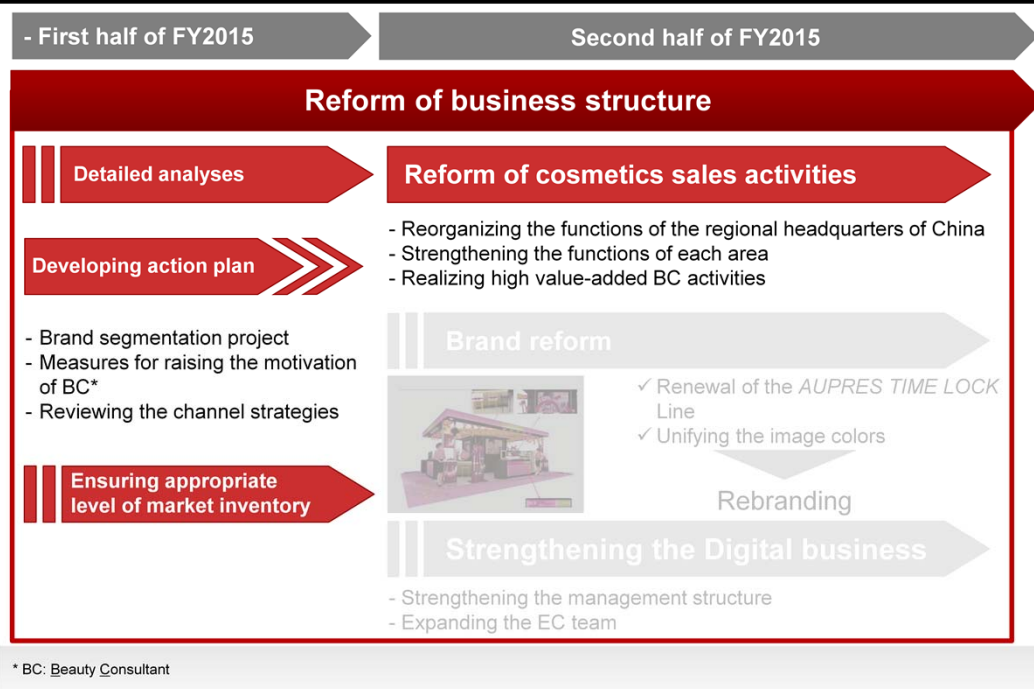


narciso rodriguez

- Turning next to Europe. In Europe, first-quarter sales increased 12.4%. Although sales struggled in Germany and other markets, the fragrance business performed strongly, and sales grew in Russia and Spain, resulting in year-on-year growth overall.
- In the second quarter, overall European sales were unchanged from the year-ago level.
- The weak performance of Germany and Spain was offset by the strong performance of Italy, where marketing investment was increased, and the hit of a new sunscreen under the global brand *SHISEIDO*.

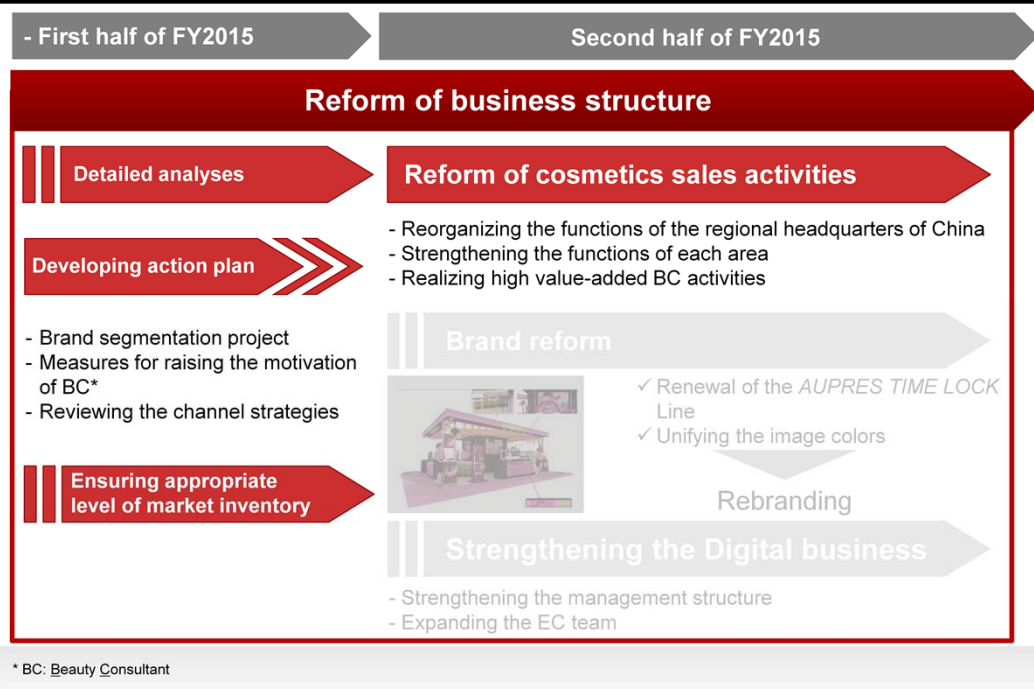


## China: Initiatives for the Second Half (Jul - Dec) of FY2015



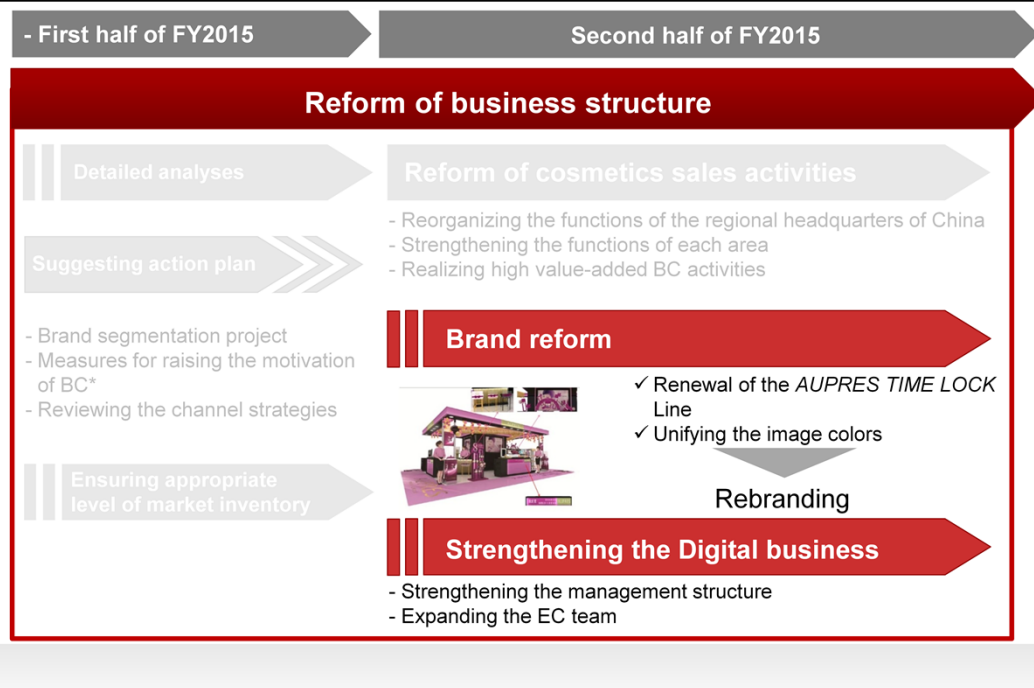
- We will now brief you on our future initiatives in China.
- We continue to position China as one of our most important markets and are working to turn the business around and place it back on the growth path. In the first half of 2015, we started to implement the brand segmentation project along with measures to increase the motivation of BCs. We also reviewed our channel policies, and optimized the market inventory level. In the second half of 2015, we will also continue to promote the localization of marketing and sales, and finally work on sales reforms.
- The first initiative is the reorganization of regional headquarter functions in China. In July, we reformed the sales organization into one based on five functions: trade marketing, distributor management, sales operations, key account sales, and BC management, and we also increased our staffing. Along with these initiatives, we will develop a database that manages shipments and inventories at every distribution stage, or at retailers, distributors, and Shiseido.

## China: Initiatives for the Second Half (Jul - Dec) of FY2015



- The second initiative is to strengthen area functions. We will switch to an area/channel-based organization that works beyond brands by appointing area directors to head each area.
- The third initiative is the realization of high value-added BC activities. We will focus on consumer-oriented *omotenashi*-style sales through the establishment of a joint project with our Hong Kong subsidiary and the sharing of brand philosophies with BCs. We will also revamp our entire personnel system including incentives, promotion, hiring and training.

## China: Initiatives for the Second Half (Jul - Dec) of FY2015



- For the strengthening of our brands, we will review *AUPRES* as *the Time Lock* line with the highest sales mix as a line. We will step up sales promotion, including counters and BC uniforms in September ahead of the coming rebranding.
- To enhance the digital business, centering on e-commerce, we are hiring people with both specialist knowledge and industry experience to head up our e-commerce in China, as well as expanding the size of the EC team to around 30 members.
- We support the Chinese government's decision to reduce tariffs on certain consumer goods, and we are responding this with price adjustments to core products that we import and sell in China.

## Consolidated Balance Sheets

(Billion yen)	As at June 30, 2015	Change from March 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Current Assets	404.0	-11.1	-3.7	-7.4
Cash, Time Deposits and Short-term Investments in Securities	122.4	+0.5	+1.6	-1.1
Notes & Accounts Receivable	120.4	-11.5	-7.8	-3.7
Inventories	112.9	+6.2	+8.3	-2.1
Total Fixed Assets	398.6	-10.0	-8.0	-2.0
Property, Plant and Equipment	134.1	-2.9	-2.1	-0.8
Intangible Assets	164.4	-2.7	-2.4	-0.4
Investments and Other Assets	100.1	-4.3	-3.5	-0.8
Total Assets	802.6	-21.1	-11.7	-9.4

### Exchange Rates

Jun. 30, 2015 (Mar. 31, 2015): USD 1 = JPY 120.3; EUR 1 = JPY 130.4; CNY 1 = JPY 19.4  
Mar. 31, 2015 (Dec. 31, 2014): USD 1 = JPY 120.5; EUR 1 = JPY 146.5; CNY 1 = JPY 19.3

(Billion yen)	As at June 30, 2015	Change from March 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Liabilities	394.6	-19.7	-15.8	-3.9
Notes & Accounts Payable and Other Payables	95.4	-0.4	+1.4	-1.9
Accrued Income Taxes	9.7	-6.5	-6.2	-0.3
Accrued Bonuses for Employees	9.9	-7.1	-6.9	-0.2
Interest-Bearing Debt	109.6	+2.7	+2.7	-0.1
Liabilities for Retirement Benefits	76.6	-1.1	-0.7	-0.4
Total Net Assets	408.0	-1.4	+4.2	-5.5
Shareholders' Equity	351.3	-0.0	—	—
Accumulated Other Comprehensive Income	33.4	-2.1	—	—
Total Liabilities and Net Assets	802.6	-21.1	-11.7	-9.4

Equity Ratio: 47.9%  
Interest-Bearing Debt Ratio: 21.2%

Note: Major line items only

- We will now explain the balance sheet.
- Total assets as at the end of June decreased 21.1 billion yen from the end of the previous fiscal year, to 802.6 billion yen. This includes the effect of foreign exchange rates amounting to 9.4 billion yen and is therefore a drop of 11.7 billion yen in real terms. This is mainly attributable to a decline in notes and accounts receivable-trade owing to a difference in the size of amounts during the sales recording period, as well as sales of securities.
- The interest-bearing debt ratio was 21.2%, although we refinanced corporate bonds in June.

## Outlook for the First Half Ending September 2015

(Billion yen)	Q1		Q2		1st half		Difference from the Forecast Announced in April
		YoY Change %		YoY Change %		YoY Change %	
Net Sales	202.3	+20%	209.7	+6%	412.0	+13%	+22.0
Domestic	92.0	+16%	103.0	+11%	195.0	+13%	+8.0
Overseas	110.3	+24%	106.7	+2%	217.0	+12%	+14.0
Operating Income	13.0	+858%	-3.0	(9.6)	10.0	-9%	+7.0
Ordinary Income	13.6	+841%	-2.6	(10.1)	11.0	-4%	+8.0
Extraordinary Income/Loss (net)	2.0	+199%	0.5	-97%	2.5	-88%	+3.5
Net Income Attributable to Owners of Parent	3.7	(-1.8)	-2.2	(26.4)	1.5	-94%	+5.0

Overseas Sales Ratio  
Operating Profitability  
Exchange rates

52.7%  
2.4%

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

USD 1 = JPY 120.2 (+17%); EUR 1 = JPY 134.2 (-4%); CNY 1 = JPY 19.3 (+16%)

- Turning to our outlook for the first half.
- Net sales are expected to increase 22 billion yen from the previous forecast, to 412 billion yen. Domestic sales are expected to climb 8 billion yen, to 195 billion yen. The plan is expected to be exceeded, mainly because of the expansion of inbound sales and the brand innovation effect. Overseas sales are set to rise 14 billion yen, to 217 billion yen. We expect to exceed the plan thanks to the strong performance of the fragrance business in which we increased investments, in addition to revisions to foreign exchange rates.
- Operating income is expected to increase 7 billion yen from the previous forecast, to 10 billion yen, reflecting a higher margin due to increased sales and the effect of differed costs to the second half.
- Extraordinary income/loss will increase 3.5 billion yen from the previous forecast, to 2.5 billion yen. This forecast factored in gains such as a gain on sales of investment securities recorded in the first quarter. Our net income forecast is 1.5 billion yen, an increase of 5 billion yen from the previous forecast, reflecting an increase in pre-tax income and the revision of tax expenses.

## Outlook for FY2015

(Billion yen)	15/12 Outlook		Difference from the Forecast Announced in April	2015/3 Results* (Adjusted)	YoY Change (%) (Adjusted)	Change (%) in Local Currency (Adjusted)
		% of Net Sales				
Net Sales	765.0	100%	+35.0	677.5	+13%	+8%
Domestic	293.0	38.3%	+8.0	265.9	+10%	+10%
Overseas	472.0	61.7%	+27.0	411.6	+15%	+6%
Operating Income	30.0	3.9%	+2.0	21.2	+41%	
Ordinary Income	30.5	4.0%	+2.5	22.8	+34%	
Extraordinary Income/Loss (net)	1.5	0.2%	+3.5	16.3	-91%	
Net Income Attributable to Owners of Parent	11.0	1.4%	+1.0	27.5	-60%	

ROE 2.8%  
 Exchange rates USD 1 = JPY 120 (+13%); EUR 1 = JPY 134 (-5%); CNY 1 = JPY 19.3 (+12%)  
 Dividends Interim: JPY 10; Year-end: JPY 10; Annual: JPY 20

\* FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly (Japan: 9-month fiscal year, overseas: 12-month fiscal year).

- Next we will look at our full-year forecast.
- Net sales are expected to increase 35 billion yen from the previous forecast, to 765 billion yen. This is mainly attributable to the upward revision of the first-half forecast and replacement of foreign exchange rate assumptions with the latest foreign exchange rates.
- Our operating income forecast is 30 billion yen, an increase of 2 billion yen. This factored in a higher margin as a result of increased sales and revised foreign exchange rates, among other factors. With respect to the increase in operating income in the first half, we will set aside one third for expenses to further strengthen marketing investments and another one third for expenses to promote restructuring.
- As a result, net income is expected to rise 1 billion yen from the previous forecast, to 11 billion yen.

## Steps to Take Toward Achievement of the VISION 2020



**Strengthening the brand portfolio**



**Investing resources generated through reform of the cost structure in marketing and innovations**

**SHISEIDO**

**Introducing six regional headquarters to achieve the goal of becoming a global marketing company**

- Finally, I will explain the progress of our efforts toward our three-year management plan and VISION 2020.
- First, the strengthening of the brand portfolio. We are currently refining our focus with a view to rebuilding the brand portfolio, and in this process, we decided to sell the *AYURA* brand. Also, as part of measures to strengthen the prestige market, we will commence import and sale operations in Japan for UK-based Burberry's makeup and fragrance business.
- In structural reforms, we are working to step up our marketing investments, and steadily producing results. Specifically, we are endeavoring to reduce cost of sales, SCM costs and procurement costs, integrate organizations and offices, and enhance shared services in each area, with the aim of improving productivity on a global basis.

## Steps to Take Toward Achievement of the VISION 2020



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- In addition, we are making every effort to build a business management base to support the global matrix organization from January 2016. Along with this shared database, we will adopt a management approach that responds flexibly to changes in the operating environment by quickly sharing risks and opportunities through close communication between the headquarters and each area and the CFO functions of brands.
- And now, we come to the regional headquarters system. In June, we established Shiseido Asia Pacific Pte. Ltd. in Singapore, and it will become the core base in Asia. On October 1, Shiseido Japan Co., Ltd. will be set in motion, as we have indicated.



## Steps to Take Toward Achievement of the VISION 2020



**Strengthening the brand portfolio**



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- We have also adopted a management approach that will run our business in each region. From outside the company, we are appointing Mr. Marc Rey, an expert in marketing and branding, as President and CEO of Shiseido Americas and Louis Desazars, who was behind the rapid growth of *NARS*, as President and CEO of Shiseido Europe, the Middle East and Africa. With these appointments, we have set the management of all regional headquarters in place.
- As described, a framework for marketing tailored to each region is steadily being built under the concept of “Think Global, Act Local.” To become a global marketing company, we will achieve the targets for fiscal 2017 and fiscal 2020 by enhancing our competitiveness through the recruitment of outstanding human resources in each region to enable quick decision-making.
- This concludes my presentation.

SHISEIDO

## Supplemental Data 1 Sales and Operating Income in the First Quarter by Reportable Business Segment

(Billion yen)	15/12 Result	15/3 Result	YoY Amount	YoY Change %
Japan Business	82.6	71.9	+10.8	+15.0%
Global Business	113.8	92.6	+21.2	+22.9%
Others	5.9	3.9	+1.9	+49.0%
<b>Sales</b>	<b>202.3</b>	<b>168.4</b>	<b>+33.9</b>	<b>+20.2%</b>
Japan Business	9.1	4.0	+5.0	+124.8%
Global Business	2.3	-3.5	+5.8	—
Others	1.7	0.8	+0.9	+111.7%
Elimination/Corporate	0.0	-0.0	+0.0	—
<b>Operating Income</b>	<b>13.0</b>	<b>1.4</b>	<b>+11.7</b>	<b>+857.6%</b>

Notes:1. Percentages of sales include intersegment transactions.

2. Effective from the fiscal year ending December 2015, the Company has partially reorganized its business segment classification method, ahead of a new organizational system to start in the fiscal year ending December 2016. Under the revision of reportable segments, the "Domestic Cosmetics Business" and "Global Business" segments became the "Japan Business" and "Global Business" segments. Some subsidiaries, previously classified under the "Domestic Cosmetics Business" segment, are reclassified under the "Global Business" or "Others" segment. Also, the method of allocating certain expensed has been revised in order to more accurately ascertain the operating performance of individual segments. Results for the first three months of the preceding fiscal year have been adjusted to the post-revision classification and allocation methods.

## Supplemental Data 2

### Sales in the First Quarter by Region

	15/12 Result		15/3 Result		YoY Amount	YoY Change %	Change in Local Currency
	(Billion yen)	% of Net Sales		% of Net Sales			
Domestic	92.0	45.5%	79.5	47.2%	+12.5	+15.7%	+15.6%
China	31.3	15.5%	24.7	14.7%	+6.6	+26.7%	+12.8%
Asia*	16.4	8.1%	13.5	8.0%	+2.9	+21.8%	+12.5%
Americas	36.3	18.0%	26.8	15.9%	+9.5	+35.6%	+19.0%
Europe	26.2	12.9%	23.9	14.2%	+2.4	+9.9%	+12.4%
Overseas	110.3	54.5%	88.8	52.8%	+21.4	+24.1%	+14.5%
<b>Total</b>	<b>202.3</b>	<b>100%</b>	<b>168.4</b>	<b>100%</b>	<b>+33.9</b>	<b>+20.2%</b>	<b>+15.0%</b>

\*Excl. China

## Supplemental Data 3

### Cost of Sales / SG&A in the First Quarter

(Billion yen)	15/12 Result		YoY Change +: cost cuts	YoY Change %	Impact of Foreign Currency Exchange	YoY Change Excl. Impact of Foreign Currency Exchange +: cost cuts	
	% of Net Sales	% Pt. Change +: decrease					
Cost of Sales	48.5	24.0%	-0.6%	-9.0	+22.9%	-2.8	-6.3
SG&A	140.8	69.6%	+6.2%	-13.2	+10.4%	-5.7	-7.5
(Domestic)	67.7	73.5%	+7.3%	-3.7	+5.7%	—	-3.7
(Overseas)	73.1	66.3%	+5.0%	-9.5	+15.0%	-5.7	-3.8
Marketing Costs	46.2	22.8%	+0.6%	-6.9	+17.7%	-1.7	-5.3
Personnel Expenses	55.4	27.4%	+3.7%	-3.0	+5.7%	-2.2	-0.8
Other Expenses	36.7	18.2%	+1.7%	-3.2	+9.5%	-1.5	-1.7
M&A-Related Amortization Expenses	2.5	1.2%	+0.2%	-0.1	+4.4%	-0.3	+0.2

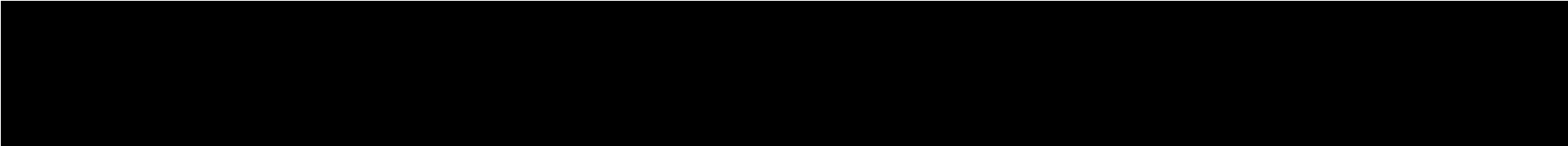
\* Sales counter amortization expenses, which used to be classified as Other Expenses, moved to Marketing Costs. In addition, cost of BCs hired by distributors and retailers moved from Other Expenses to Personnel Expenses. The same reclassifications are also reflected in the previous first quarter results.

## Supplemental Data 4

### SG&A (Domestic and Overseas Breakdown) in the First Quarter

(Billion yen)	15/12 Result	15/3 Result	YoY Change +:cost cuts	YoY Change %	Impact of Foreign Currency Exchange	YoY Change Excl. Impact of Foreign Currency Exchange +:cost cuts
Domestic	20.4	17.3	-3.0	+17.5%	—	-3.0
Overseas	25.8	21.9	-3.9	+17.8%	-1.7	-2.2
Marketing Costs	46.2	39.3	-6.9	+17.7%	-1.7	-5.3
Domestic	27.0	27.6	+0.6	-2.2%	—	+0.6
Overseas	28.4	24.8	-3.6	+14.5%	-2.2	-1.4
Personnel Expenses	55.4	52.4	-3.0	+5.7%	-2.2	-0.8
Domestic	20.4	19.1	-1.2	+6.4%	—	-1.2
Overseas	16.4	14.4	-1.9	+13.5%	-1.5	-0.4
Other Expenses	36.7	33.6	-3.2	+9.5%	-1.5	-1.7
Domestic	0.0	0.0	+0.0	-0.0%	—	+0.0
Overseas	2.4	2.3	-0.1	+4.5%	-0.3	+0.2
M&A-related Amortization Expenses	2.5	2.4	-0.1	+4.4%	-0.3	+0.2
Domestic	67.7	64.1	-3.7	+5.7%	—	-3.7
Overseas	73.1	63.5	-9.5	+15.0%	-5.7	-3.8
Total	140.8	127.6	-13.2	+10.4%	-5.7	-7.5

\* 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. The same reclassifications are also reflected in the previous first quarter results.



**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.**