

# Financial Results for FY2015

February 9, 2016

Norio Tadakawa

Corporate Officer, CFO  
Shiseido Co., Ltd.



**SHISEIDO**

## **Fiscal Years**

<b>FY2015</b>	<b>Domestic<sup>1</sup>: Apr.-Dec. 2015, Overseas: Jan.-Dec. 2015</b>
<b>FY2014</b>	<b>Domestic<sup>1</sup>: Apr. 2014-Mar. 2015, Overseas: Jan.-Dec. 2014</b>
<b>FY2014 (Adjusted)<sup>2</sup></b>	<b>Domestic<sup>1</sup>: Apr.-Dec. 2014, Overseas: Jan.-Dec. 2014</b>
<b>FY2016</b>	<b>Domestic: Jan.-Dec. 2016, Overseas: Jan.-Dec. 2016</b>
<b>FY2015 (Adjusted)<sup>2</sup></b>	<b>Domestic: Jan.-Dec. 2015, Overseas: Jan.-Dec. 2015</b>

- 1. Excluding some subsidiaries**
- 2. Unaudited figures for reference**

**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.**

# Summary of FY2015 Results

(Billion yen)	FY2015		FY2014Adjusted) <sup>1</sup>				Announced Oct. 2015	Difference from Announce- ment
		% of Net Sales <sup>2</sup>		% of Net Sales <sup>2</sup>	YoY Change %	Change in Local Currency		
Net Sales	763.1	100%	677.5	100%	+ 12.6%	+ 7.8%	760.0	+ 3.1
Domestic	296.9	—	265.9	—	+ 11.7%	+ 11.5%	293.0	+ 3.9
Overseas	466.2	—	411.6	—	+ 13.3%	+ 5.4%	467.0	-0.8
Operating Income	37.7	4.9%	21.2	3.1%	+ 77.4%		30.0	+ 7.7
Ordinary Income	37.6	4.9%	22.8	3.4%	+ 64.8%		30.0	+ 7.6
Extraordinary Income/Loss (net)	5.3	0.7%	16.3	2.4%	-67.4%		5.5	-0.2
Net Income Attributable to Owners of Parent	23.2	3.0%	27.5	4.1%	-15.7%		13.0	+ 10.2
EBITDA	80.6	10.6%	77.5	11.4%	+ 4.1%			

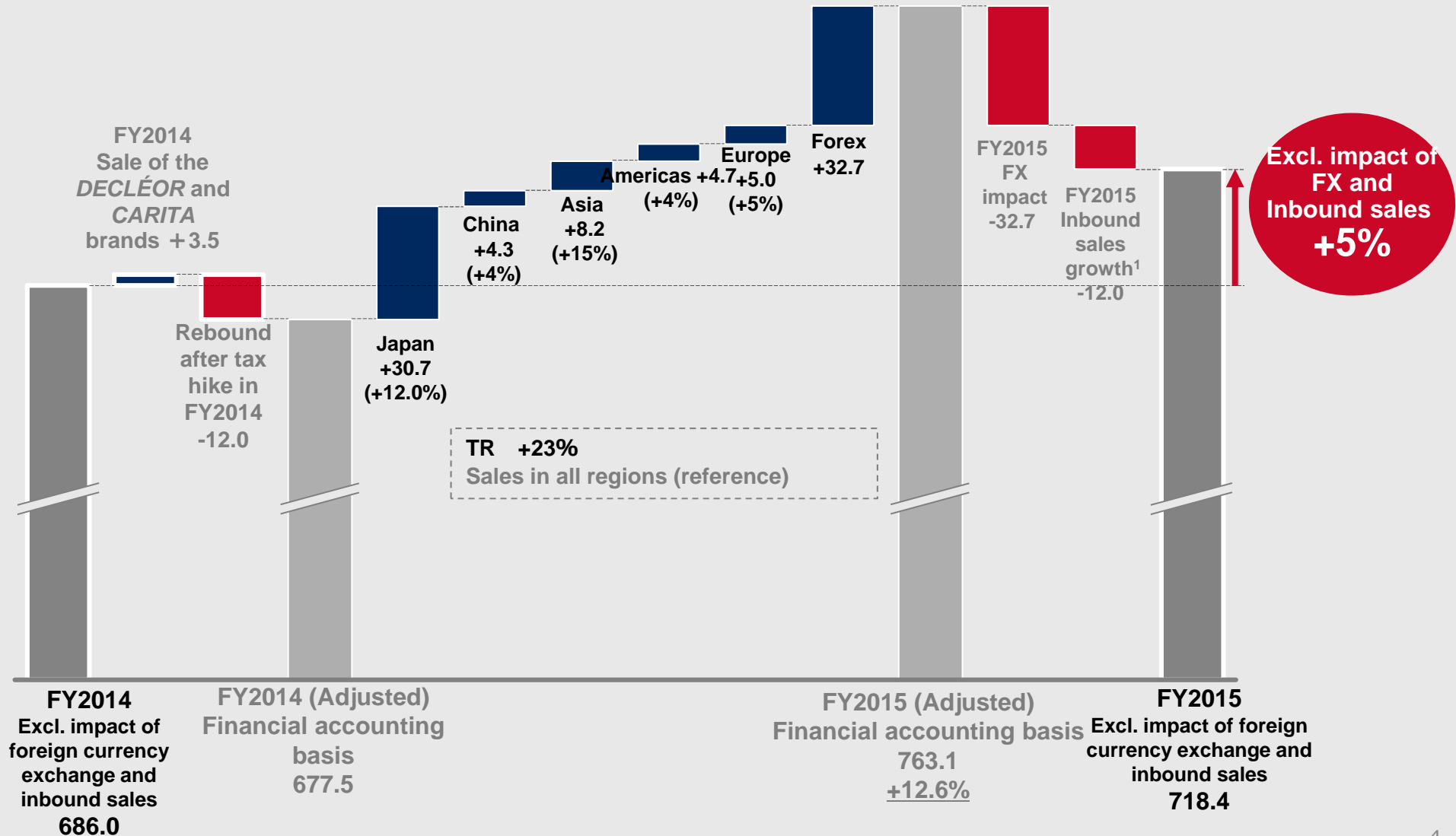
Exchange Rates USD 1 = JPY 121.1 (+ 14.3%), EUR 1 = JPY 134.3 (-4.4%), CNY 1 = JPY 19.2 (+ 11.7%)

1. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year) See slide 2 for details.
2. % on net sales for Domestic and Overseas are not shown because FY2015 and FY2014 (adjusted) are irregular. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year) See slide 2 for details.

# FY2015 Results: Breakdown for Increased Sales

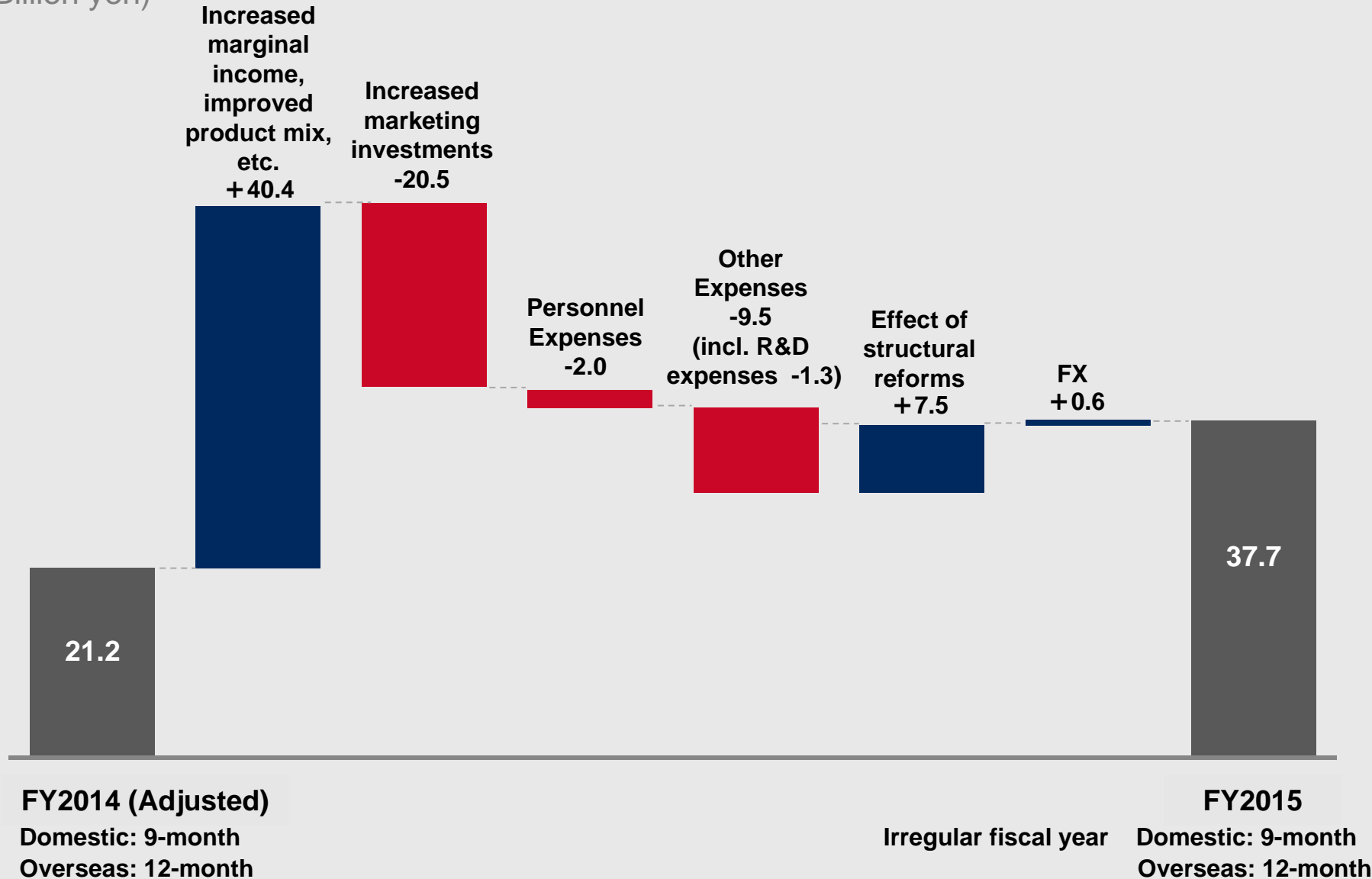
(Billion yen)

1. Inbound sales in the Japan Business and Others (THE GINZA, etc.)

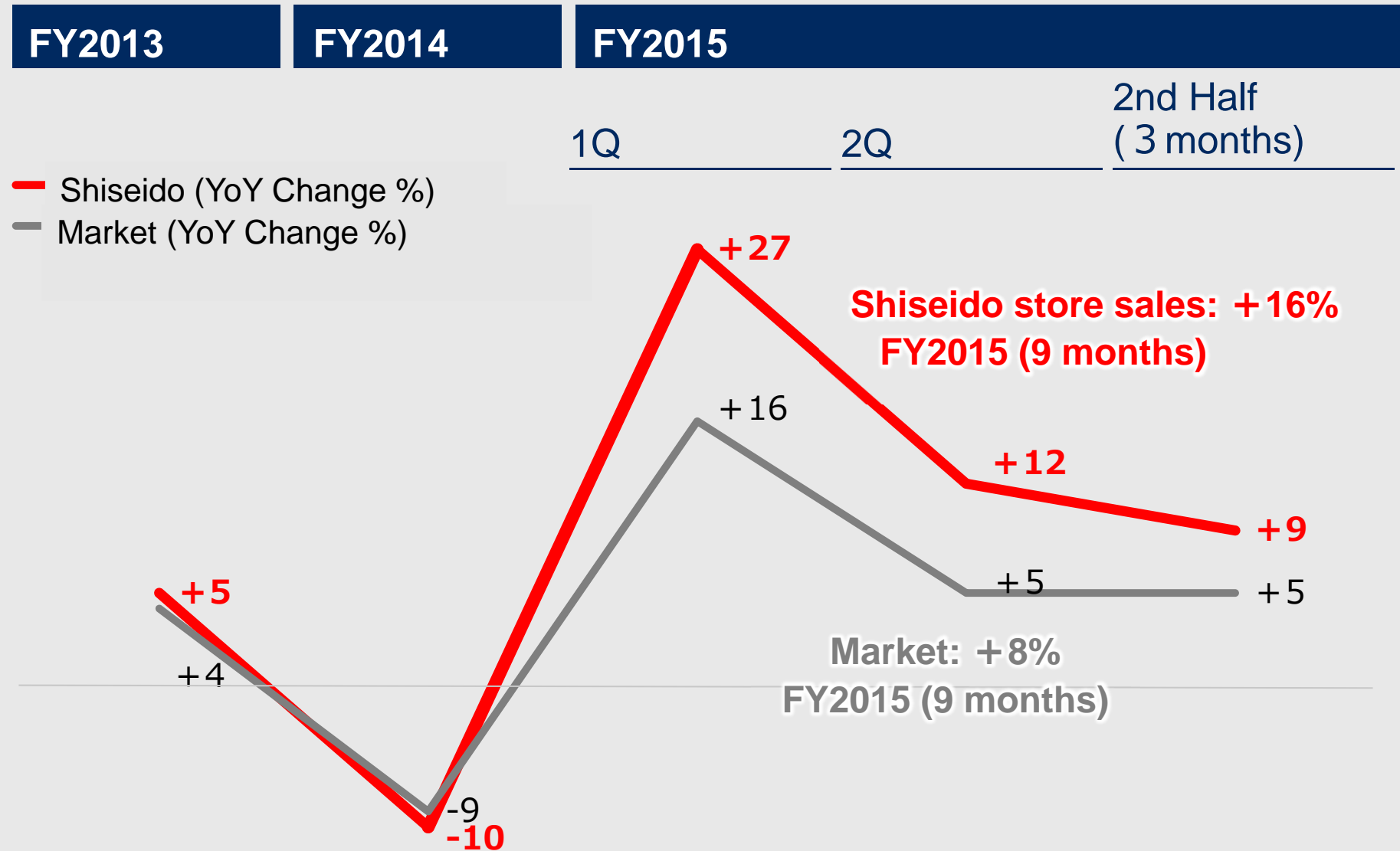


# FY2015 Results: Breakdown for YoY Change in Earnings

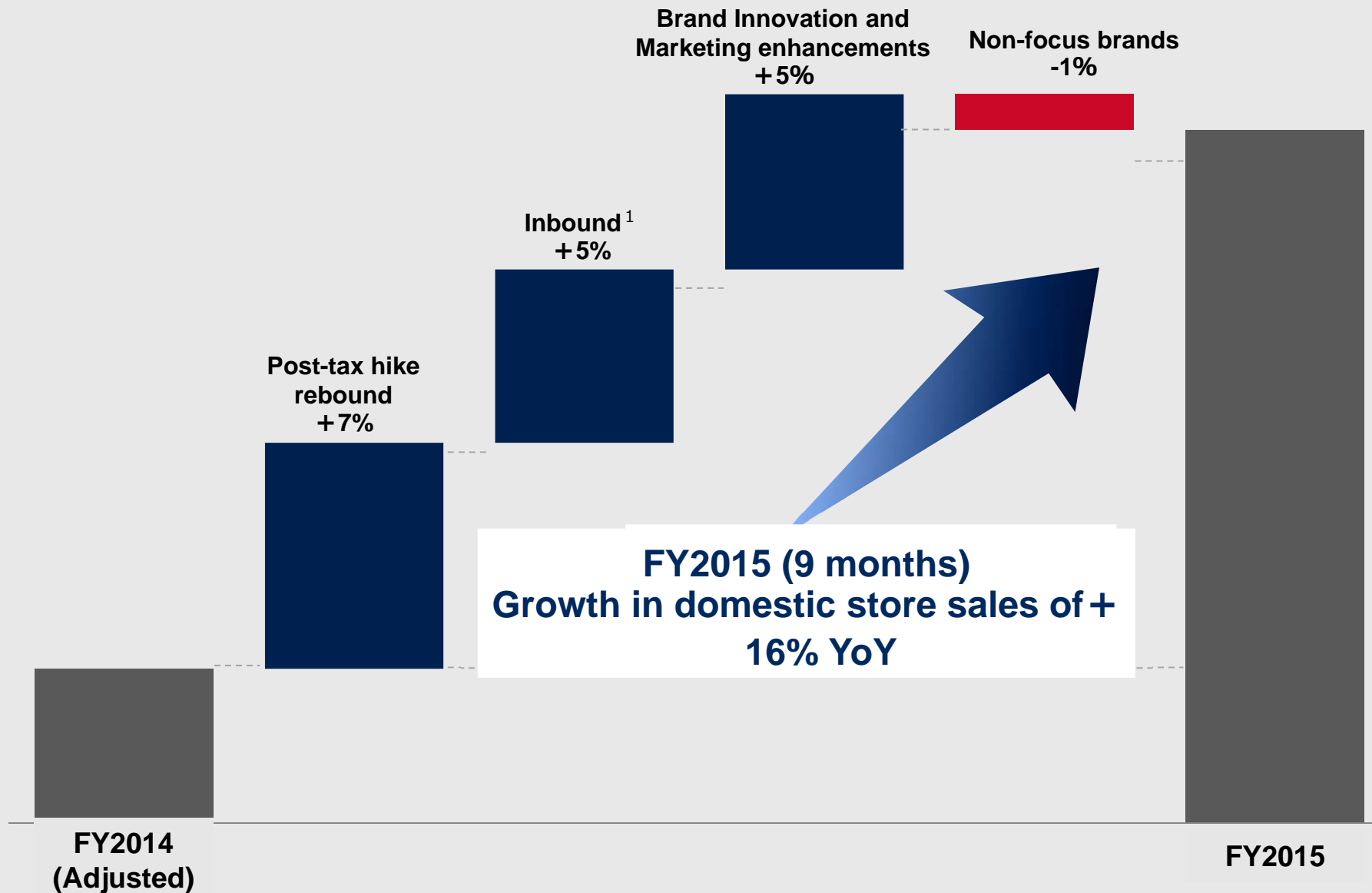
(Billion yen)



# Domestic Store Sales: Market vs. Shiseido



# Breakdown for Growth in Domestic Store Sales of Shiseido Cosmetics

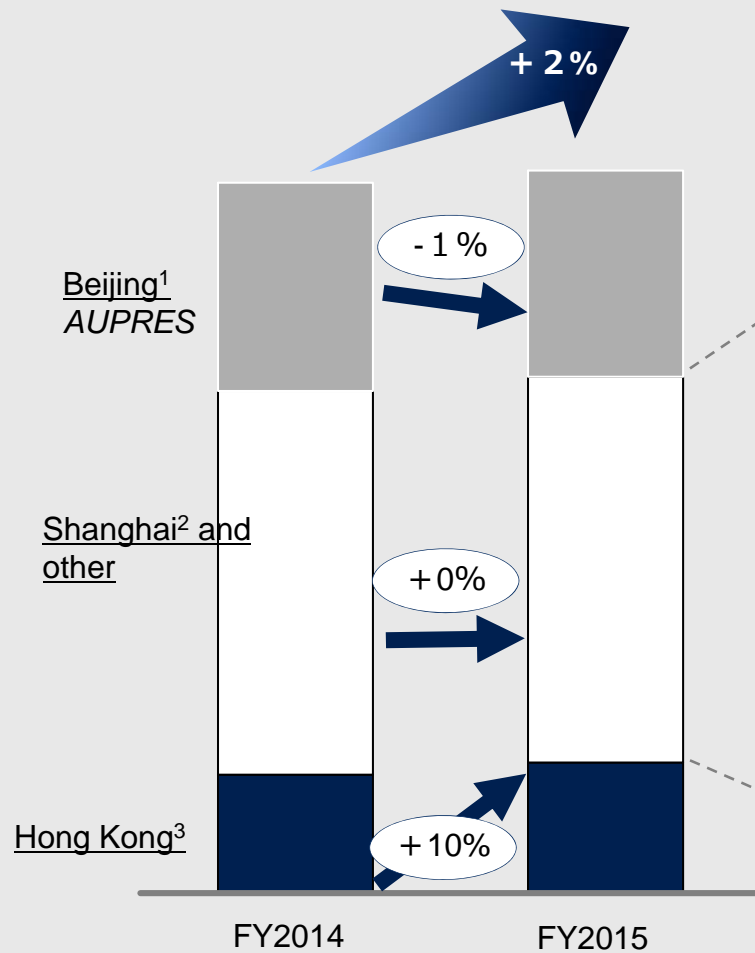


1. Inbound sales in the Japan Business (excluding THE GINZA in Others, etc.)

# Sales in China

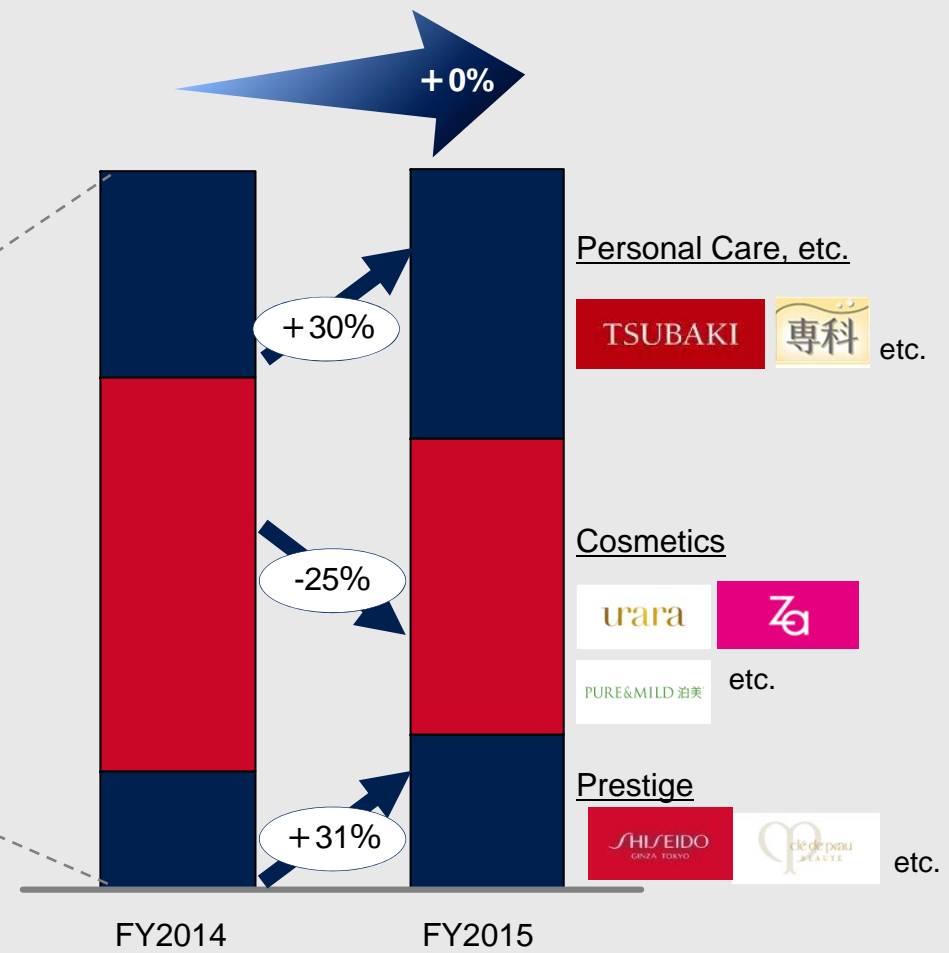
## Sales in China (by Company)

Local currency basis



## Shanghai Shiseido China Co., Ltd. and Other

Local currency basis



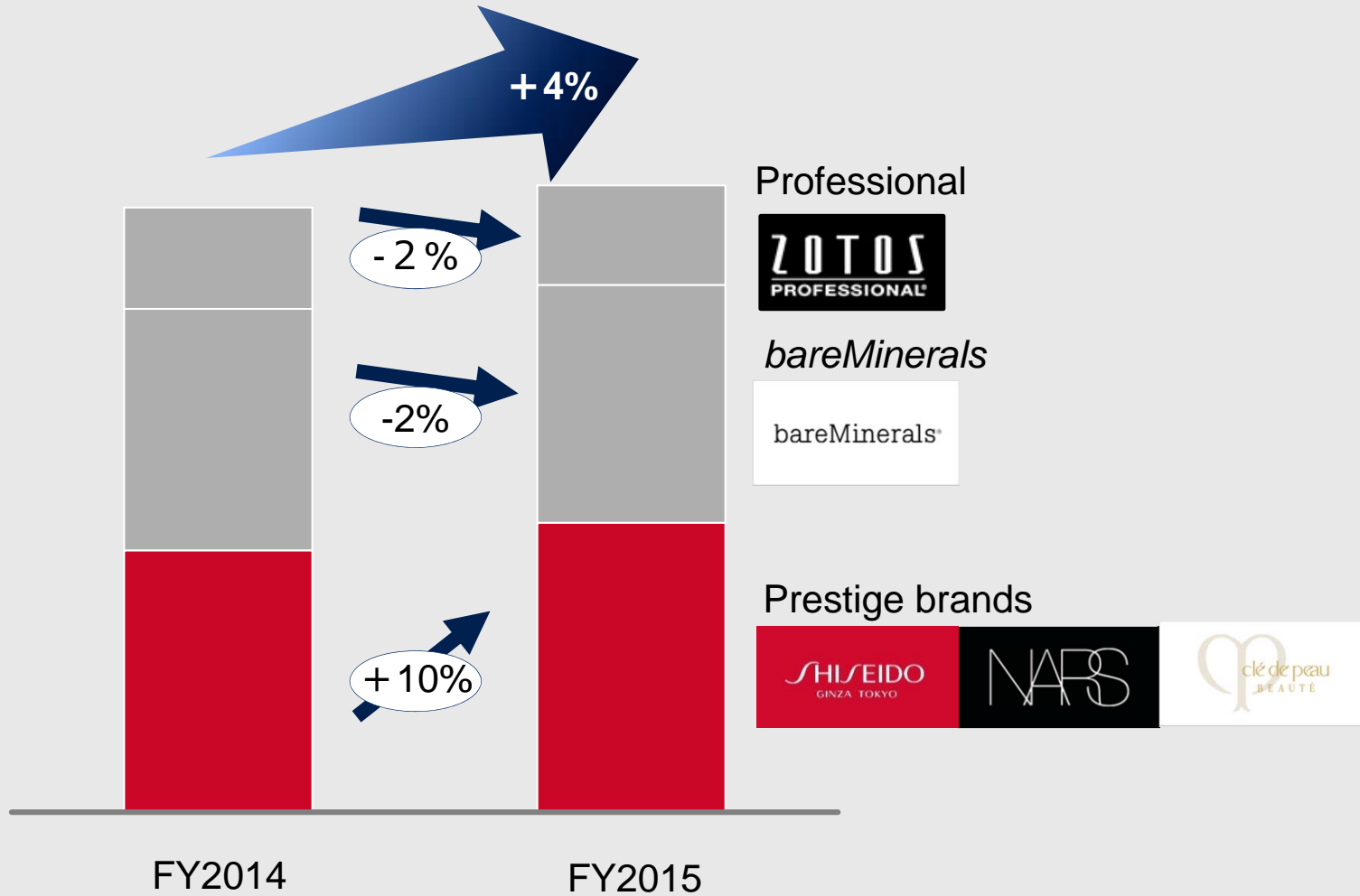
1. Shiseido Liyuan Cosmetics Co., Ltd. 2. Shiseido China Co., Ltd. 3. Shiseido Hong Kong Cosmetics Co., Ltd.



# Sales in the Americas

## Sales in the Americas (by Category)

Local currency basis



# Operating Income by Reportable Segment<sup>1</sup>

		FY2015	FY2014 (Adjusted) <sup>2</sup>	
			YoY	
(Billion yen)				
Japan Business	Operating Income	30.5	20.1	+52.1%
	Operating Profitability	11.1%	8.1%	+3.0pt
Global Business	Operating Income before Amortization of Goodwill etc.	12.2	7.4	+64.1%
	Operating Income	2.1	-1.9	—
	Operating Profitability	0.4%	-0.4%	+0.8 pt
Others	Operating Income	4.9	3.1	+58.0%
	Operating Profitability	17.5%	13.5%	+4.0 pt

1. In the lead up to the start of a new organization system from fiscal 2016, the Company undertook a partial revision of its reportable segment classification method effective from the fiscal year under review. Accordingly, the “Domestic Cosmetics Business” and “Global Business” segments have been reclassified into the “Japan Business” and “Global Business” segments, respectively. Taking into account this change, certain subsidiaries previously included in the “Domestic Cosmetics Business” segment have been reallocated into the “Global Business” and “Others” segments. Moreover, and in order to more accurately grasp the condition of operating results in each segment, steps have also been taken to revise the allocation method of certain expenses. Data for the previous fiscal year’s operating results are presented after restatement based on changes to the business segment classification method and expenses allocation method.
2. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas: 12-month fiscal year) See slide 2 for details.

# Cost of Sales/SG&A

(Billion yen)	FY2015		FY2014 (Adjusted) <sup>1</sup>			
		% of Net Sales	Change in % of Net Sales +: % decrease	YoY Change	Change +: cost cuts	YoY Change Excl. Impact of Foreign Currency Exchange +: cost cuts
Cost of Sales	196.0	25.7%	+ 0.3%	+ 11.3%	-19.9	-8.8
SG&A	529.4	69.4%	+ 1.5%	+ 10.3%	-49.3	-28.2
(Domestic)	215.7	73.0%	+ 2.7%	+ 7.9%	-15.7	-15.7
(Overseas)	313.6	67.1%	+ 0.7%	+ 12.0%	-33.6	-12.4
Marketing Costs <sup>2</sup>	192.1	25.2%	-0.5%	+ 15.0%	-25.1	-19.1
Personnel Expenses <sup>2</sup>	196.0	25.7%	+ 1.6%	+ 5.9%	-10.9	-1.0
Other Expenses <sup>2</sup>	131.2	17.2%	+ 0.3%	+ 10.7%	-12.7	-8.2
M&A-Related Amortization Expenses	10.1	1.3%	+ 0.1%	+ 6.7%	-0.6	+ 0.1

1. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year) See slide 2 for details.

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. Data for the previous fiscal year's operating results are presented after restatement based on changes to the business segment classification method and expenses allocation method.

# Structural Reform: FY2015 Initiatives and Key Ideas

- Full use of shared, competitive purchasing for sales promotion materials
- Revised lease contracts
- Strengthened supplier negotiation
- Outsourced distribution



China

Americas



**Impact of Structural Reform: ¥7.5 billion yen**

Japan

- Shared services
- Systems integration and consolidation
- Moved to outsourcing
- Reduce extra sales promotion materials

- Optimized product specifications (reviewed raw materials part by part)
- Strategic purchasing activities
- Enhanced the cost management process
- Selection and concentration for sales promotion materials
- Consolidated global purchasing

# Other Income/Expenses and Extraordinary Income/Losses

Other Income/Expenses			Extraordinary Income/Losses		
(Billion yen)	FY2015	FY2014 (Adjusted) <sup>1</sup>	(Billion yen)	FY2015	FY2014 (Adjusted) <sup>1</sup>
Interest Income	1.2	1.2	Gain on Transfer of Businesses	5.8	22.3
Interest Expense	-0.8	-1.1	Gain/Loss on Sales or Revaluation of Investments in Securities	2.4	-0.0
Net Interest Income and Expense	0.4	0.1	Gain/Loss on Sales or Disposal of Property, Plant and Equipment	-0.4	-0.1
Foreign Exchange Gain/Loss	-1.8	-0.5	Structural Reform Expense, etc.	-1.5	-3.3
Others	1.4	2.0	Loss on liquidation of subsidiaries and associates	-0.8	-0.1
			Impairment Loss	-0.2	-2.5
<b>Total</b>	<b>-0.1</b>	<b>1.6</b>	<b>Total</b>	<b>5.3</b>	<b>16.3</b>

1. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year) See slide 2 for details.

- Gain on Transfer of Businesses: *AYURA and Jean Paul GAULTIER* brands and subsidiary in Turkey in FY2015  
*DECLÉOR and CARITA* brands in FY2014
- Structural Reform Expense: Early retirement bonus, etc.
- Impairment loss: Fixed assets overseas

# Net Income Attributable to Owners of Parent and Comprehensive Income

(Billion yen)	FY2015	FY2014 (Adjusted) <sup>1</sup>
Income before Income Taxes	42.9	39.1
Tax Expenses (Tax rate)	17.3 (40.3%)	8.9 (22.8%)
Minority Interests in Net Income of Consolidated Subsidiaries	2.4	2.6
<b>Net Income Attributable to Owners of Parent</b>	<b>23.2</b>	<b>27.5</b>

	FY2015	FY2014
<b>Comprehensive Income</b>	<b>13.6</b>	<b>70.7</b>

1. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year)  
See slide 2 for details.

# Consolidated Balance Sheets

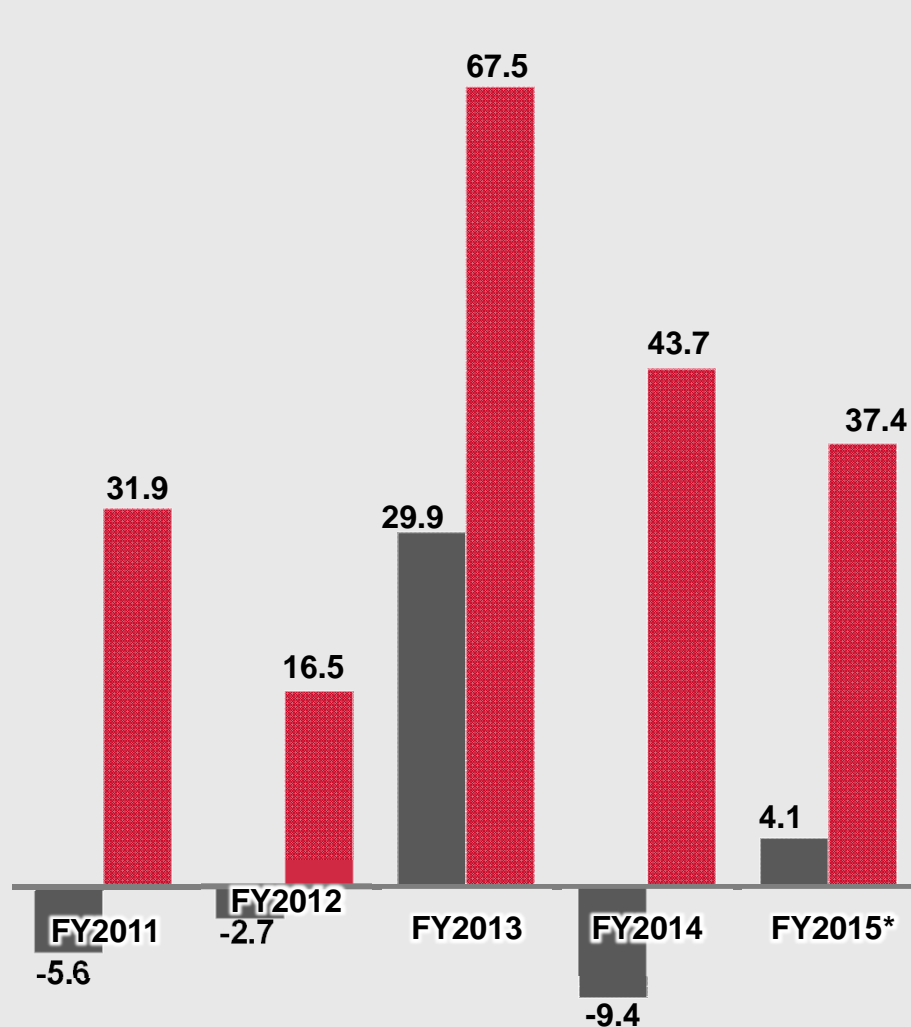
(Billion yen)	Dec. 31, 2015	Change from Mar. 31, 2015	Excl.		(Billion yen)	Dec. 31, 2015	Change from Mar. 31, 2015	Excl.	
			Foreign Currency Exchange	Foreign Currency Exchange				Foreign Currency Exchange	Foreign Currency Exchange
Total Current Assets	410.7	-4.4	+7.6	-12.0	Total Liabilities	395.2	-19.1	-13.1	-6.0
Cash, Time Deposits and Short-term Investments in Securities	124.5	+2.6	+6.6	-4.0	Notes & Accounts Payable and Other Payables	99.4	+3.6	+6.2	-2.6
Notes & Accounts Receivable	127.2	-4.7	-0.3	-4.5	Interest-Bearing Debt	86.6	-20.3	-19.8	-0.5
Inventories	105.9	-0.8	+1.9	-2.6	Liability for Retirement Benefits	83.7	+6.0	+6.4	-0.4
Total Fixed Assets	397.9	-10.7	-7.1	-3.6	Total Net Assets	413.3	+4.0	+13.5	-9.6
Property, Plant and Equipment	134.3	-2.7	-0.7	-2.0	Shareholders' Equity	367.0	+15.7	—	—
Intangible Assets	161.4	-5.7	-5.5	-0.3	Accumulated Other Comprehensive Income	24.7	-10.9	—	—
Investments and Other Assets	102.2	-2.3	-1.0	-1.3	Non-Controlling Interests	20.8	-0.7	—	—
<b>Total Assets</b>	<b>808.5</b>	<b>-15.1</b>	<b>+0.5</b>	<b>-15.5</b>	<b>Total Liabilities and Net Assets</b>	<b>808.5</b>	<b>-15.1</b>	<b>+0.5</b>	<b>-15.5</b>

FY2015 (Dec. 31, 2015): USD 1 = JPY 120.5; EUR 1 = JPY 131.7; CNY 1 = JPY 18.3  
 FY2014 (Dec. 31, 2014): USD 1 = JPY 120.5; EUR 1 = JPY 146.5; CNY 1 = JPY 19.3

Equity Ratio: 48.4%  
 Interest-Bearing Debt Ratio: 17.3%

Note: Main line items only

# Consolidated Statements of Cash Flows



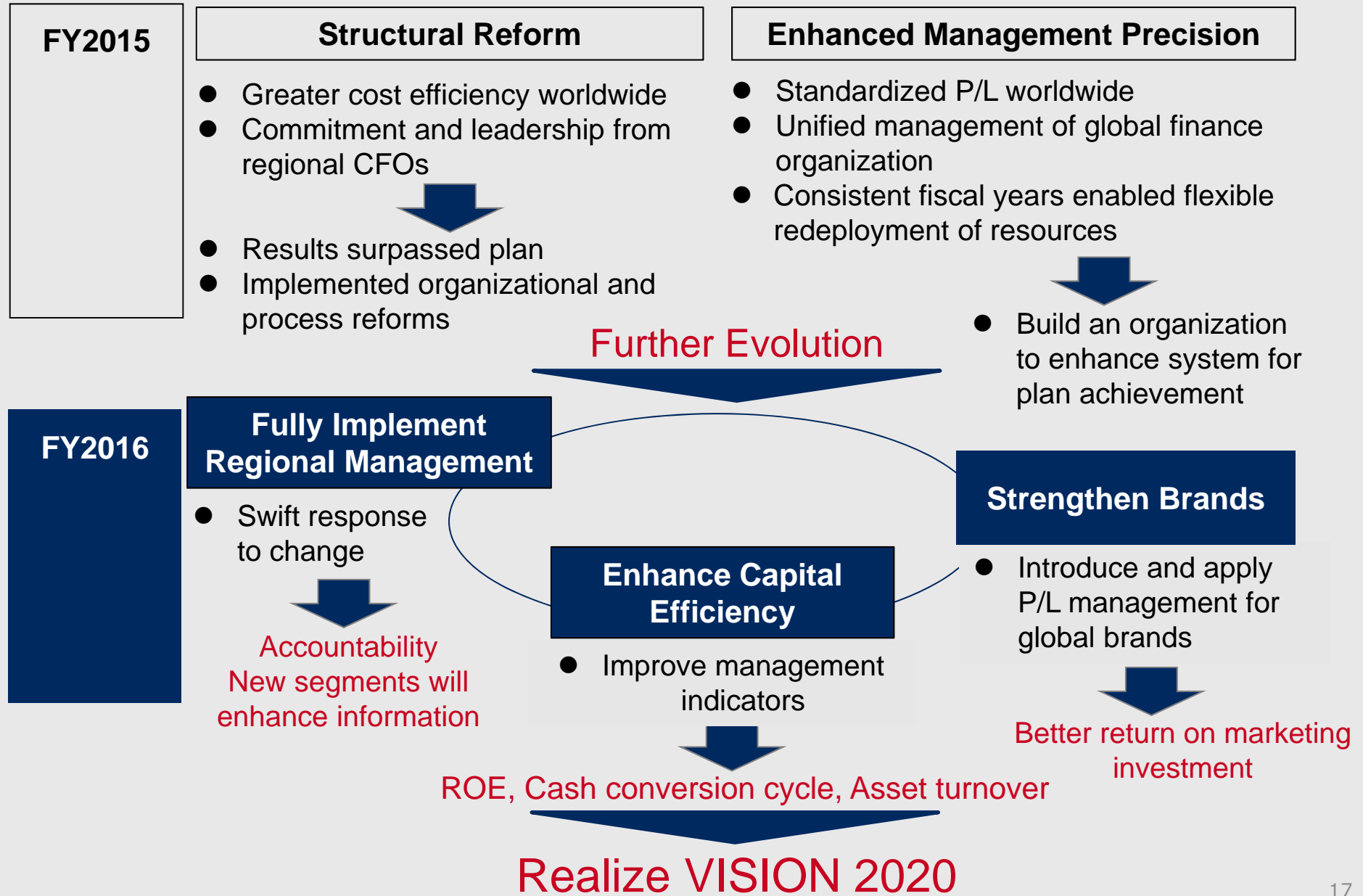
■ Consolidated cash flows ■ Free cash flows

\* FY2015 Domestic: Apr.-Dec., Overseas: Jan.-Dec.  
 FY2011-2014 Domestic: Apr.-Mar., Overseas: Jan.-Dec.  
 See slide 2 for details.

	(Billion yen)
Cash Flows from Operating Activities	60.5
Cash Flows from Investing Activities	-23.1
<hr/>	
Free Cash Flows	37.4
Cash Flows from Financing Activities	-30.2
Effect of Exchange Rate Changes on Cash and Cash	-3.1
<hr/>	
Consolidated Cash Flows	4.1



# Generally on Track in First Year of Three-Year Plan



SHISEIDO

**VISION 2020**  
**Be a Global Winner with Our Heritage**

## **FY2016 Plan**

**Aggressive Investment to Accelerate  
Establishment of  
a Foundation for Growth**

**February 9, 2016**

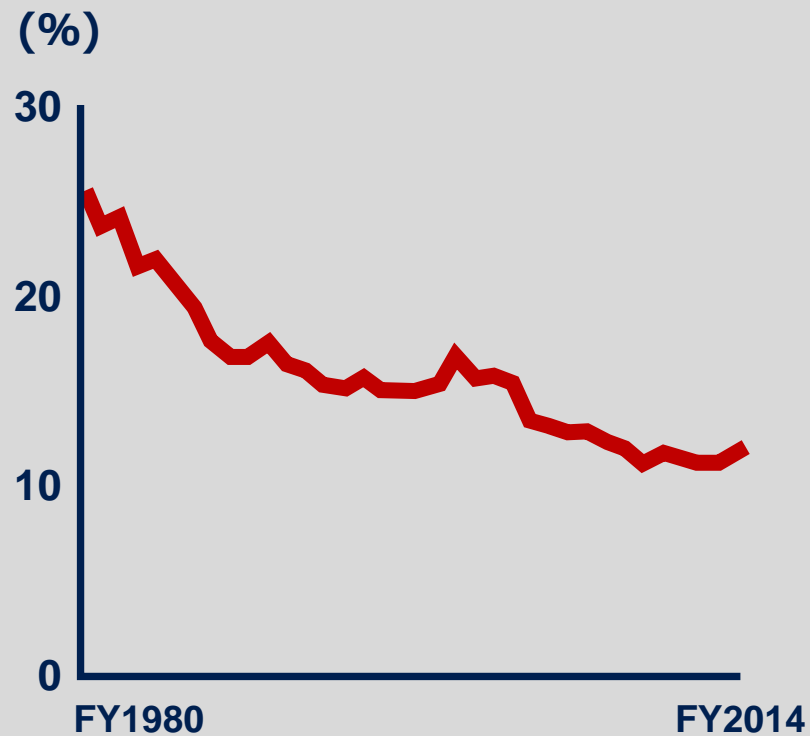
**Masahiko Uotani**  
**Representative Director, President and CEO**

**SHISEIDO**



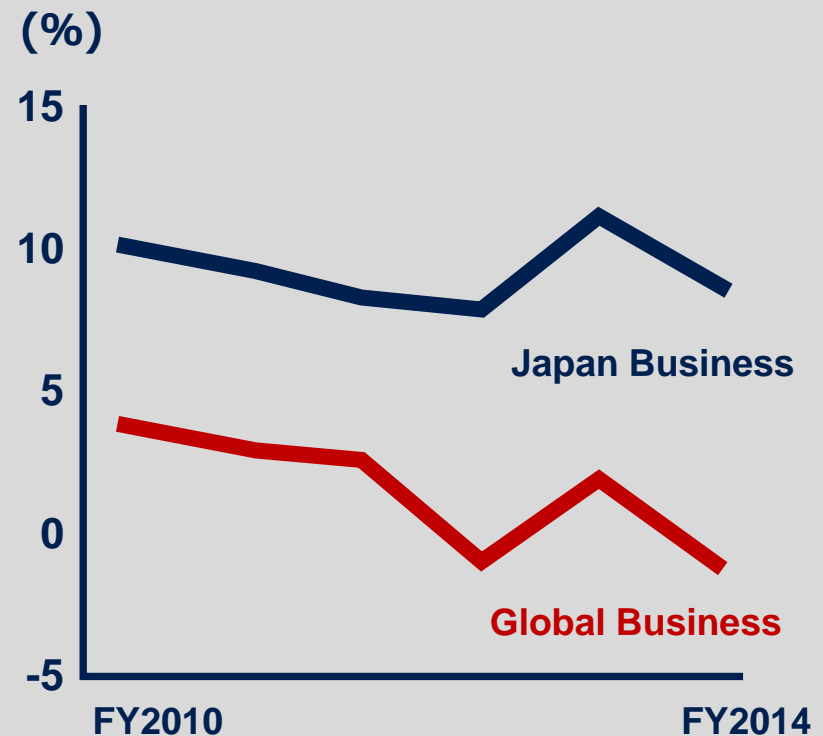
# The Shiseido Group's Fundamental Issues

Restore the Growth Potential of the Japan Business



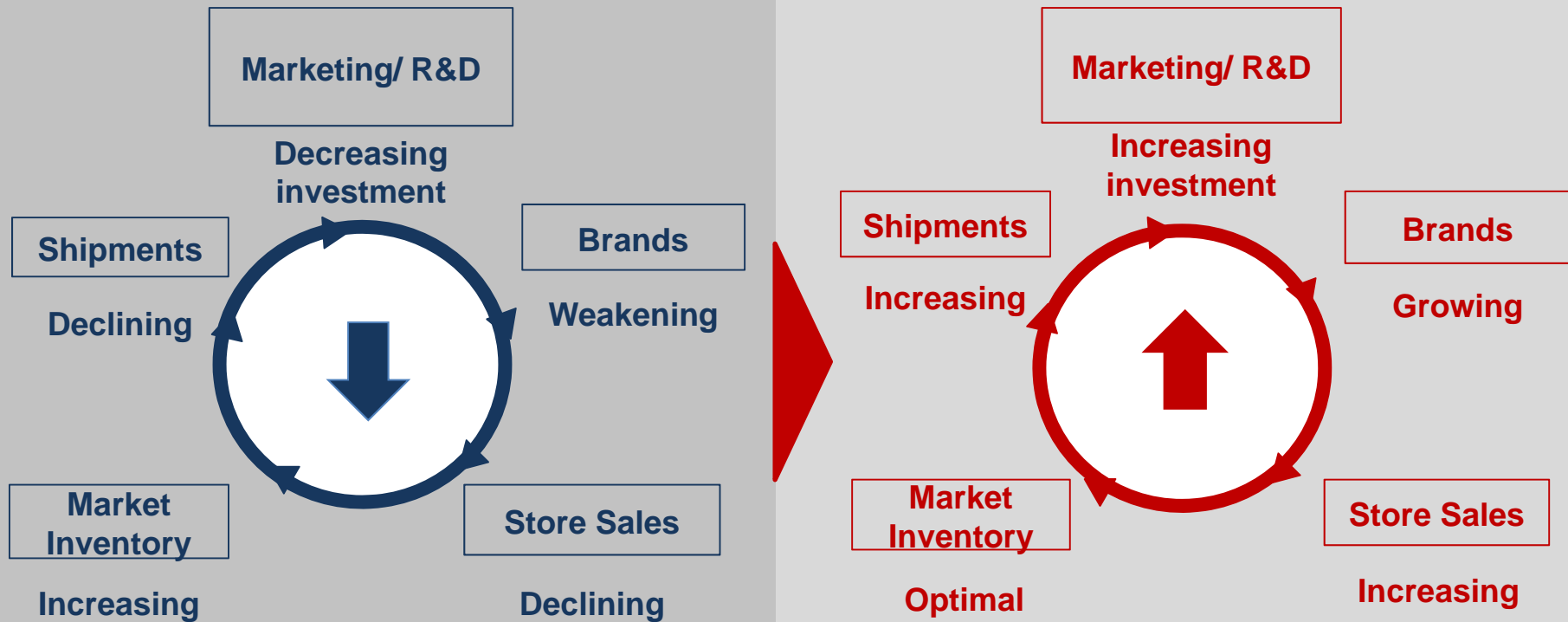
Market Share

Significantly Improve the Profitability of the Global Business

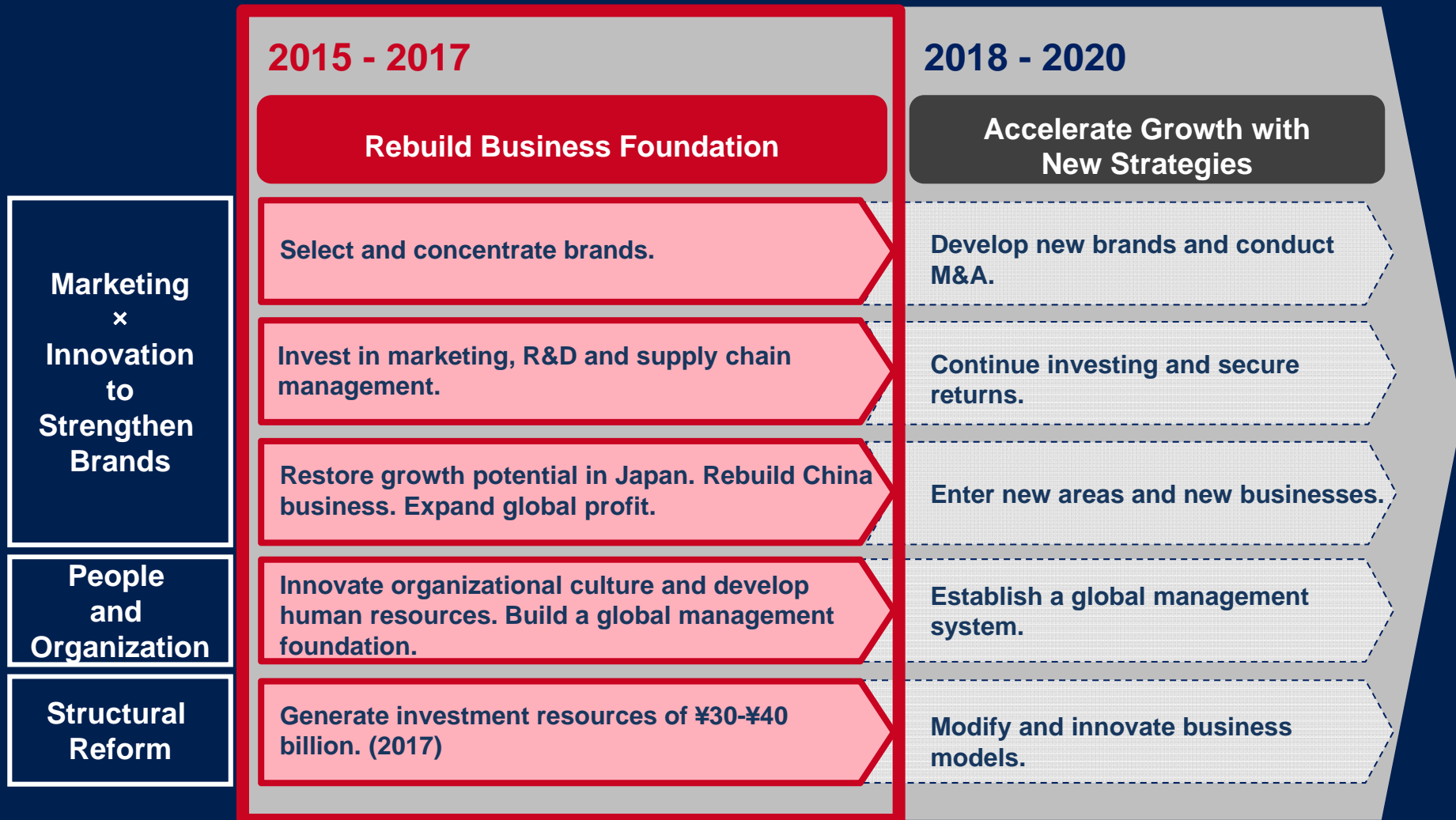


Operating Profitability

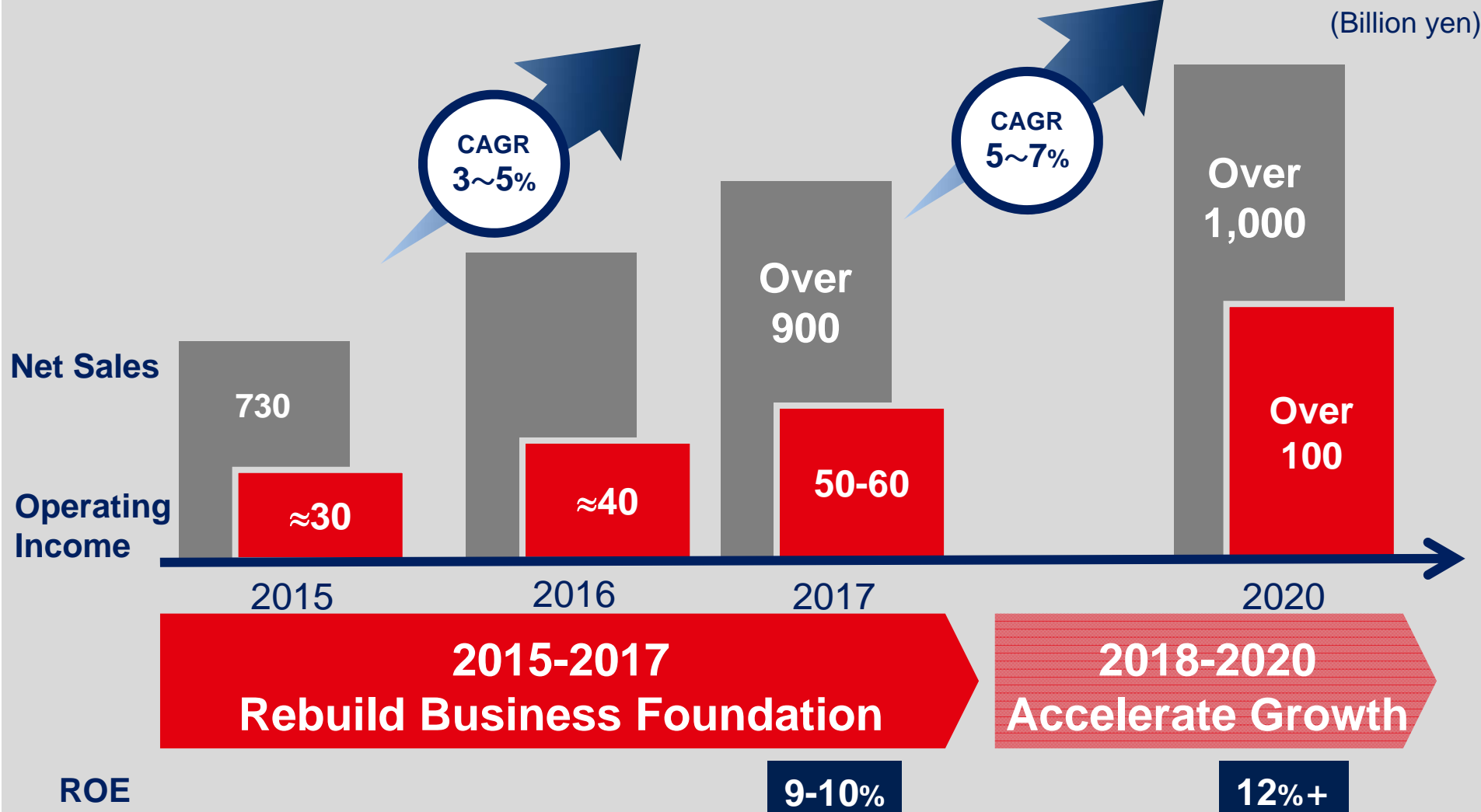
# Turn to a Virtuous Cycle from a Vicious Cycle by Increasing Investment



# VISION 2020 Roadmap



# Our Commitment for VISION 2020



# FY2015 Progress on Track

- **Japan business back on a growth trajectory**
- **Prestige brands grew in all regions**



SHISEIDO  
GINZA TOKYO



Europe  
**+ 8%**

China  
**+ 11%**

Americas  
**+ 3%**

Japan  
**+ 32%**

Asia  
Pacific  
**+ 4%**

Travel  
Retail  
**+ 9%**

\*YoY sales based on shipments (local currency basis). Actual results for Jan.-Dec. 2015.



Europe  
**+ 53%**

China  
**+ 32%**

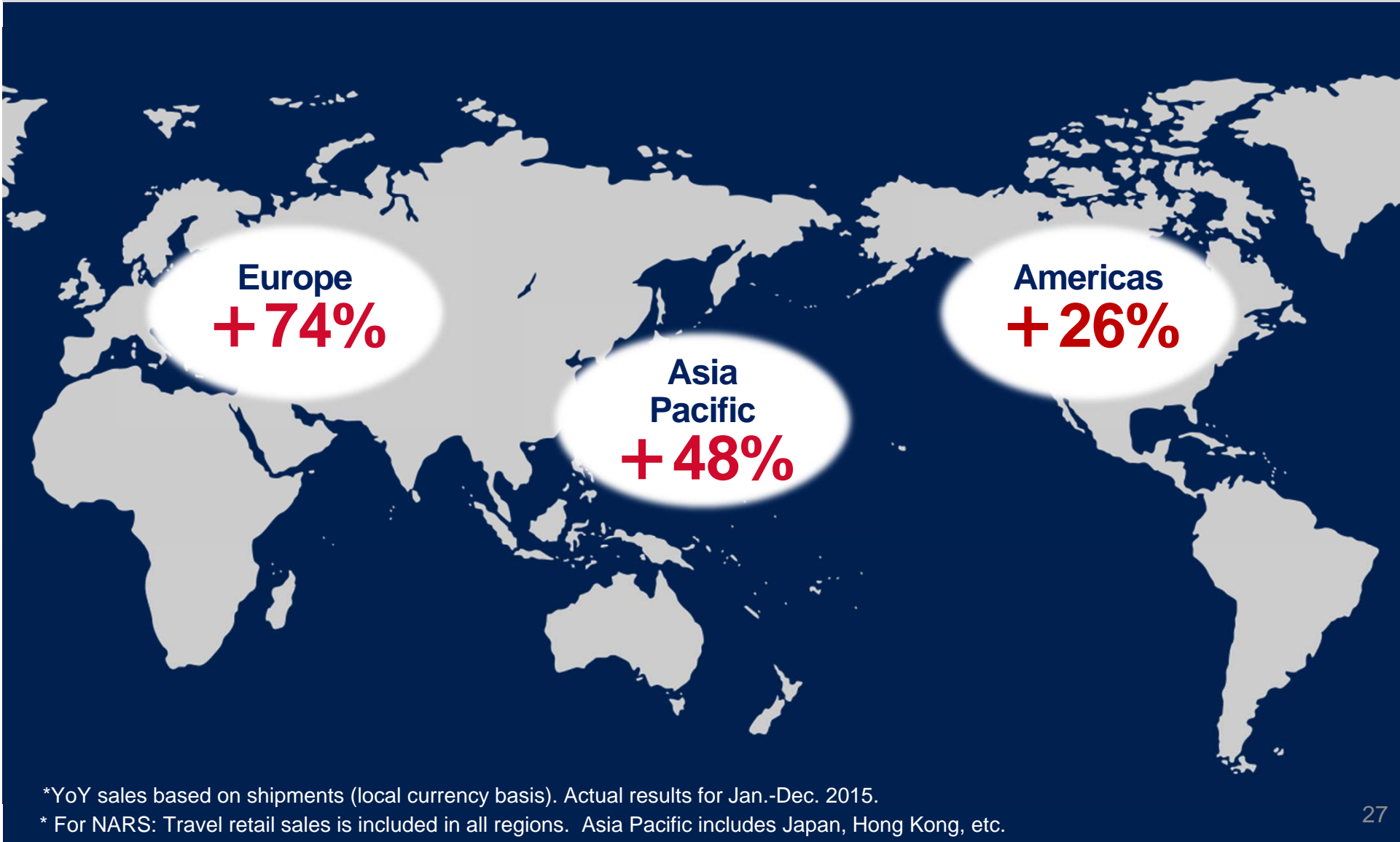
Americas  
**+ 31%**

Japan  
**+ 37%**

Asia  
Pacific  
**+ 28%**

Travel  
Retail  
**+ 83%**

\*YoY sales based on shipments (local currency basis). Actual results for Jan.-Dec. 2015.



\*YoY sales based on shipments (local currency basis). Actual results for Jan.-Dec. 2015.

\* For NARS: Travel retail sales is included in all regions. Asia Pacific includes Japan, Hong Kong, etc.

# FY2015 Progress on Track

- **Japan business back on a growth trajectory**
- **Prestige brands grew in all regions**
- **Established a regional headquarters system and created a foundation for improving profitability**
- **Determined large investments for the medium to long term in R&D and supply chain management**
- **Tackled legacy problems head on**
- **Made steady progress with cost structure reform**
- **Established a diverse management organization**
- **Created the framework for employees who will take on challenges**



## **“High School Girl? The Secret of High School Girls in Makeup”**

- **Close to 9 million views (YouTube Video)**
- **Won Best of 2015 No. 4 TV/Film in *AdvertisingAge***

# Key Tasks in 2016

- **Sustain growth in Japan**
- **Increase the efficiency of regional business organizations to increase profitability in Europe and the Americas**
- **Rebuild the Cosmetics Business in China and restore local brands**
- **Restore growth potential at Bare Escentuals**

**FY2016**

**Go one step further with structural reforms and aggressive investments**

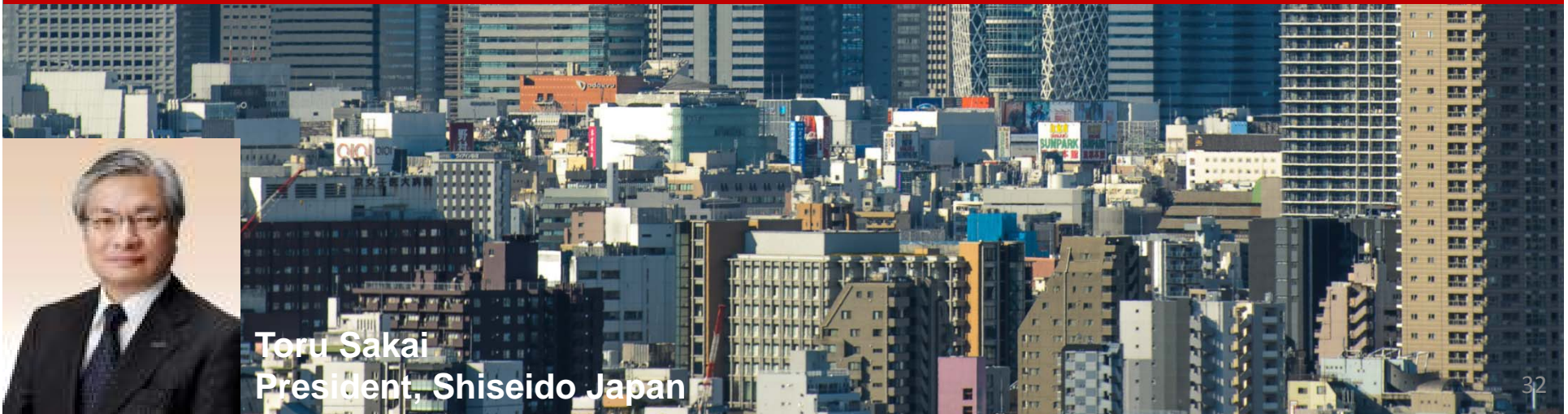


**Completely restructure the business foundation to ensure medium-and long-term growth**



# Japan

**FY2016 Sales Plan: ¥406 billion (+3%)**























**Teru Sakai**  
President, Shiseido Japan



# FY2015: Steady Growth for Core Mid- and High-Priced Brands

## Issues for Low-Priced Brands

	YoY change in store sales	YoY change in market share		YoY change in store sales	YoY change In market share
	<b>+43%</b>			<b>+58%</b>	
	<b>+36%</b>			<b>+34%</b> (Wholesale shipment*)	
	<b>+14%</b>			<b>+5%</b>	
	<b>+15%</b>			<b>+7%</b>	
	<b>+57%</b>			<b>-22%</b> (Wholesale shipment*)	

\*Wholesale shipment: shipment from wholesalers to retailers

Data source: Japan business YoY store sales (retail basis): actual results for Apr.-Dec. 2015. YoY comparison of share by brand and category in Japan: actual results for Apr.-Dec. 2015 (SRI basis); *TSUBAKI* and *SENKA*: actual wholesale shipments. Brand *SHISEIDO* and *clé de peau BEAUTÉ*: share of department store sales.

# Brand SHISEIDO

## Brand innovation initiated in January 2016

- Successive opening of new counters
- New brand communication



### Beauty vs. the World

We fight for beauty.  
Like water, food or air.  
From the first bloom to the last.  
We breathe beauty.  
From it, we grow and make  
a better world.  
It is the line that connects us.  
Heart to heart it beats.  
*Doki-Doki*  
When we feel beauty, we share it.  
When we share beauty, we win.

Defend beauty. Give your skin  
the strength it needs.  
**Ultimune Power Infusing Concentrate**



SHISEIDO  
GINZA TOKYO



# Accelerate Development of Low-Priced Cosmetics Brands

Renew and strengthen promotion of **AQUALABEL**,  
and **INTEGRATE**



# Reinforce the Personal Care Business

- Strengthen marketing and sales organization as a separate business entity
- Nurture and renew brands (*TSUBAKI* and *SENKA*)
- Change distribution routes of *MA CHÉRIE*, *AG+* and *uno*



# Shiseido Japan New Organization Started

- Accelerate consumer-oriented marketing with integrated management
- Launch trade marketing system
  - Enhance proposal capabilities based on analysis and use of big data
- Transfer authority for speedy operational management in businesses
  - Transfer corporate functions including Finance, HR and IT



# Respond to Inbound Demand

- Department stores and drugstores
  - Enhance over-the-counter services at stores (e.g. increase beauty consultants and interpreters)
- THE GINZA business
  - Expand inflight sales and sales at duty-free shops in town
  - Expand and enhance counters and increase beauty consultants at duty-free shops in Japan's major airports
  - Enhance directly managed SHISEIDO THE GINZA stores
- Establish borderless marketing





# China

**FY2016 Sales Plan: ¥130.5 billion (+10%)  
(excluding extraordinary item\* +4%)**



\*Impact of ¥7.5 billion sales decrease due to the optimization of market inventory level carried out in 2015



Kentaro Fujihara , President of Shiseido China Co., Ltd. (Right)  
Toshitada Hori , Director & President of Shiseido China Co., Ltd.  
Morgan Tan , President of Shiseido Hong Kong (Left center)  
Emiko Takasu, President of Shiseido China Research Center (Right center)

# Trends in Chinese Cosmetics Market

- Consumption is steady and mid-single-digit market growth continues
- Consumption is increasing and diversifying with the rise of the upper middle class
- Competition is intensifying as Korean and Chinese local brands gain share
- Rapid shift from traditional channels to e-commerce



- Strengthen the prestige category (imported brands)
- Expand e-commerce and digital marketing
- Revitalize local brands



# Rebuild the Cosmetics Business (Shiseido China Co., Ltd.)

- The sales organization has largely normalized
- Further strengthen collaboration with distributors and cosmetic specialty stores  
**Seminars and business meetings with store owners**  
(We plan to hold events 4 times annually in 30 venues, hosting about 1,500 people at each)
- Reform organization and HR systems and strengthen internal communication
- Revitalize the *URARA* and *PURE&MILD* brands



# Revitalize *AUPRES* (Shiseido Liyuan Cosmetics Co., Ltd.)

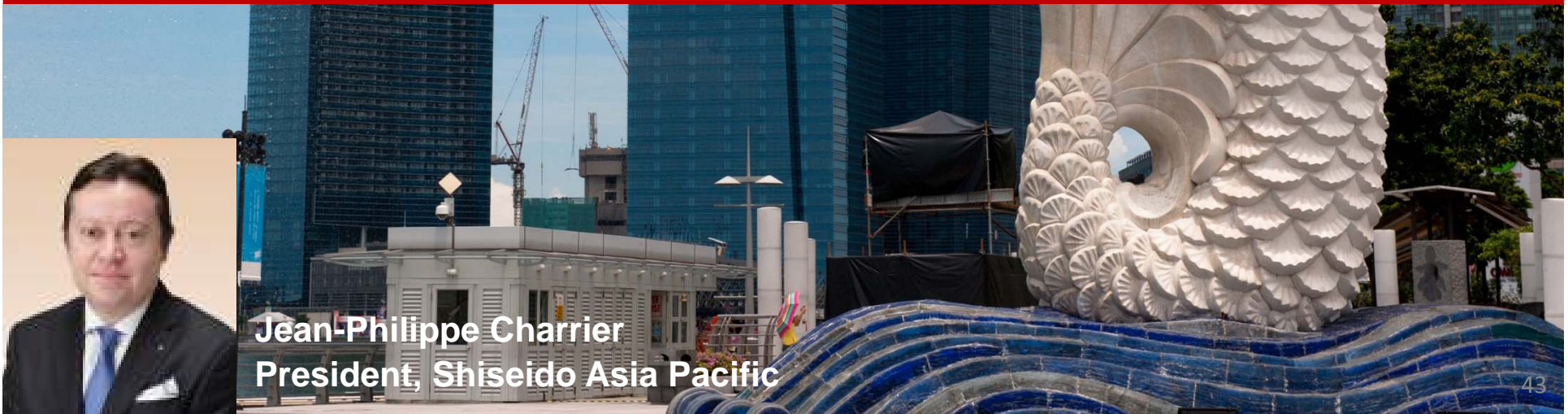
- **Initiate new brand communication**  
(Including new counters, visual advertising, beauty consultant uniforms and “handy skin sensor” machines)
- **Review the number of department store counters and enter new channels**
- **Develop products based on an understanding of local needs obtained through collaboration with innovation centers in China**





# Asia Pacific

**FY2016 Sales Plan: ¥56.0 billion (+5%)**



**Jean-Philippe Charrier**  
President, Shiseido Asia Pacific

# Key Initiatives for 2016 (Asia Pacific)

- Further accelerate prestige brand growth (*SHISEIDO, NARS and clé de peau BEAUTÉ*)
- Focus on nurturing *Za* and *SENKA*
- Strengthen collaborative initiatives with retailers
- Pursue efficiency by sharing work among offices and using shared services in Singapore





# Travel Retail

**FY2016 Sales Plan: ¥18.5 billion (+10%)**



Philippe Lesne  
President , Shiseido Global Travel Retail

# Key Initiatives for 2016 (Travel Retail)

- Maintain strong growth in Asia
- Enhance storefront operations (e.g. increase counters and beauty consultants, and provide over-the-counter service training)
- Increase investment in airport and inflight advertising
- Develop dedicated products that address travelers' retail needs





# Americas

**FY2016 Sales Plan: ¥174.0 billion (+6%)**



**Marc Rey**  
President and CEO, Shiseido Americas

# Key Initiatives for 2016 (Americas)

- Prioritize nurturing of *SHISEIDO*, *NARS* and *clé de peau BEAUTÉ* (Market growth: +7% Shiseido Group store sales: +8.3% No. 4 in market share\*)
- Establish an integrated regional business organization to increase profitability
- Restore *Bare Escentuals* to increase profitability

\* Source: Dec 2015 NPD Data Market Shares & Ranking 2014 YTD, Market Shares & Ranking 2015 YTD





# Status of Bare Escentuals

## ● *BareMinerals*

- #3 makeup brand in the U.S.
- #1 foundation brand in the U.S.
- Over 90% awareness and 40% trial in the U.S.

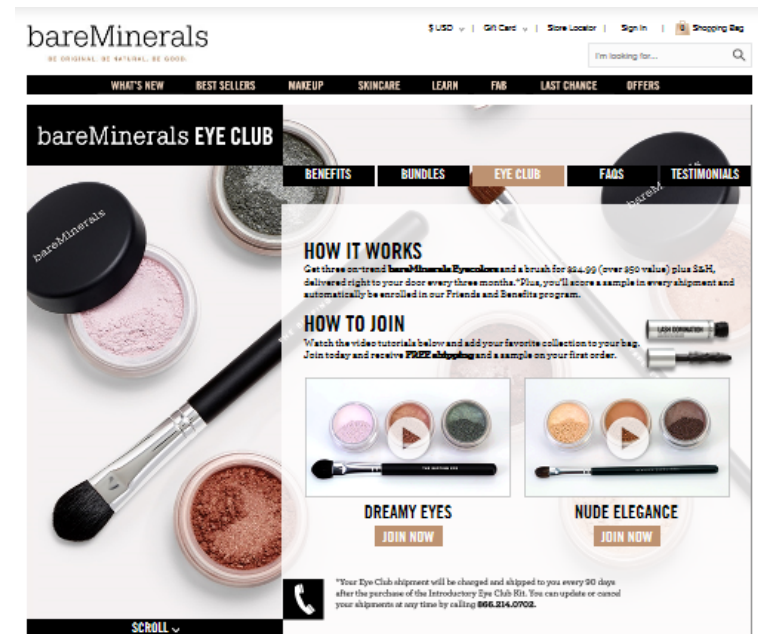
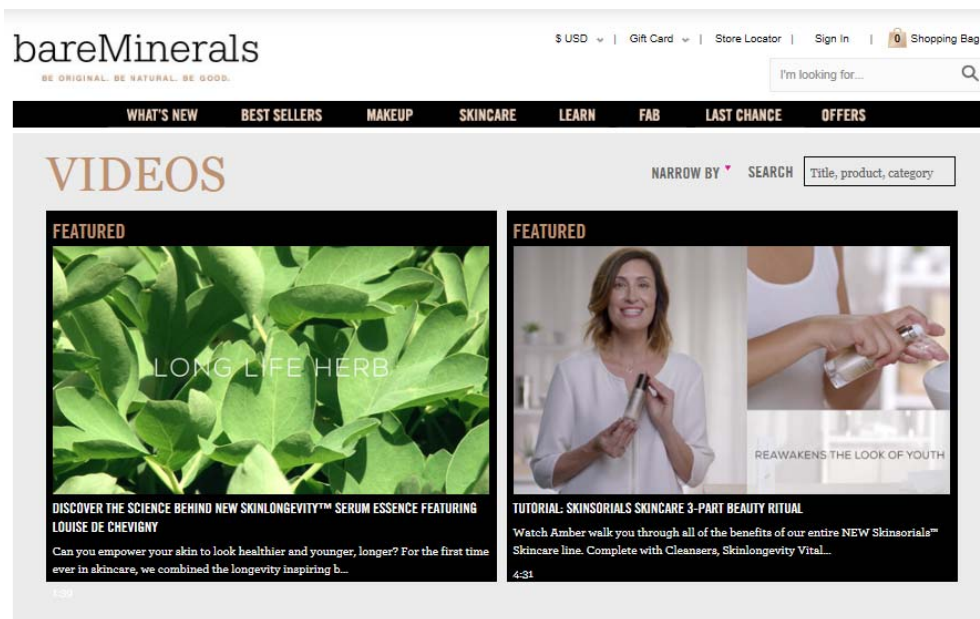
## ● Growth and profitability have plateaued

\*Source: Dec 2015 NPD Data and bM actuals (excluding QVC) from Merch Prod Report (Dec wk5, 2015); Brand scale up assumptions: MAC = 1.4



# Bare Escentuals Initiatives

- Begin drastic revision of all aspects (marketing, channels, organization, operational costs)
- Enhance digital marketing





# EMEA\*

\*EMEA (Europe, the Middle East and Africa)

**FY2016 Sales Plan: ¥87.0 billion (-14%)  
(excluding extraordinary item\* +11%)**



**Louis Desazars**  
President and CEO,  
Shiseido Europe,  
the Middle East and Africa

\*Impact of sales decline due to termination  
of fragrance brand contract

# Key Initiatives for 2016 (EMEA)

- **Establish an integrated regional business organization to increase profitability**
  - **Consolidate offices**  
**Integrate sales and IT systems and use shared services**
  - **Assign one president to each country to manage all businesses within their area**
  - **Integrate distribution centers**



**Implement subject to close consultation with relevant employee representatives where applicable**

**Allocate funds from cost reductions to marketing and R&D investment**

- **Strengthen and acquire fragrance brands**

**EMEA**



**Group CEO**



**Japan**



**Americas**



**Management That Can Truly  
“Think Global and Act Local”**



**Asia Pacific**



**Travel  
Retail**

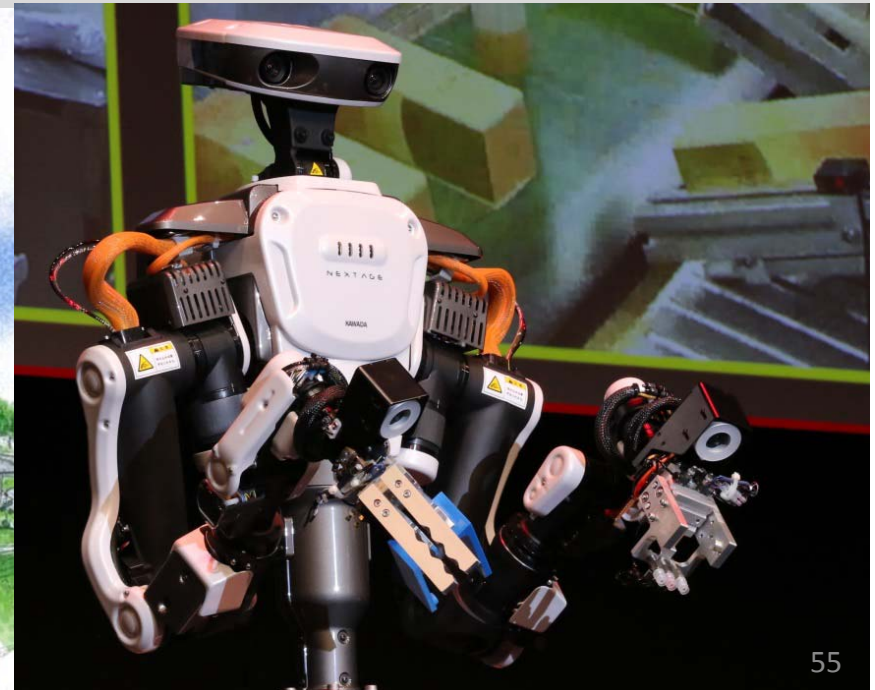
# Center of Excellence Concept



Lead competencies such as information collection, strategy and product development in cutting-edge areas that have global impact in each category. Apply in marketing globally.

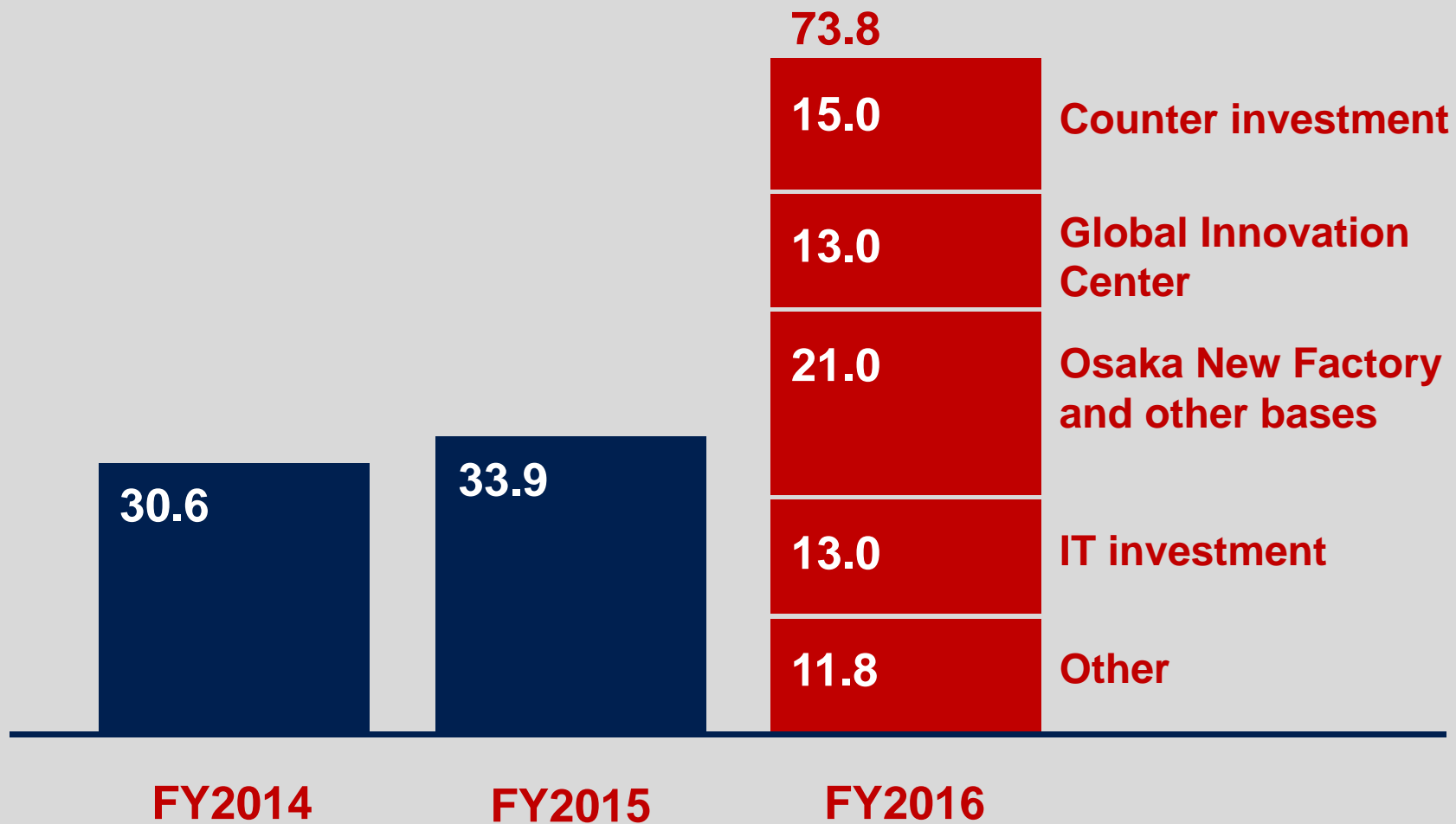
## Establish a new global supply chain base in Osaka as the primary factory for skincare brands (scheduled startup: 2020)

- Energetically expand demand in Japan, China and around the world for high-quality skincare products “made in Japan”
- Achieve highly efficient production with collaboration between robots and people
- Introduce cutting-edge distribution technology to achieve efficient product supply



# Aggressive Capex to Achieve Medium-and Long-Term Growth

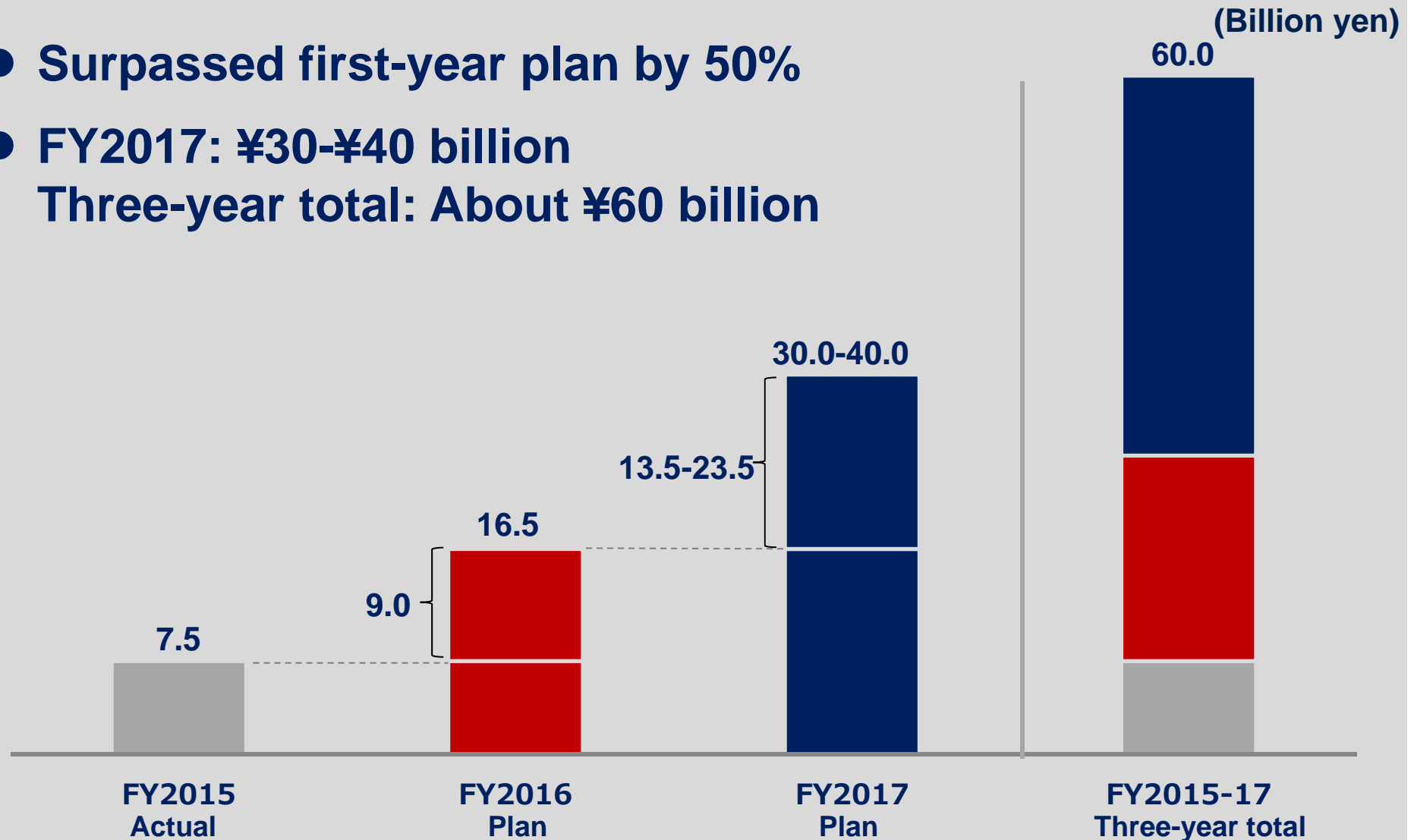
(Billion yen)





# Generate Resources for Investment through Cost Structure Reform

- Surpassed first-year plan by 50%
- FY2017: ¥30-¥40 billion  
Three-year total: About ¥60 billion



# Address the Uncertain Global Market Environment

- Slowing economy in China
- Fluctuating forex and stock markets
- Declining crude oil prices
- Rising U.S. interest rates
- Geopolitical risk
- Negative interest rates in Japan
- U.S. consumption trends

**Basic Plan for 2016**



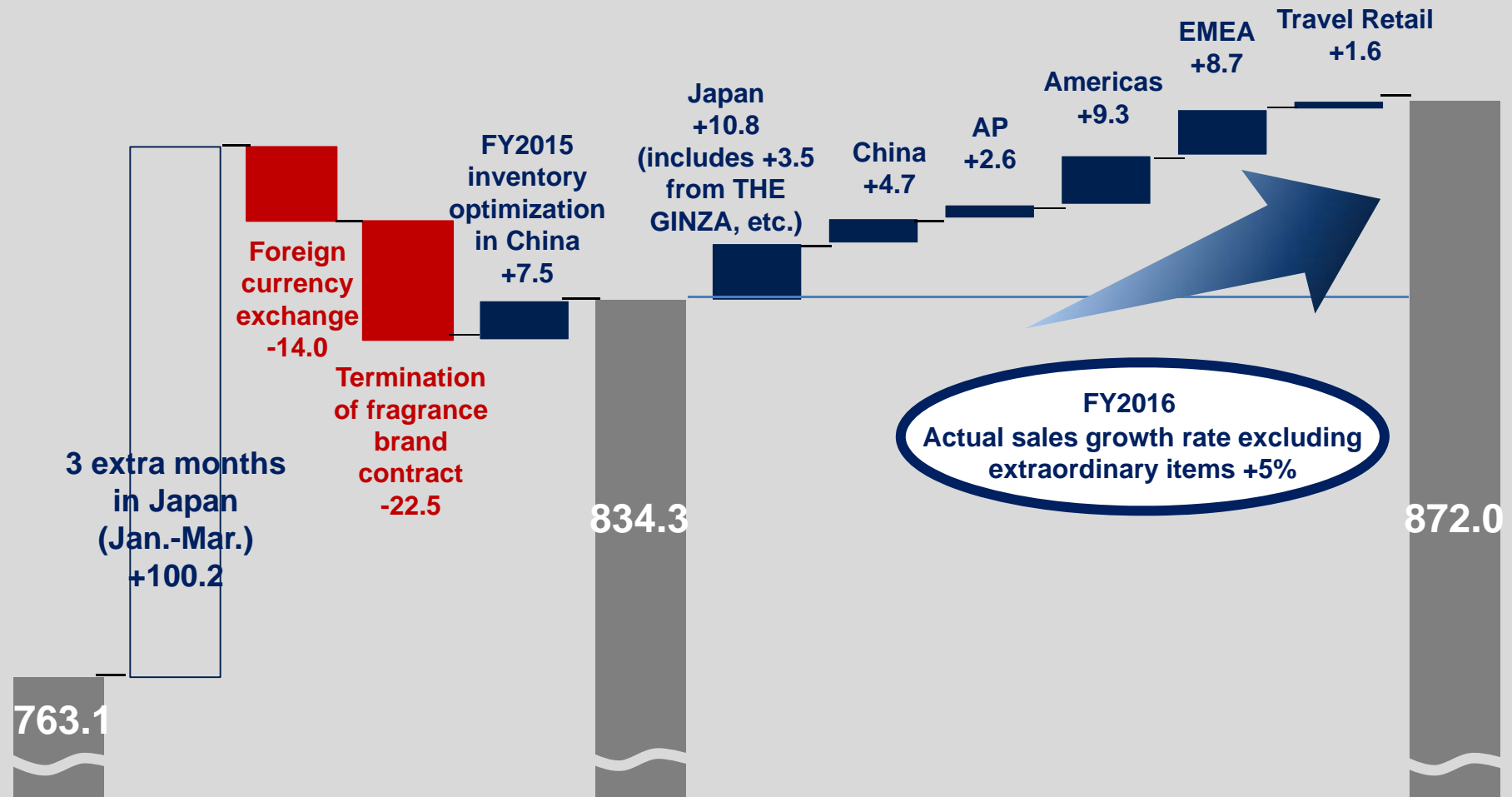
**Implementation of  
additional contingency measures**

**Quarterly PDCA cycle**

**Successful execution  
of VISION 2020**

# FY2016: Outlook for Net Sales

(Billion yen)



**FY2016**  
Actual sales growth rate excluding extraordinary items +5%

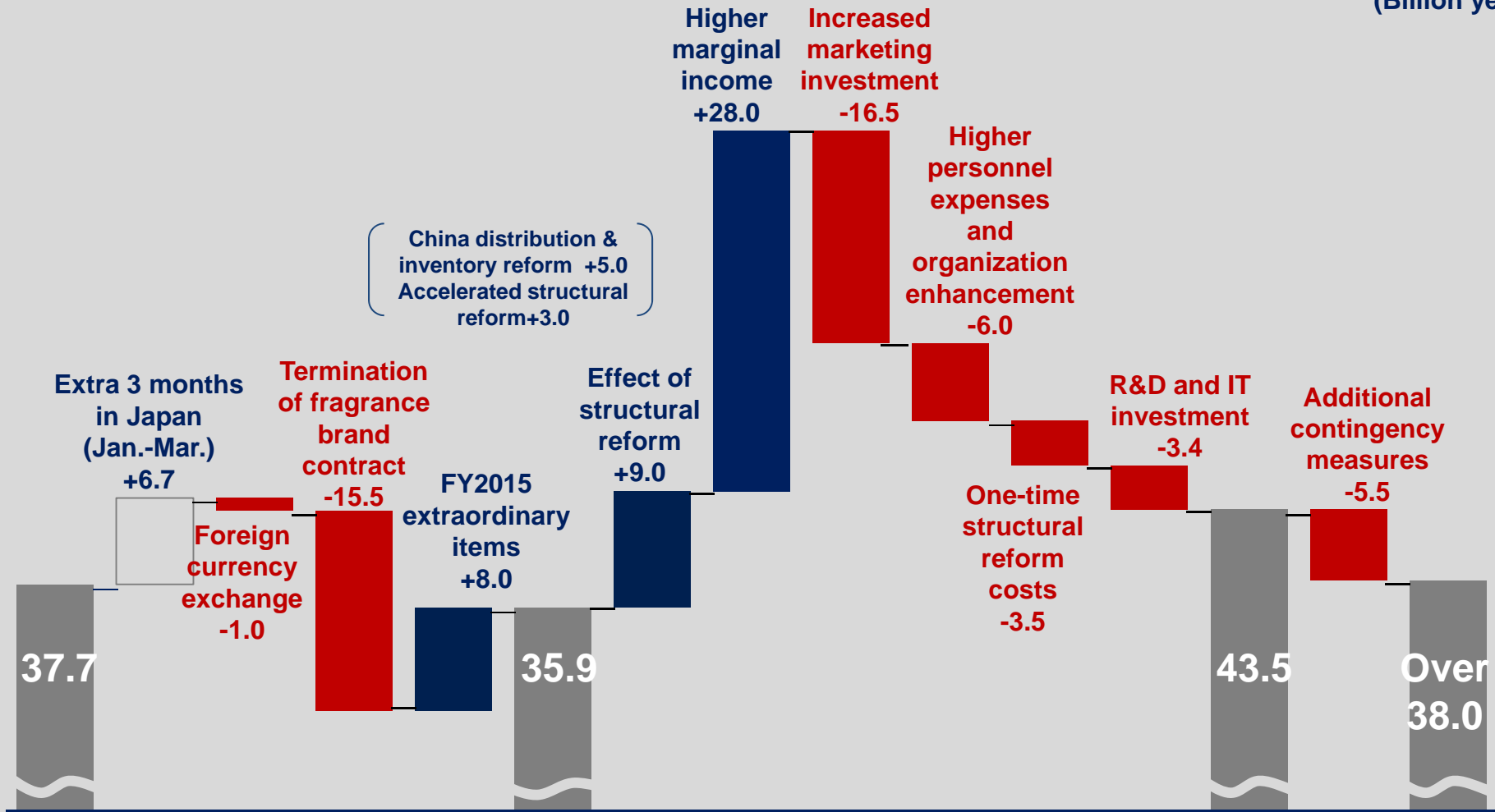
**FY2015**  
Different fiscal periods:  
9 months in Japan  
12 months overseas

**FY2015**  
After adjustment of fiscal periods:  
12 months in Japan  
12 months overseas

**FY2016**  
Fiscal periods:  
12 months in Japan  
12 months overseas

# FY2016: Breakdown of YoY Changes in Operating Income

(Billion yen)



FY2015

Different fiscal periods:  
9 months in Japan  
12 months overseas

FY2015

After adjustment of extraordinary items and fiscal periods:  
12 months in Japan  
12 months overseas

FY2016

Fiscal periods:  
12 months in Japan  
12 months overseas

# FY2016 Outlook

(Billion yen)	FY2016		FY2015	YoY Change	YoY Change after Adjustment*	
		% of Net Sales			JPY	Local Currency
Net Sales	872.0	100%	763.1	—	+ 1.0%	+ 3%
Operating Income	38.0	4.4%	37.7	—	-14.3%	-12%
Ordinary Income	38.0	4.4%	37.6	—	-14.1%	
Extraordinary Income	6.0	0.7%	5.3	—	-32.1%	
Net Income Attributable to Owners of Parent	28.0	3.2%	23.2	—	-5.0%	

ROE Forecast 7.0%  
 Exchange Rates USD 1 = JPY 119 (-2%), EUR 1 = JPY 130 (-3%), CNY 1 = JPY 18.0 (-6%)  
 Dividends Interim ¥10, Year-end ¥10 (planned)

\*For comparison purposes, figures for FY2015 have been adjusted to a 12-month fiscal period ended December 31, 2015 for Japan and overseas to correspond with the fiscal period for FY2016.

# Ensure Growth

## Targets for FY2017

**Sales**

**Over ¥900** billion yen

**Operating Income**

**¥50-60** billion yen

**ROE**

**9-10%**

# Shareholder Returns

## Basic Policy

Shiseido's goal over the medium term is a payout ratio of 40% with stable, sustained dividends. We will conduct share buybacks if we consider them appropriate in light of free cash flow and market conditions.



## FY2016 Stance

- We prioritize investments that drastically rebuild our business foundation for medium-to-long-term growth.
- If the net income exceeds plan due to factors directly related to our business and we do not commit to new investments in growth, we will distribute a portion of the increase in earnings to shareholders.



**Our Mission**

**We inspire a life of beauty and culture.**

**VISION 2020**

**Be a Global Winner with Our Heritage**



**Initiate global operating framework  
in 2016**



SHISEIDO

**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.**

# Supplemental Data 1

## Sales and Operating Income by Reportable Business Segment<sup>1</sup>

(Billion yen)	FY2015	FY2014 (Adjusted) <sup>2</sup>	
			YoY Change %
Japan Business	266.8	240.5	+ 10.9%
Global Business	478.8	424.3	+ 12.9%
Others	17.5	12.7	+ 37.8%
<b>Net Sales</b>	<b>763.1</b>	<b>677.5</b>	<b>+ 12.6%</b>
Japan Business	30.5	20.1	+ 52.1%
Global Business	2.1	-1.9	—
Others	4.9	3.1	+ 58.0%
Elimination/Corporate	0.1	-0.1	—
<b>Operating Income</b>	<b>37.7</b>	<b>21.2</b>	<b>+ 77.4%</b>

1. In the lead up to the start of a new organization system from fiscal 2016, the Company undertook a partial revision of its reportable segment classification method effective from the fiscal year under review. Accordingly, the “Domestic Cosmetics Business” and “Global Business” segments have been reclassified into the “Japan Business” and “Global Business” segments, respectively. Taking into account this change, certain subsidiaries previously included in the “Domestic Cosmetics Business” segment have been reallocated into the “Global Business” and “Others” segments. Moreover, and in order to more accurately grasp the condition of operating results in each segment, steps have also been taken to revise the allocation method of certain expenses. Data for the previous fiscal year’s operating results are presented after restatement based on changes to the business segment classification method and expenses allocation method.
2. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas: 12-month fiscal year) See slide 2 for details.

## Supplemental Data 2 Japan Business<sup>1</sup> Sales

(Billion yen)	FY2015	FY2014 (Adjusted) <sup>2</sup>	
			YoY Change %
Prestige	81.7	69.5	+ 17.6%
Cosmetics	136.4	124.2	+ 9.8%
Personal Care	32.2	31.3	+ 3.0%
Digital	5.6	4.8	+ 17.2%
Healthcare & Others	10.8	10.8	+ 0.4%
<b>Japan Business</b>	<b>266.8</b>	<b>240.5</b>	<b>+ 10.9%</b>

1. 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.

2. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas: 12-month fiscal year) See slide 2 for details.

## Supplemental Data 3 Global Business<sup>1</sup> Sales

(Billion yen)	FY2015	FY2014 (Adjusted) <sup>2</sup>		
			YoY Change %	YoY Change in Exchange Rates
Cosmetics	438.4	384.6	+ 14.0%	+ 6.4%
Professional	40.4	39.6	+ 2.0%	-7.0%
Global Business	478.8	424.3	+ 12.9%	+ 5.1%

1. In line with organizational reforms, the former Global Business segment has been reorganized, and reportable segment classifications have been changed accordingly.
2. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year)  
See slide 2 for details.

## Supplemental Data 4 Sales by Region

(Billion yen)	FY2015	FY2014 (Adjusted) <sup>1</sup>		
			YoY Change %	Change in Local Currency
Domestic	296.9	265.9	+ 11.7%	+ 11.5%
China	132.4	114.8	+ 15.4%	+ 3.7%
Asia	66.6	55.0	+ 21.2%	+ 15.0%
Americas	155.3	133.1	+ 16.7%	+ 3.5%
Europe	111.8	108.8	+ 2.8%	+ 4.6%
Overseas	466.2	411.6	+ 13.3%	+ 5.4%
<b>Total</b>	<b>763.1</b>	<b>677.5</b>	<b>+ 12.6%</b>	<b>+ 7.8%</b>

1. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas:12-month fiscal year)

## Supplemental Data 5 SG&A1 (Domestic and Overseas Breakdown)

(Billion yen)	FY2015	FY2014 (Adjusted) <sup>2</sup>		
		YoY Change +: cost cuts	YoY Change %	YoY Change Excl. Impact of Foreign Currency Exchange +: cost cuts
Domestic	69.6	-11.0	+ 18.7%	-11.0
Overseas	122.5	-14.2	+ 13.1%	-8.1
Marketing Costs	192.1	-25.1	+ 15.0%	-19.1
Domestic	81.5	+ 0.0	-0.0%	+ 0.0
Overseas	114.6	-10.9	+ 10.5%	-1.0
Personnel Expenses	196.0	-10.9	+ 5.9%	-1.0
Domestic	64.5	-4.8	+ 8.0%	-4.8
Overseas	66.6	-7.9	+ 13.5%	-3.4
Other Expenses	131.2	-12.7	+ 10.7%	-8.2
Domestic	0.1	-0.0	+ 15.9%	-0.0
Overseas	9.9	-0.6	+ 6.6%	+ 0.1
M&A-related Amortization Expenses	10.1	-0.6	+ 6.7%	+ 0.1
Domestic	215.7	-15.7	+ 7.9%	-15.7
Overseas	313.6	-33.6	+ 12.0%	-12.4
<b>Total</b>	<b>529.4</b>	<b>-49.3</b>	<b>+ 10.3%</b>	<b>-28.2</b>

1. 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. Data for the previous fiscal year's operating results are presented after restatement based on changes to the business segment classification method and expenses allocation method.
2. FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly. (Domestic: 9-month fiscal year, Overseas: 12-month fiscal year) See slide 2 for details.

## Supplemental Data 6 Capital Expenditures, Depreciation and Amortization

(Billion yen)	FY2015	FY2014	FY2016 Forecast
Investments in Fixed Assets, and etc. <sup>1</sup>	33.9	30.6	73.8
Property, Plant and Equipment	18.5	18.1	57.0
Intangible Assets, and etc.	15.4	12.5	16.7
Depreciation & Amortization	31.8	33.4	35.6
Property, Plant and Equipment	17.4	17.6	19.2
Intangible Assets, and etc.	14.4	15.8	16.4
R&D Expenses	11.3	14.2	16.5

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



## Supplemental Data 7

### Sales by Reportable Business Segment<sup>1</sup>

(Billion yen)	FY2016 Forecast	FY2015 Results		FY2015 (Adjusted) <sup>2</sup>		
			YoY Change %			
Japan	406.0	295.2	—	395.2	+ 2.7%	+ 3%
China	130.5	125.7	—	125.7	+ 3.8%	+ 10%
Asia Pacific	56.0	53.2	—	53.4	+ 4.8%	+ 5%
Americas	174.0	167.5	—	167.5	+ 3.9%	+ 6%
EMEA <sup>3</sup>	87.0	104.2	—	104.2	-16.5%	-14%
Travel Retail	18.5	17.2	—	17.2	+ 7.6%	+ 10%
<b>Total</b>	<b>872.0</b>	<b>763.1</b>		<b>863.3</b>	<b>+ 1.0%</b>	<b>+ 3%</b>

1. Effective from the fiscal year ending Dec. 31, 2016, the Company has revised its business segment classification method in line with change to its organization system. Under this change, plans are in place to reclassify the Company's business into "Japan business," "China Business," "Asia Pacific Business," "Americas Business," "EMEA Business," and "Travel Retail Business" segments.

2. FY2015 was a transitional fiscal period during which domestic results were for the nine months and overseas results were for the twelve months ended December 31, 2015. Domestic results for FY2015 have been annualized for comparability with FY2016.

3. Europe, the Middle East and Africa.

## Notice of Discontinuation of Disclosure of Monthly Domestic Sales and Quarterly Overseas Sales

Since October 2008, we have disclosed our monthly domestic sales and posted them on our website for the purposes of improving the quality of our information disclosure and ensuring fair disclosure. However, we have decided to conduct an overall review of our information disclosure in light of the fact that the fiscal period for all consolidated subsidiaries, both in Japan and in other countries, was unified in FY2015 to a fiscal year-end of December 31, and the fact that we will reorganize the reportable segments in FY2016 in line with the shift to a matrix organization. In the review, we decided to discontinue the disclosure of our monthly domestic sales after disclosing sales for December 2015. This decision was made for a number of reasons. First, the ratio of domestic sales to consolidated sales has been declining due to the increase in overseas sales. Second, there is the view that the disclosure of this kind of information encourages people to adopt a short-term perspective. Finally, we intend to disclose more useful information from a medium- and long-term perspective in response to aforementioned factors. In line with this decision, please note that we will also refrain from providing information about monthly sales for January 2016 onward.

Moving forward, we will disclose information about our net sales and operating income on a quarterly basis based on the new segments (sorted by region). We will also disclose more information via disclosure materials, and describe medium- and long-term growth strategies and non-financial information in an easy-to-understand manner. With these and other initiatives, we will strive to provide investors and analysts with an ample amount of useful information. We greatly appreciate your understanding in regards to this matter.

## Supplemental Data 9 Major Public Announcements

### News Releases

- Jun. 2015 Shiseido to Partner with Burberry to Distribute Burberry Beauty Products in Japan
- Jun. 2015 Notice of Issuance of Shiseido Company, Limited 7th and 8th Unsecured Bonds
- Jun. 2015 Notice of Transfer of Shares, Etc. of Subsidiary (Ayura Laboratories Inc.)
- Jun. 2015 Notice of Company Split with a Consolidated Subsidiary  
“Shiseido Japan Co., Ltd.”
- Jul. 2015 Shiseido Establishes Joint Venture in Indonesia to Strengthen the Professional Business in Asia
- Jul. 2015 Shiseido Signs Alliance Agreement with Prominent U.S. Dermatology Lab
- Jul. 2015 Shiseido Established Shiseido Asia Pacific in Singapore
- Aug. 2015 Shiseido to Partner with a Leading Distributor in Greece Folli-Follie
- Oct. 2015 Shiseido Executes Renovation of the *SHISEIDO* Brand Based on Empathy to Establish Itself as a Global Marketing Company from Japan
- Nov. 2015 Notice on Ending Za Sales and Subsidiary Dissolution in India
- Dec. 2015 Shiseido Signed for Purchasing Serge Lutens Trademark
- Dec. 2015 Information Regarding Transfer of the Subsidiary's Shares (Shiseido Turkey)
- Feb. 2016 Shiseido Establishes a New Global Supply Chain Management Base in Osaka