

# SHISEIDO IS CHANGING

April 27, 2015

Masahiko Uotani

Representative Director,  
President & CEO  
Shiseido Co., Ltd.

# SHISEIDO



FY2014 Overview  
**/Where we are and our challenges**

Key Points of the New Three-Year Plan  
**/Our 3 year journey**

Three-Year Performance Targets and  
FY2015 Outlook  
**/What we will achieve**



## Know the Front Line of Our Business and Understand Essential Management Issues



| 2

## Successively Innovate Key Brands



| 3



## Initiate Total Reengineering of the China Business



| 4

## VISION 2020: Toward a New Century for Shiseido



| 5

## Unify the Organization with ICHIGAN



| 6

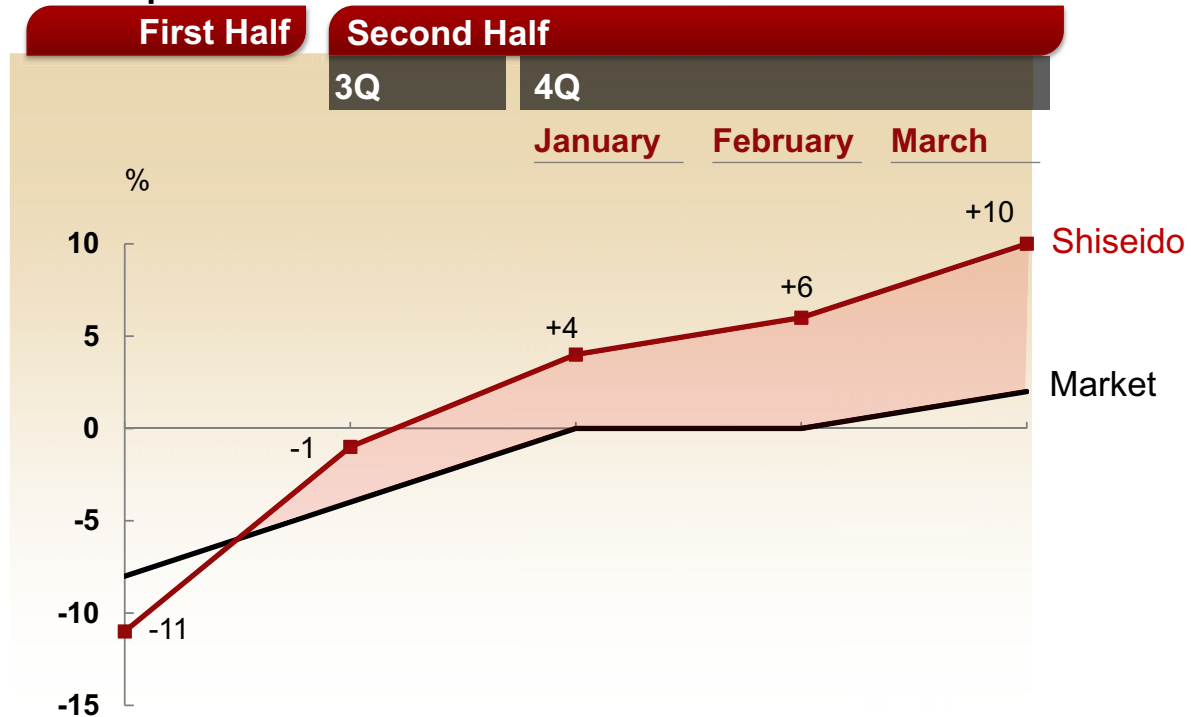
## Empower Diverse People



| 7

## The Result is Steady Success

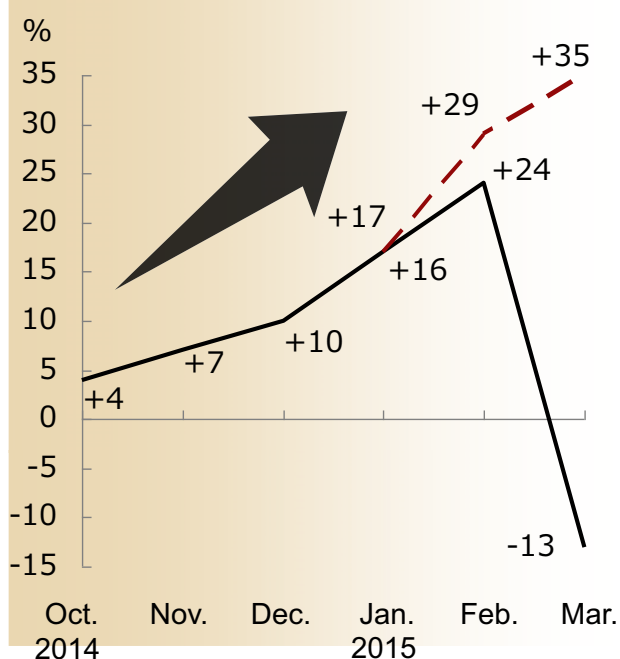
Comparison of Store Sales with FY2012



| 8

## The Result is Steady Success

Growth in New Customer\* <sup>1</sup> Sales at Stores



Domestic Market Share\* <sup>2</sup>



<sup>1</sup> Sales to customers previously unregistered as members.  
Solid line: Comparisons with the previous fiscal year.  
Dotted line: Comparisons with FY2012.

<sup>2</sup> Source: INTAGE Inc. SLI- web purchase comparison data (value basis) for general cosmetics (defined by Shiseido; comprising cosmetics, haircare, body care and others).

| 9



## Solid Growth from Further Innovation

Sustained  
growth in  
Japan

Radical  
reforms in  
China

Improved  
management  
precision

Simultaneous  
globalization  
and  
localization

Expanded  
investment  
in the  
foundation  
for growth

Structural  
reforms that  
address core  
issues

Capital cost  
conscious  
management

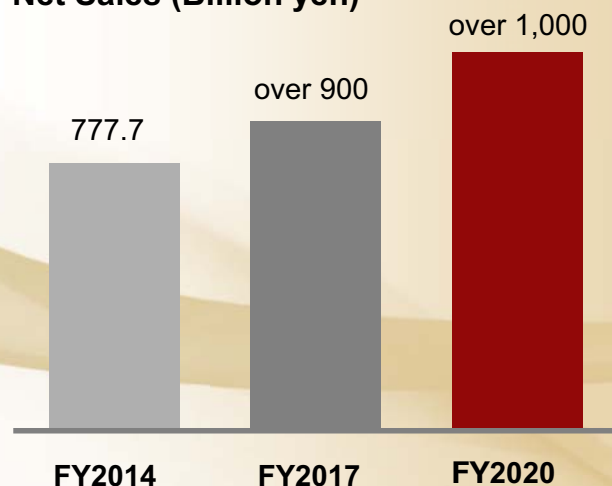
| 10

## Overview of VISION 2020

2015-2017  
Restructure the  
Business  
Foundation

2018-2020  
New Strategy to  
Accelerate  
Growth

Net Sales (Billion yen)



Our vision toward 2020

Consolidated  
Net Sales Over ¥ 1 trillion

Consolidated  
Operating  
Income Over ¥ 100 billion

ROE 12% or more

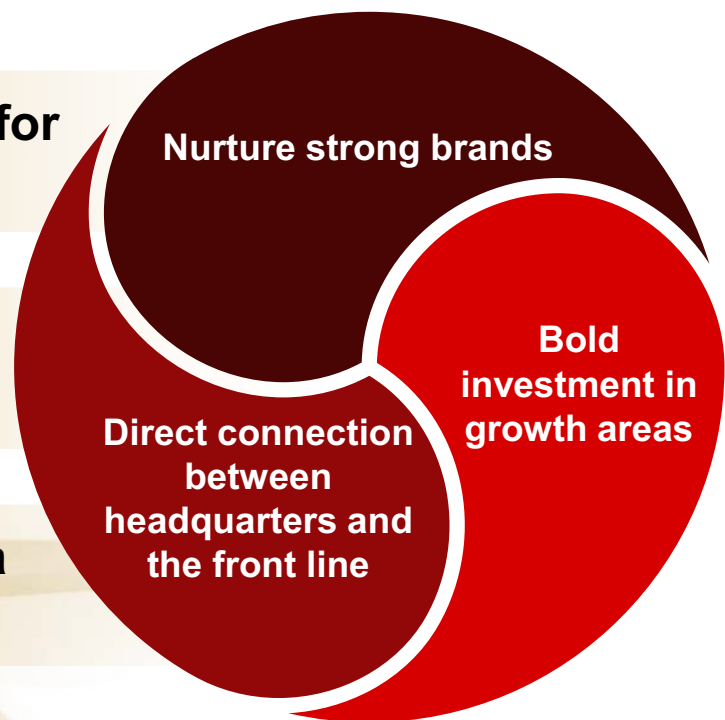
| 11

## Key Three-Year Strategies

**Build the foundation for top share in Japan**

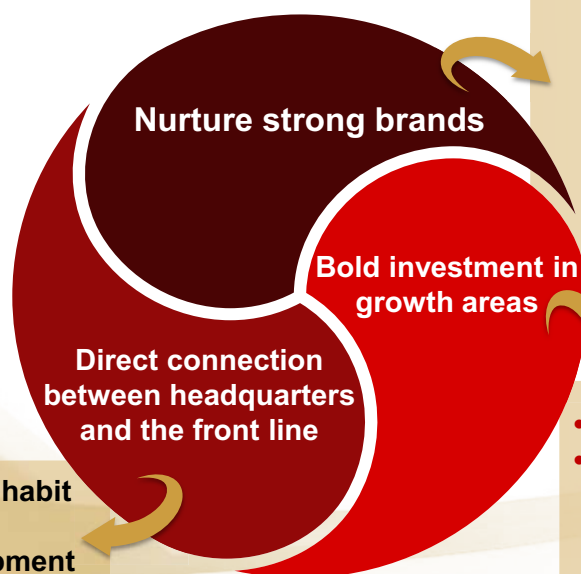
**Accelerate global growth**

**Reengineer the China business**



| 12

## Build the Foundation for Top Share in Japan



- Make ICHIGAN a habit
- Innovate human resource development and evaluation
- Appoint a Chief People Officer

- Enhance advertising
- Innovative product development
- Strengthen self-selection products
- Focus investment on strong brands
- BCs who communicate brand value

- Capture inbound demand
- Focus boldly on e-commerce

| 13

## Breakthrough Product Innovation



MAQUILLAGE



- Formulated with an optimum balance of oil and beauty ingredients to achieve gloss, moisturizing and long-lasting color

- Seems to melt into the skin because of our unique Mousse Press Process

SHISEIDO

Suncare



- Sunscreen that reacts with sweat and water to strengthen the UV protective layer

| 14

## Strengthen and Nurture Self-Selection Cosmetics



| 15



## Further Strengthen Powerful Brands



**FY2020**

**Strictly manage the profitability of each brand.**

**Share of top 15 brands in sales mix**

**Rigorously apply rules for revising or terminating brands.**

**90%**

| 16

## Capture Inbound Demand



**Seek customer insights.**

**Develop a unique brand portfolio.**

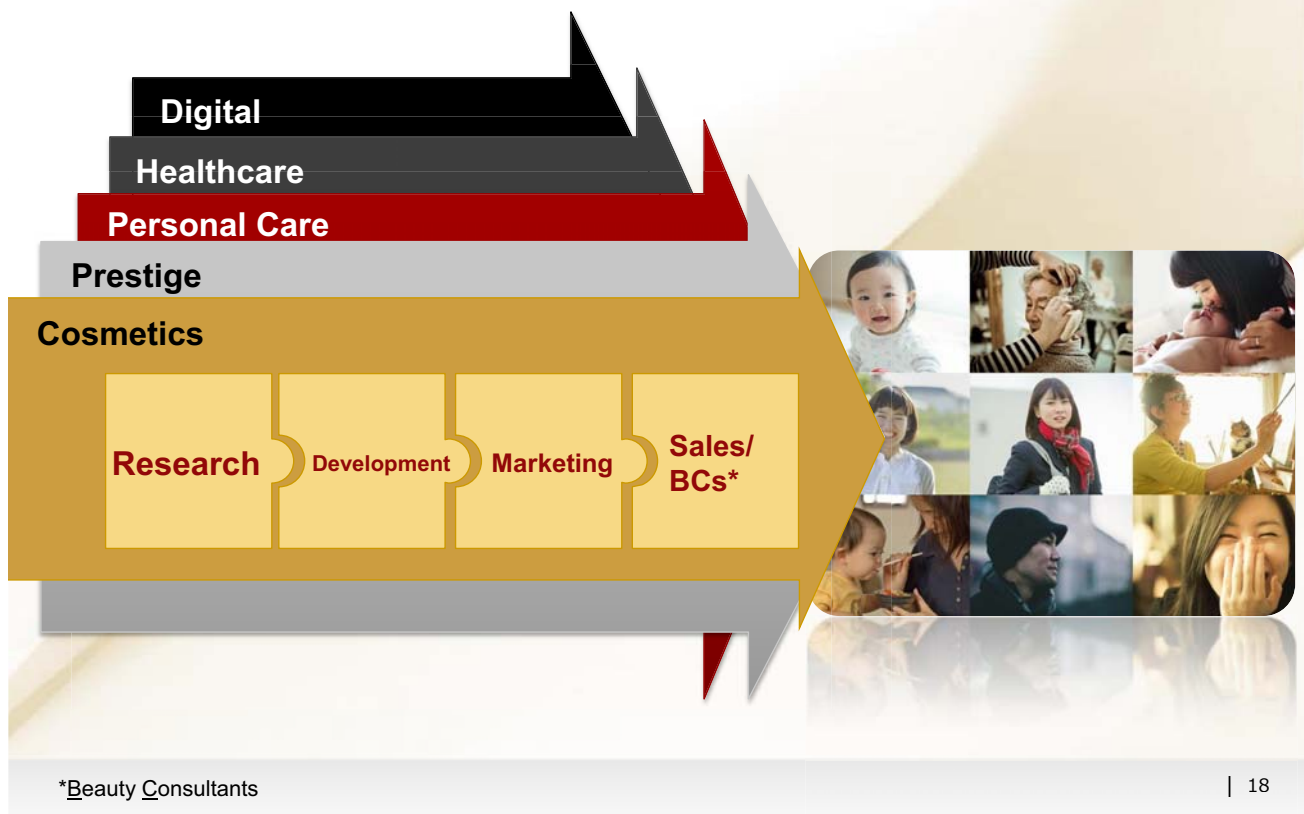
**Strengthen store-front operations.**

**Maintain top market share at four largest airports in Japan.**



| 17

## Get Close to Customers through a Direct Connection Between Headquarters and the Front Line in All



| 18

## BCs Who Communicate Brand Value



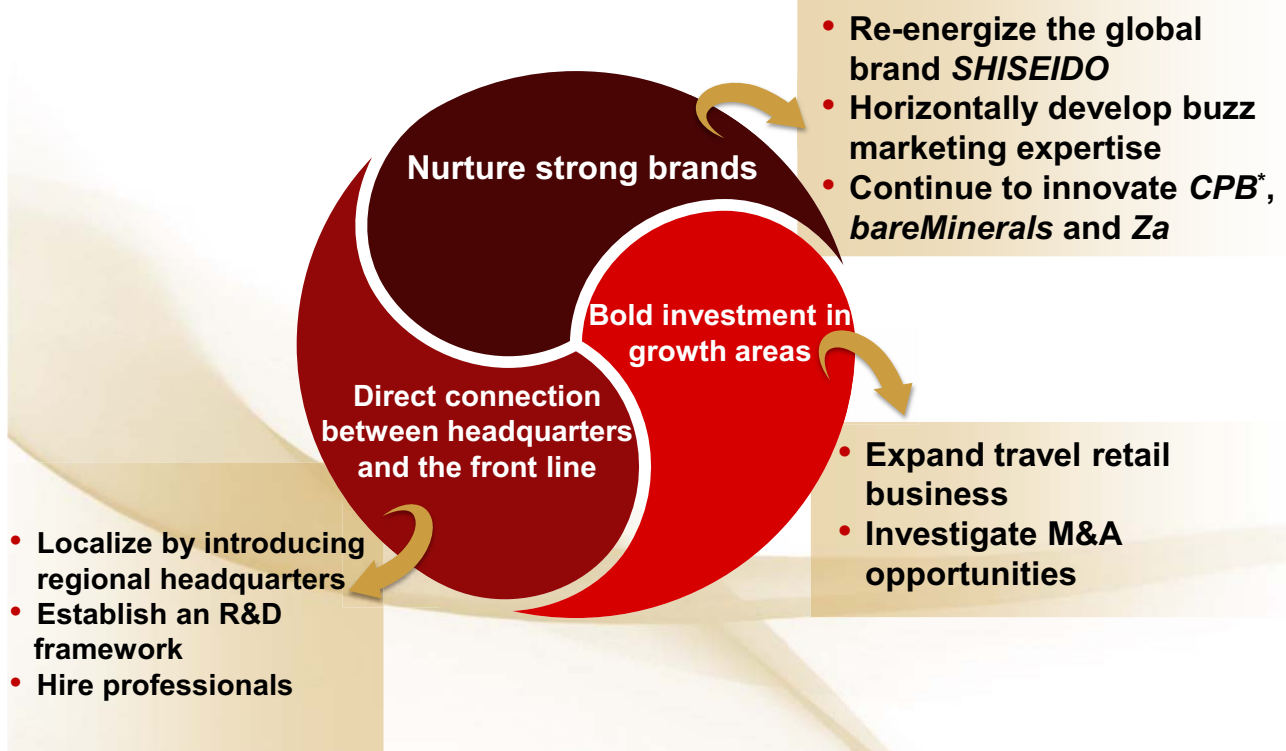
**Recruit new full-time employees.**

**Make fixed-term contract employees full-time employees.**

**Innovate personnel training and evaluation systems.**



| 19



\* clé de peau **BEAUTÉ**

| 20

## ULTIMUNE: Rejuvenating the Global Brand **SHISEIDO**



\*ULTIMUNE sales growth, FY2014 vs. FY2017 (sales volume basis)

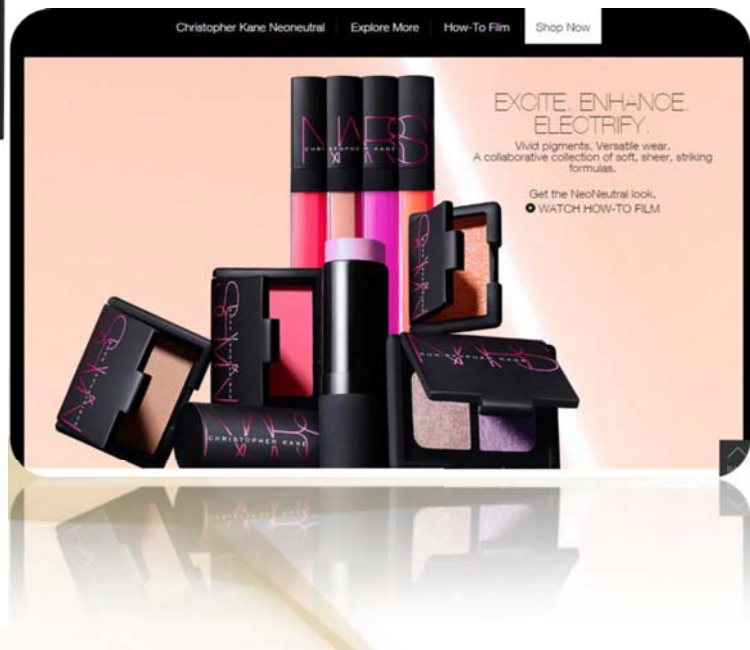
| 21



## Horizontally Develop Buzziest Brand Expertise



**+50%\***



\*Sales growth, FY2014 vs. FY2017 (shipped value basis)

| 22

## Proposing New Value through Synergy of *bareMinerals* with Shiseido



**+25%\***

### LESS MAKEUP. MORE COVERAGE.

Our world famous foundations give you all the long-wearing coverage you want with the natural look of beautiful skin.

*Available in 4 formulas*

[LEARN MORE](#)



\*Sales growth, FY2014 vs. FY2017 (shipped value basis)

| 23

## Expand Travel Retail Business



Establish an independent organization for Asia and focus investment there.

Expand investment in counters.

Double the number of BCs.

Launch exclusive products.

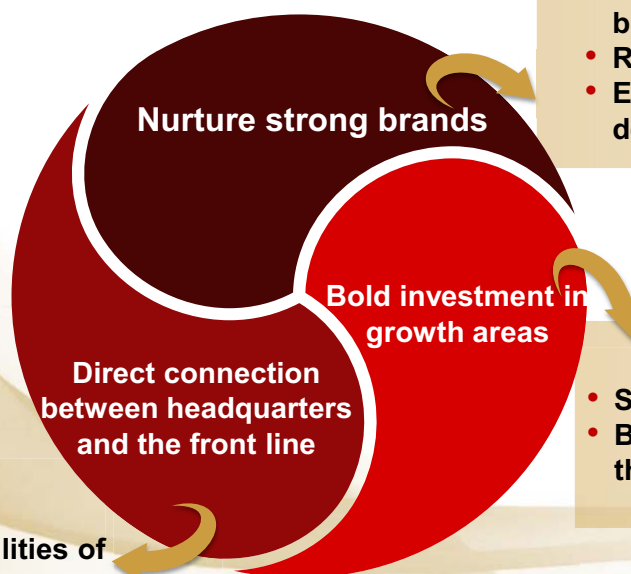
**+30%\***



\*Sales growth, FY2014 vs. FY2017 (shipped value basis)

| 24

## Reengineer the China Business



- Innovate every aspect of brand positioning.
- Review channel policies.
- Establish a local product development framework.

- Strengthen digital marketing.
- Build a leading position in the e-commerce market.

- Reform the organization.
- Develop capabilities of personnel.
- Innovate activities of sales and BCs.

| 25

# Roadmap for Reengineering the China Business



## FY2014

- Collect excess market inventory, primarily at department stores
- Optimize market inventory by reining in shipments
- Initiate organizational restructuring

## FY2015

- Restructure brand portfolio
- Move completely away from the sell-in focus in sales activities
- Strengthen local ties of the sales organization
- Expedite organizational restructuring and localization
- Enhance local R&D organization
- Expand e-commerce
- Innovate the management organization

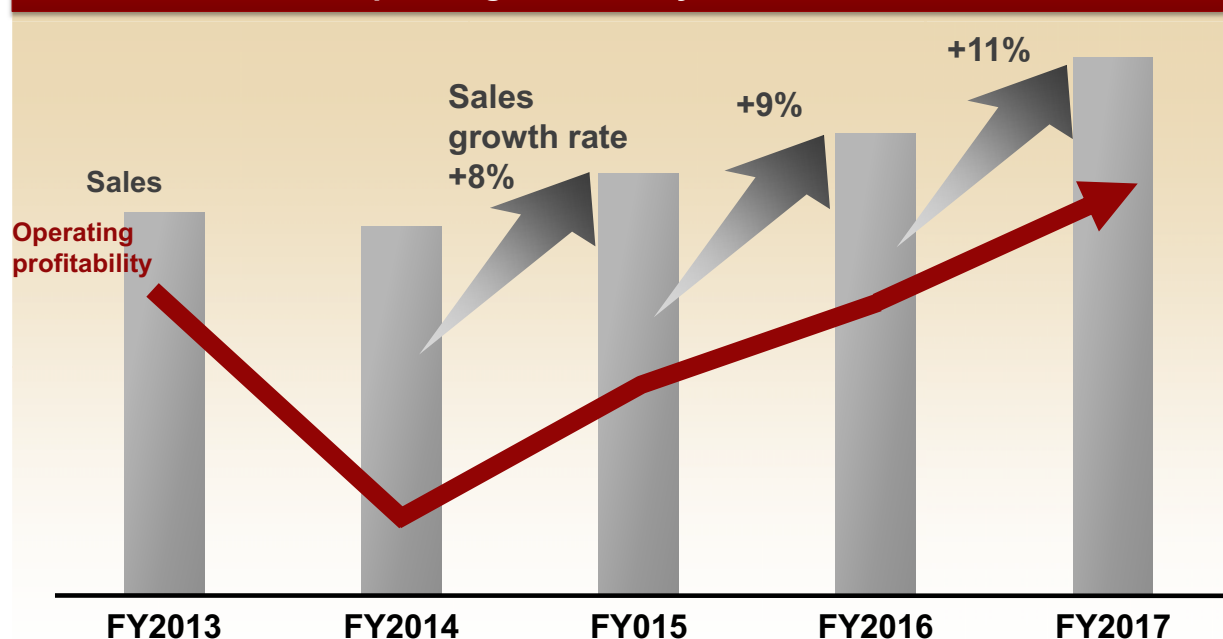
## FY2016-2017

- Expand store sales
- Implement new brand strategy
- Launch locally developed products
- Accelerate marketing enhancements
- Formulate new channel policies
- Develop new BC organization
- Realize the effects of cost structure reforms

# Toward Growth of the China Business



## Sales Growth and Operating Profitability\*



\*Local currency basis



## Increase Investment in Basic and Fundamental R&D

**Establish the Global  
Innovation Center.**

**Promote open  
innovation.**

**Increase R&D  
investment by 40%  
by FY2017\***



\* Compared with FY2014

| 28

## Proceed Steadily with Cost Structure Reform

**Thoroughly review for further  
improvement at a component level.**



**Work together across the entire  
organization to generate ideas.**



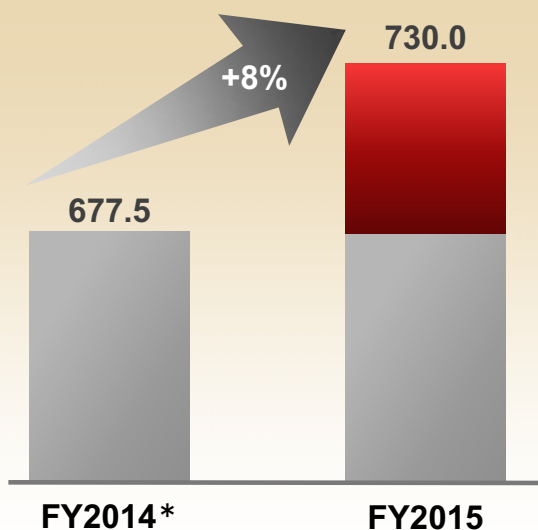
**Reduce costs by  
¥30 to ¥40 billion by FY2017**

**Expand  
investment in customer-  
focused  
marketing  
and R&D**

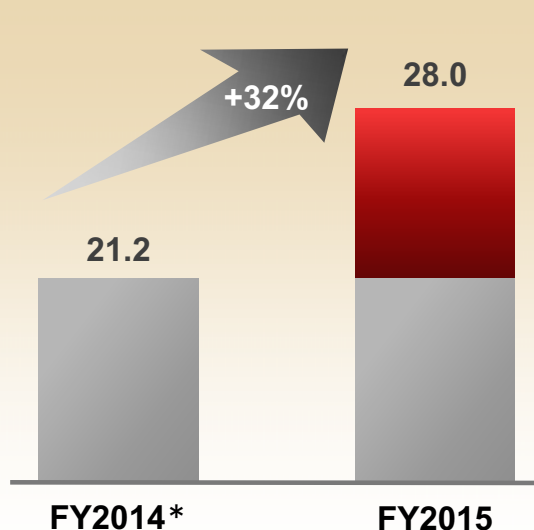
| 29

# Outlook for FY2015

## Net Sales (Billion yen)



## Operating Income (Billion yen)



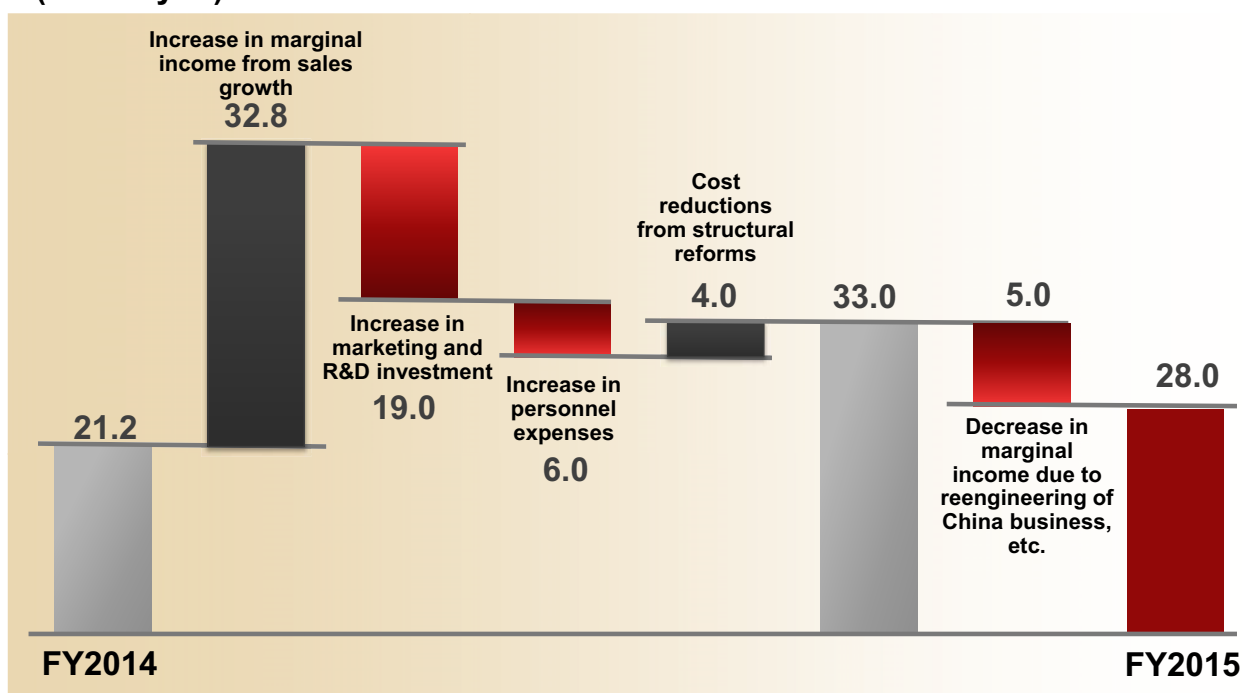
- ROE 2.6%
- Exchange rates USD 1 = JPY 115 (+9%); EUR 1 = JPY 130 (-7%), CNY 1 = JPY 18 (+5%)
- Dividends Interim: JPY 10; Year-end: JPY 10; Full-year: JPY 20

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

| 30

## Breakdown of FY2015 Changes in Operating Income (Difference with Previous Fiscal Year)

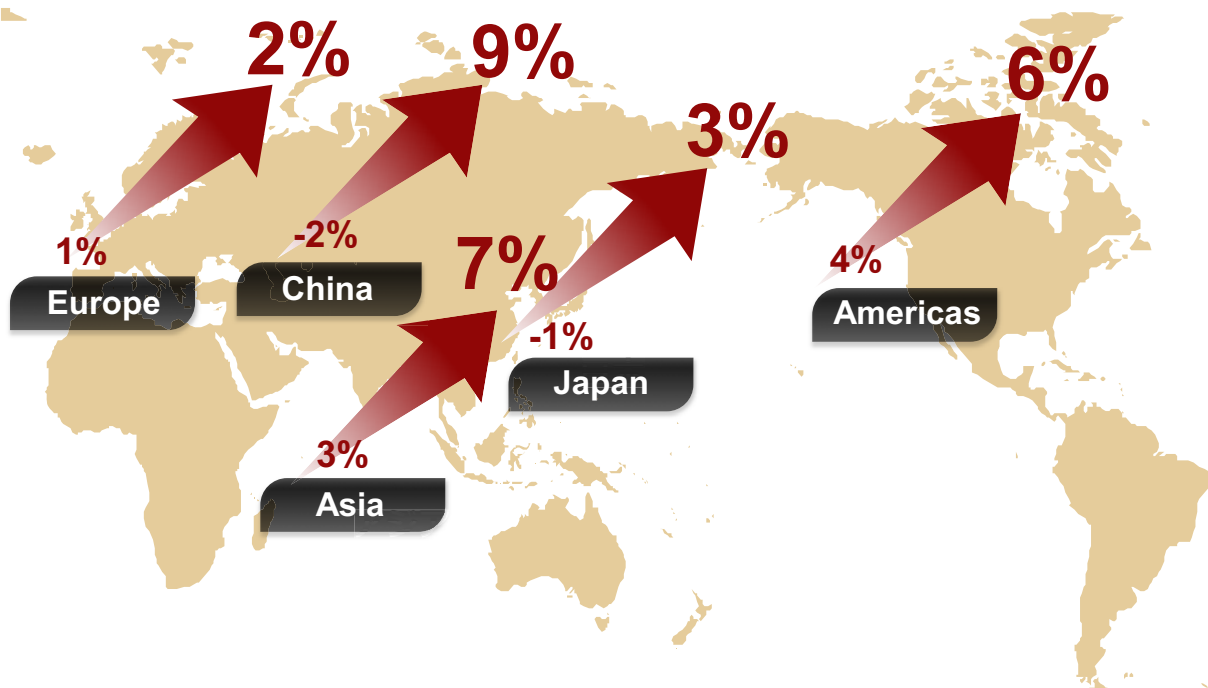
(Billion yen)



| 31

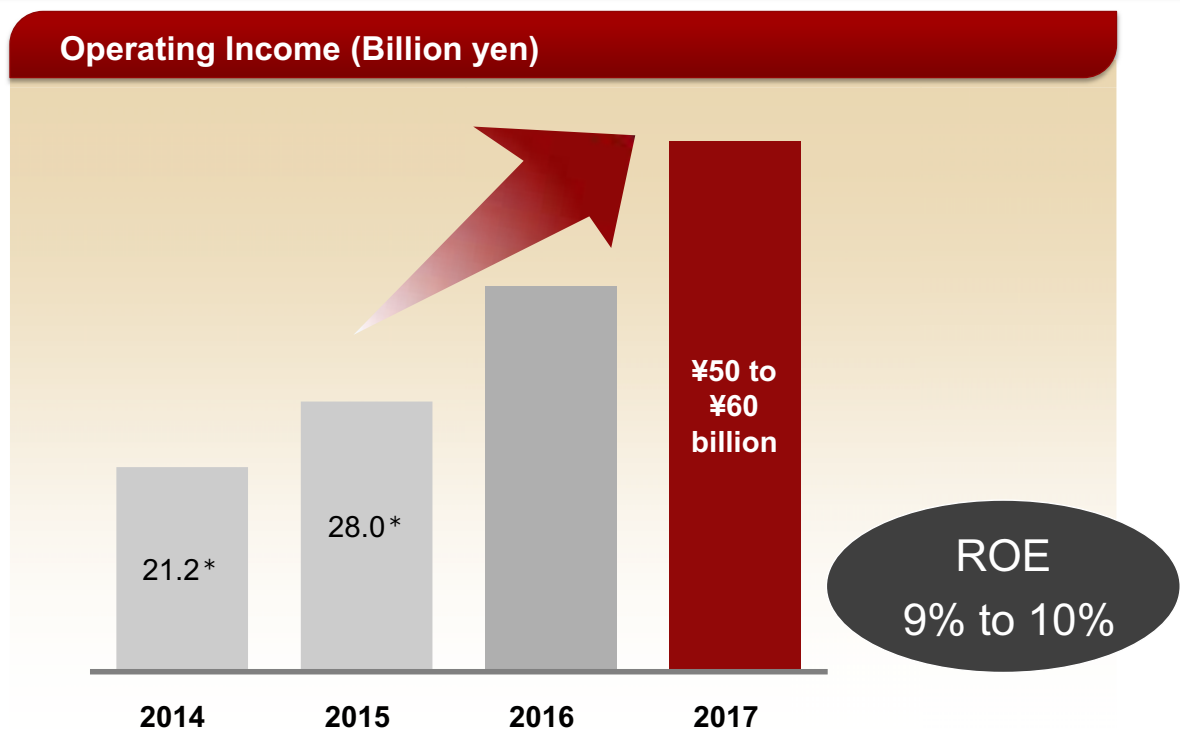
## Sales Target: Over ¥900 Billion (FY2017)

Sales Growth by Region (CAGR for past three years vs. next three years) Local currency basis



| 32

## Operating Income Target: ¥50 to ¥60 billion (FY2017)



\*Japan: 9-month fiscal year; overseas: 12-month fiscal year.

| 33



SHISEIDO