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Shiseido Aims to Raise China Sales 15% or More Yearly (Update2)  
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(Updates with closing share price in eighth paragraph)

By Naoko Fujimura and Shunichi Ozasa

Jan. 21 (Bloomberg) -- Shiseido Co., Japan's biggest cosmetics maker, seeks to increase sales in China by 15 percent or more every year as rising incomes in the world's fastest-growing major economy spur demand for consumer products.

"Interest among women in skincare, makeup and haircare is increasing, boosting cosmetics use," incoming President Hisayuki Suekawa, 51, said in an interview in Tokyo yesterday.

He will be the youngest president from outside the Tokyo-based company's founding family when he assumes the post in April.

Shiseido aims to boost overseas sales to 50 percent of its total by 2017 from an expected 42 percent this fiscal year as demand in Japan drops amid sluggish wage growth and an aging population. The 138-year-old cosmetics maker, which competes with L'Oreal SA and Procter & Gamble Co., introduced the DQ skincare brand for drugstores and hair-care products for salons last year in China, whose economy grew 10.3 percent in 2010.

"China's expansion promises growth for Shiseido," said Toshiro Takahashi, an analyst at TIW Inc. in Tokyo, who has a "positive" rating on the stock. "The company's strength is having drugstores as a sales channel, which will allow it to lure customers in inland China."

China accounted for about 10 percent of Shiseido's 644 billion yen (\$7.76 billion) revenue in the fiscal year ended in March 2010, spokeswoman Megumi Kinukawa said.

The cosmetics maker acquired San Francisco-based Bare Escentuals Inc. last year for \$1.8 billion, according to data compiled by Bloomberg. It entered nine markets including South Africa and Mongolia this fiscal year.

#### 'Interested in Acquisitions'

"We are interested in acquisitions if there is an opportunity," Suekawa said, without elaborating.

Shiseido fell 3.3 percent to 1,676 yen at the 3 p.m. trading close on the Tokyo Stock Exchange. The stock declined 0.4 percent last year, compared with a 3 percent drop in Japan's benchmark Nikkei 225 Stock Average.

Net income may decline 26 percent to 25 billion yen for the year ending March on a valuation loss in the value of its securities holdings, Shiseido forecast in October. Sales may rise 6.8 percent to 688 billion yen.

The takeover of Bare Escentuals, Shiseido's largest acquisition, gave it a cosmetics maker with products sold through 800 U.S. retail outlets and 1,500 salons in its smallest regional market. The maker of bareMinerals powder foundation gets about 88 percent of sales from

North America and had an operating profit margin of 31.5 percent in 2008.

Suekawa, now a corporate executive officer, evaluated the purchase price for Bare Escentuals, outgoing President Shinzo Maeda said Jan. 12. Maeda, 63, will become chairman in April.

"Bare Escentuals agreed with the line Suekawa proposed after doing a difficult calculation to decide the purchase price by judging the future value," Maeda said at the time. "The U.S. was the place where we were weak."

Suekawa joined Shiseido's sales department in 1982. He has headed the company's corporate planning division since 2008.

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