The figures for these Financial Statements are prepared in accordance with the accounting principles based on Japanese law. Accordingly, they do not necessarily match the figures in the Annual Report issued by the Company, which present the same statements in a form that is more familiar to foreign readers through certain reclassifications or summarization of accounts.

February 9, 2016

Consolidated Settlement of Accounts for the Fiscal Year Ended December 31, 2015
[Japanese Standards]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number: 4911)
URL: http://www.shiseidogroup.com/
Representative: Masahiko Uotani, Representative Director, President and CEO
Contact: Tetsuaki Shiraiwa, Department Director, Investor Relations Department, Corporate Communications Division
Tel. +81-3-3572-5111
Annual Meeting of Shareholders: March 25, 2016
Filing date of securities report: March 25, 2016
Start of cash dividend payments: March 28, 2016
Supplementary materials prepared: Yes (Supplementary information will be uploaded to the corporate website on Tuesday, February 9, 2016)
Financial results information meeting held: Yes (for institutional investors, analysts, and etc.)

1. Performance for the Fiscal Year Ended December 31, 2015 (From April 1–December 31, 2015)

* Amounts under one million yen have been rounded down.

(1) Consolidated Operating Results

(Millions of yen; percentage figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
Fiscal Year Ended December 31, 2015	763,058	[—]	37,660	[—]	37,588	[—]	23,210	[—]
Fiscal Year Ended March 31, 2015	777,687	[+2.1%]	27,613	[–44.4%]	29,239	[–43.1%]	33,668	[+28.8%]

Note: Comprehensive income
Fiscal year ended December 31, 2015: ¥13,594 million [–]
Fiscal year ended March 31, 2015: ¥70,668 million [–22.1%]

	Net Earnings per Share (Yen)	Fully Diluted Net Earnings per Share (Yen)	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
Fiscal Year Ended December 31, 2015	58.17	58.08	6.0%	4.6%	4.9%
Fiscal Year Ended March 31, 2015	84.44	84.30	9.4%	3.6%	3.6%

[Reference] Equity in earnings/losses of affiliates: As at December 31, 2015: ¥149 million
As at March 31, 2015: ¥212 million

At the Ordinary General Meeting of Shareholders on June 23, 2015, the "Partial Amendments to the Articles of Incorporation" were approved, changing the fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2015. For the Company and subsidiaries with March 31 fiscal year-ends, therefore, fiscal year 2015 will be the nine-month period from April 1 to December 31, 2015. As a result, data for year-on-year changes as well as percentage changes compared with the corresponding period of the previous fiscal year have not been provided.

The fiscal periods for subsidiaries with December 31 fiscal year-ends will remain unchanged (January 1–December 31, 2015).

[Reference]
Percentage figures below (adjusted % increase/decrease) represent year-on-year changes between the previous fiscal year's operating results of the Company and subsidiaries with March 31 fiscal year-ends adjusted for the nine-month period (April 1–December 31, 2014) and operating results for the fiscal year under review.

(Millions of yen)

Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
763,058 [+12.6%]	37,660 [+77.4%]	37,588 [+64.8%]	23,210 [–15.7%]

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As at December 31, 2015	808,547	413,334	48.4%	981.37
As at March 31, 2015	823,636	409,369	47.0%	970.00

[Reference] Equity: As at December 31, 2015: ¥391,664 million
As at March 31, 2015: ¥386,860 million

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
Fiscal Year Ended December 31, 2015	60,529	(23,137)	(30,151)	104,926
Fiscal Year Ended March 31, 2015	32,134	11,538	(58,419)	100,807

2. Cash Dividends

	Cash Dividends per Share (Yen)					Total Dividends Paid (Full Year) (Millions of Yen)	Payout Ratio (Consolidated)	Dividends Paid/ Net Assets (Consolidated)
(Cut-off Date)	1Q	2Q	3Q	Year-End	Full Year			
Fiscal Year Ended March 31, 2015	—	10.00	—	10.00	20.00	7,975	23.7%	2.2%
Fiscal Year Ended December 31, 2015	—	10.00	—	10.00	20.00	7,981	34.4%	2.0%
Fiscal Year Ending December 31, 2016 (plan)	—	10.00	—	10.00	20.00		—	

Note: Figures for cash dividends per share (year-end), cash dividends per share (full year), total dividends paid (full year), payout ratio (consolidated), and dividends paid/net assets (consolidated) for the year ended December 31, 2015 are based on estimated figures as of February 9, 2016, the date of this report's issue.

3. Projections for the Fiscal Year Ending December 31, 2016 (January 1–December 31, 2016)

(Millions of yen; percentage figures denote the full fiscal year and quarterly year-on-year change)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Earnings per Share (Yen)
First Half Ending June 30, 2016	417,000 [—]	11,000 [—]	11,000 [—]	13,000 [—]	32.57
Fiscal Year Ending December 31, 2016	872,000 [—]	38,000 [—]	38,000 [—]	28,000 [—]	70.16

Effective from the fiscal year under review, the account settlement period for the Company and subsidiaries with March 31 fiscal year-ends is the nine-month period from April 1, 2015 to December 31, 2015. As a result, data for year-on-year changes as well as percentage changes compared with the corresponding period of the previous fiscal year have not been provided.

[Reference]
Percentage figures below (adjusted % increase/decrease) represent year-on-year changes between the operating results of the fiscal year under review for the Company and subsidiaries with March 31 fiscal year-ends adjusted for the 12-month period (January 1–December 31, 2015) and projected operating results for the fiscal year ending December 31, 2016.

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
First Half Ending June 30, 2016	417,000 [+1.6%]	11,000 [–27.1%]	11,000 [–29.0%]	13,000 [+139.8%]
Fiscal Year Ending December 31, 2016	872,000 [+1.0%]	38,000 [–14.3%]	38,000 [–14.1%]	28,000 [–5.0%]

Notes

(1) Significant changes in subsidiaries during the year (changes in specific subsidiaries due to change in scope of consolidation): None

(2) Changes in accounting policies; changes in accounting estimates; restatements
1) Changes in accounting policies due to amendment of accounting standards: Yes
2) Other changes in accounting policies: None
3) Changes in accounting estimates: None
4) Restatements: None

Note: For more information, please refer to "5. Consolidated Financial Statements (5) Notes Concerning Consolidated Financial Statements (Changes in Accounting Policies)" on page 30.

(3) Shares outstanding (common stock) at year-end
1) Number of shares outstanding (including treasury stock)
As at December 31, 2015: 400,000,000
As at March 31, 2015: 400,000,000
2) Number of treasury stocks outstanding
As at December 31, 2015: 899,741
As at March 31, 2015: 1,173,894
3) Average number of shares over the year
Fiscal year ended December 31, 2015: 399,026,565
Fiscal year ended March 31, 2015: 398,704,603

Note: For information on the number of shares used as the basis for calculating consolidated net income per share, please refer to "5. Consolidated Financial Statements (5) Notes Concerning Consolidated Financial Statements (Per-Share Data)" on page 34.

[Reference] Summary of Nonconsolidated Results

Performance in the Fiscal Year Ended December 31, 2015 (April 1–December 31, 2015)

(1) Nonconsolidated Operating Results

(Millions of yen; percentage figures denote year-on-year change)

	Net Sales	Operating Income	Ordinary Income	Net Income
Fiscal Year Ended December 31, 2015	165,148 [—]	9,515 [—]	35,243 [—]	32,811 [—]
Fiscal Year Ended March 31, 2015	241,099 [+10.0%]	19,074 [+215.2%]	39,933 [+68.8%]	30,498 [+97.0%]

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal Year Ended December 31, 2015	82.23	82.10
Fiscal Year Ended March 31, 2015	76.49	76.36

At the Ordinary General Meeting of Shareholders on June 23, 2015, the "Partial Amendments to the Articles of Incorporation" were approved, changing the fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2015. As a result, data for percentage changes compared with the previous fiscal year has not been provided.

[Reference]
Percentage figures below (adjusted % increase/decrease) represent year-on-year changes between the previous fiscal year's operating results of the Company adjusted for the nine-month period (April 1–December 31, 2014) and operating results for the fiscal year under review.

(Millions of yen)

Net Sales	Operating Income	Ordinary Income	Net Income
165,148 [–6.9%]	9,515 [–39.8%]	35,243 [+14.4%]	32,811 [+42.6%]

(2) Nonconsolidated Financial Position

(Millions of yen, except for per share figures)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As at December 31, 2015	580,380	369,128	63.5%	922.74
As at March 31, 2015	601,186	346,843	57.5%	867.04

Reference: Equity at year-end:
Fiscal year ended December 31, 2015: ¥368,265 million
Fiscal year ended Mach 31, 2015: ¥345,799 million

Implementation status of review procedures
At the time of disclosure of this report, review audit procedures for consolidated financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

Appropriate use of business forecasts; other special items
In this report, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results (Outlook for the Fiscal Year Ending December 2016" on page 11 for information on preconditions underlying the above outlook and other related information including notes on the use of business forecasts.

Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

Effective from the fiscal year under review, Shiseido and those companies that fall within its scope of consolidation and closed their accounts on March 31 each year changed their fiscal year-ends to December 31. As a result, Shiseido and all companies that fall within its scope of consolidation now maintain a uniform settlement date. Accordingly, this analysis of operating results covers the nine-month period from April 1, 2015 to December 31, 2015 for Shiseido and the aforementioned March 31 fiscal year-end companies that fall within its scope of consolidation and the 12-month period from January 1, 2015 to December 31, 2015 for companies that fall within its scope of consolidation with a December 31 balance date. Hereafter, increases and decreases in operating results are compared with the corresponding period of the previous fiscal year.

1) Review of Performance in the Fiscal Year Ended December 31, 2015

In the fiscal year under review, the Japanese economy continued on a moderate recovery trend supported by government measures to stimulate the economy. At the same time, consumer spending was stable overall. Similarly, the domestic cosmetics market remained firm. In addition to a persistent recovery trend, this was attributable to contributions from inbound demand. Meanwhile, overseas cosmetics markets, which are closely linked to economic conditions in their respective regions, exhibited mixed results. While there were signs of disparity between countries, growth in Europe was held to moderate levels. China, Asia and the Americas, on the other hand, continued to experience sound growth.

Against this backdrop, Shiseido took bold steps to implement VISION 2020, the medium- and long-term strategy for building a foundation that will enable the Company to remain vital for the next 100 years, from fiscal 2015. The fiscal year under review was therefore positioned as the start of a three-year plan to reconstruct our business foundation. In order to enhance the value of strategic core brands, all of the Group's activities were shifted toward a consumer-oriented focus, steps toward strengthening marketing as well as innovation and measures to utilize the diverse human resources and put in place a global organization to support these efforts.

Taking these factors into consideration, and for the fiscal year under review, Shiseido posted consolidated net sales of ¥763.1 billion, up 12.6% year on year. In addition to seeing results through innovation initiatives mainly targeting mid- and high-priced brands, we also undertook successful steps to definitively capture inbound demand. As a result, domestic sales rose 11.7%, to ¥296.9 billion. Turning to operations overseas, sales were up year on year across all regions including China, Asia, the Americas and Europe. In local currency terms, this represented an increase of 5.4%. Thanks largely to the decline in the value of the yen, overseas sales improved 13.3% after translation into yen totaling ¥466.2 billion. Operating income rose 77.4%, to ¥37.7 billion owing to the increase in earnings attributable to the growth in net sales. This was during a period of active marketing investment while at the same time efficiently managing costs. Ordinary income grew 64.8%, to ¥37.6 billion and net income attributable to owners of parent amounted to ¥23.2 billion, a decline of 15.7% year on year. In addition to the absence of the gain on transfer in line with the sale of the ***DECLÉOR and CARITA*** brands posted as extraordinary income in the previous fiscal year, together with the lower tax burden on the aforementioned gain, this decrease in net income attributable to owners of parent also reflects the increase in tax expenses due to a smaller tax benefit related to the elimination of unrealized earnings as a result of the change to an irregular account settlement period. For the fiscal year under review, the consolidated operating margin was 4.9%. Consolidated ROE was 6.0%

impacted by the irregular account settlement period.

[Consolidated Performance]

(Net Sales)

(Millions of yen)

	Fiscal Year Ended Dec. 31, 2015	[Ref.] Corre-sponding Period of the Previous Term	Year-on-Year Increase/Decrease after Adjustment			Fiscal Year Ended March 31, 2015
			Amount after Adjustment	% Change after Adjustment	% Change in Local Currency after Adjustment	
Japan Business	266,773	240,523	+26,249	+ 10.9%	+ 10.9%	332,218
Global Business	478,803	424,250	+54,552	+ 12.9%	+ 5.1%	427,899
Others	17,481	12,682	+4,799	+ 37.8%	+37.8%	17,568
Total Net Sales	763,058	677,457	+85,601	+ 12.6%	+ 7.8%	777,687

Domestic Sales	296,903	265,863	+31,039	+11.7%	+11.5%	365,615
Overseas Sales	466,155	411,593	+54,561	+13.3%	+5.4%	412,072

(Income)

	Fiscal Year Ended Dec. 31, 2015	Ratio to Net Sales	[Ref.] Corresponding Period of the Previous Term	Ratio to Net Sales	Year-on-Year Increase/Decrease after Adjustment		Fiscal Year Ended March 31, 2015
					Amount after Adjustment	% Change after Adjustment	
Japan Business	30,534	11.1%	20,080	8.1%	+10,454	+52.1%	29,214
Global Business	2,112	0.4%	–1,897	–0.4%	+4,010	—	–5,315
Others	4,921	17.5%	3,113	13.5%	+1,807	+58.0%	3,754
Elimination/ Corporate	91	—	–62	—	+153	—	–40
Operating Income Total	37,660	4.9%	21,234	3.1%	+16,425	+77.4%	27,613
Ordinary Income	37,588	4.9%	22,814	3.4%	+14,773	+64.8%	29,239
Net Income Attributable to Owners of Parent	23,210	3.0%	27,523	4.1%	–4,313	–15.7%	33,668

Notes: 1. Ratio to net sales includes intersegment transactions.

2. (Reference) Data for the corresponding period of the previous term is presented after adjusting the previous period's operating results of Shiseido and entities that fall within the Company's scope of consolidation with a March 31 fiscal year-end to the nine-month period from April 1, 2014 to December 31, 2014.

3. 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.

[Results by Reportable Segment]

[Japan Business]

(Sales)

In the fiscal year under review, sales in the Japan Business increased 10.9% compared with the corresponding period of the previous term, to ¥266.8 billion. Carrying on from the previous year, we continued to implement consumer-oriented initiatives aimed at enhancing our brand value. At the same time, we strengthened efforts to innovate core brands and expanded marketing investments. As a result, sales of mainstay products enjoyed steady growth. In addition to the ***ELIXIR*** skincare brand, which is entering a second year of brand innovation, and the ***MAQuillAGE*** makeup brand, we posted a considerable upswing in sales of other items in the ***clé de Peau BEAUTÉ*** luxury brand as well as the hit the ***SHISEIDO*** brand, which is being driven by ***ULTIMUNE,*** a serum that draws out the skin's natural beauty.

Furthermore, we took active steps to implement such measures as the dispatch of interpreters to stores and the use of multi-language tablets as a part of our consumer service activities in response to burgeoning inbound demand. This reflected the increase in the number of foreign tourists.

Building on these endeavors, energies were directed toward forming cooperative ties with other companies and to create new value. In addition to a partnership with U.K.-based Burberry Ltd., other measures included the planning and development of dedicated products that address the needs of consumers in conjunction with a major distribution group that operates through various sales channels including convenience stores. Through these and other means, Shiseido has worked diligently to expand its sales floor.

Turning to low-priced cosmetics and the hair care category, which continue to pose a challenge, we pushed forward numerous improvements across a wide-range of areas. Together with a renewal of communication methods, we placed considerable emphasis on further clarifying to consumers the value of our brands amid an intense competitive environment.

In the healthcare category, trends in sales of the pharmaceutical lip cream, ***MOILIP***, were robust thanks largely to inbound demand.

(Operating Income)

Operating income was ¥30.5 billion, an increase of 52.1% compared with the corresponding period of the previous term. Despite undertaking marketing investment, this was due to various measures including efforts aimed at promoting the efficient management of expenses in addition to the increase in earnings attributable to the growth in sales.

[Global Business]

(Sales)

In the Global Business, sales rose 5.1% in local currency terms, and totaled ¥478.8 billion after translation into yen, a year-on-year increase of 12.9% that reflects the depreciation of the yen. Buoyed by efforts to successfully promote the reinforcement of brands that match the attributes of each area, sales were up year on year across all the regions of China, Asia, the Americas and Europe.

In China, results were mixed amid efforts to promote business reforms. While prestige brand and e-commerce results were robust, sales of products in the mid-priced range stalled. This largely reflected the temporary confusion that arose while undertaking a review of sales and operating organizational systems as well as intense competition.

In Asia, sales remained strong in Singapore and Malaysia as well as in the travel retail business, which included sales of cosmetics through such channels as airport duty-free stores. Moreover, results in hair color and hair care products improved on the back of efforts to reinforce measures in the professional business.

In the Americas, ***bareMinerals*** sales were stagnant. In contrast, results were driven by growth in skin and sunscreen product sales under the ***SHISEIDO*** brand as well as the makeup artist brand ***NARS*** where digital marketing is being strengthened.

In Europe, we struggled in some major countries such as Germany and Switzerland. On a positive note, ***ISSEY MIYAKE***, ***narciso rodriguez*** and other designer fragrance brand sales grew. In the ***SHISEIDO*** brand, trends were robust for the ***ULTIMUNE*** serum as well as for mascara, where the development of products that reflect the needs of the region were undertaken locally.

As of December 31, 2015, the ***SHISEIDO*** brand products were sold in 88 countries and regions including Japan worldwide.

(Operating Income)

Operating income came to ¥2.1 billion for the fiscal year under review, a year-on-year turnaround of ¥4.0 billion. Despite higher marketing investment mainly in China and for fragrances, this result largely reflected the increase in earnings attributable to higher sales and other measures including efforts to promote the efficient management of expenses.

[Others]

(Sales)

In the Others segment, sales grew 37.8% to ¥17.5 billion, reflecting successful efforts to capture inbound demand at THE GINZA Co., Ltd., which is mainly engaged in duty-free cosmetics sales in domestic airports. Shiseido Parlour Co., Ltd., which is active in the restaurant business, reported firm sales on the back of a renewal of its western confectionery lineup in October 2015. In addition to strong sales of bio-hyaluronic acid, a raw material for cosmetics and pharmaceuticals, the Frontier Science business experienced robust sales trends in ***2e*** and ***NAVISION*** cosmetics for medical institutions, derived from our beauty care skin research.

(Operating Income)

With an increase in the marginal gain on higher sales, operating income grew 58.0% compared with the corresponding period of the previous term, to ¥4.9 billion.

2) Outlook for the Fiscal Year Ending December 31, 2016

Consolidated Net Sales by Reportable Segment

(Billions of yen)

	Fiscal Year Ending Dec. 31, 2016 (Estimate)	Fiscal Year Ended Dec. 31, 2015 (Results)	(Reference) Fiscal Year Ended Dec. 31, 2015 (Adjusted)	Year-on-Year % Change after Adjustment	Year-on-Year % Change in Local Currency after Adjustment
Japan	4,060	2,952	3,952	+2.7%	+3%
China	1,305	1,257	1,257	+3.8%	+10%
Asia Pacific	560	532	534	+4.8%	+5%
Americas	1,740	1,675	1,675	+3.9%	+6%
EMEA*	870	1,042	1,042	–16.5%	–14%
Travel Retail	185	172	172	+7.6%	+10%
Total	8,720	7,631	8,633	+1.0%	+3%

* Europe, the Middle East and Africa.

Consolidated Income

(Billions of yen)

	Fiscal Year Ending Dec. 31, 2016 (Estimate)	Percent of Net Sales	Fiscal Year Ended Dec. 31, 2015 (Results)	Percent of Net Sales	(Reference) Fiscal Year Ended Dec. 31, 2015 (Adjusted)	Percent of Net Sales	Year-on-Year % Change after Adjustment
Operating Income	380	4.4%	377	4.9%	443	5.1%	–14.3%
Ordinary Income	380	4.4%	376	4.9%	443	5.1%	–14.1%
Net Income Attributable to Owners of Parent	280	3.2%	232	3.0%	295	3.4%	–5.0%

	Fiscal Year Ending Dec. 31, 2016 (Estimate)	Year Period Dec. 31, 2015 (Results)
Return on Equity (ROE)	7.0%	6.0%
Net Income per Share (Yen)	70.16	58.17
Payout Ratio (Consolidated)	28.5%	34.4%
Dividends per Share (Yen):	Yen	Yen
Interim	10.00	10.00
Period-End	10.00	(Plan) 10.00

Notes: 1. "(Reference) Fiscal Year Ended Dec. 31, 2015 (Adjusted)" data is presented after adjusting the operating results for the fiscal year under review of Shiseido and entities that fall within the Company's scope of consolidation with a March 31 fiscal year-end to the 12-month period from January 1, 2015 to December 31, 2015.

2. Effective from the fiscal year ending December 31, 2016, the Company has revised its business segment classification method in line with changes to its organizational system. Under this change, plans are in place to reclassify the Company's business into the "Japan Business," "China Business," "Asia Pacific Business," "Americas Business," "EMEA Business" and "Travel Retail Business" segments. Meanwhile, operating results data for the fiscal year under review has been rearranged using a simplified method.

Despite expectations that the global economy as a whole will experience an ongoing modest recovery throughout the fiscal year ending December 31, 2016, certain downside risks continue to plague economic conditions. In addition to the impact of measures aimed at normalizing financial policies in the Americas, these downside risks include uncertainties surrounding the economies of China and other developing countries, the effects of fluctuations in foreign currency exchange rates as well as the drop in crude oil prices and geopolitical concerns. The Japanese economy is also anticipated to remain on a mild recovery track, buoyed by the positive flow-on effects of various policy measures and amid ongoing improvements in the employment and disposable income environments. Despite these favorable trends, there is continued uncertainty surrounding the domestic economy due to the possible negative effects of overseas conditions.

Under these circumstances, Shiseido will continue to vigorously undertake investments as well as implement structural reforms while promoting efforts to rebuild its business platform. In addition to expanding marketing investments in the global and prestige fields while building a strong brand portfolio, we will reinforce our digital marketing and e-commerce endeavors.

Taking into account each of the aforementioned factors, consolidated net sales are projected to reach ¥872.0 billion. This also reflects the transfer of ***Jean Pau1 GAULTIER*** fragrance intellectual property rights in January 2016 and the impact of foreign currency exchange rate movements. While earnings are forecast to increase in line with the growth in net sales, operating income is anticipated to total ¥38.0 billion. This is largely the result of vigorous investment activity and plans to continue implementing structural reforms. Ordinary income is estimated at ¥38.0 billion with net income attributable to owners of parent coming in at ¥28.0 billion.

3) Outlook for the Fiscal Year Ending December 31, 2016 by Reportable Segment

[Japan Business]

In the fiscal year ending December 31, 2016, we will continue to adopt a selection and concentration approach with respect to our brands and expand marketing investments in the Japan Business. At the same time, we will work closely with consumers and pursue trade marketing with a view to enhancing our ability to create attractive sales corners. We will also bolster measures aimed at capturing inbound demand. Through measures designed to generate sustainable growth, we will expand our market share. Based on the aforementioned, we forecast segment sales to reach ¥406.0 billion.

[China Business]

By lifting the collective efforts of the Company’s head office and local subsidiaries in the China Business, we will rebuild the business and put in place a foundation for renewed growth. In addition to strengthening the robust prestige as well as e-commerce categories, we will work to rebuild the cosmetics business. Taking into consideration the aforementioned factors, segment sales are forecast to total ¥130.5 billion.

[Asia Pacific Business]

In the Asia Pacific Business, we will look to ramp up the pace of prestige brand growth. Moreover, we will focus on fostering the brand ***Za*** and ***SENKA*** and reinforce joint initiatives with retailers. In the fiscal year ending December 31, 2016, segment sales are forecast at ¥56.0 billion.

[Americas Business]

In the Americas Business, we will continue to strengthen the robust ***NARS*** and the ***SHISEIDO*** brand. We will also look to implement drastic business reforms at Bare Escentuals, Inc., where sales are struggling, and restore profitability. Accounting for these factors, segment sales are forecast to total ¥174.0 billion.

[EMEA Business]
In addition to developing prestige brands, we will establish a regional head office structure while increasing organizational and infrastructure efficiency. Through these and other means, we will work to build a platform for the purpose of improving profitability in the European Business. Despite these endeavors, segment sales are estimated at ¥87.0 billion. This is largely due to the considerable impact of the transfer of ***Jean Pau1 GAULTIER*** fragrance intellectual property rights.

[Travel Retail Business]
In the Travel Retail Business, we will undertake various measures including steps to increase the number of counters. In addition to this focus on counter investment, we will pursue advertising and promotions at airports, strengthen the development of designated products that address needs that are unique to travelers and step up the pace of growth mainly in the Asia region. As a result, segment sales are projected to come in at ¥18.5 billion.

Our outlook for the fiscal year ending December 31, 2016 by reportable segment is based on annual exchange rates for the principal currencies of ¥119 per U.S. dollar, ¥130 per euro and ¥18.0 per Chinese yuan.

(Reference)

[Overseas Sales (by Destination)]

(Millions of yen)

	Fiscal Year Ended Dec. 31, 2015	[Ref.] Corre-sponding Period of the Previous Fiscal Year	Year-on-Year Increase/Decrease after Adjustment			Fiscal Year Ended March 31, 2015
			Amount after Adjustment	% Change after Adjustment	% Change in Local Currency after Adjustment	
China	132,446	114,776	17,669	+15.4%	+3.7%	114,776
Asia	66,587	54,959	11,627	+21.2%	+15.0%	55,269
Americas	155,303	133,073	22,229	+16.7%	+3.5%	133,088
Europe	111,818	108,783	3,035	+2.8%	+4.6%	108,936
Overseas Sales	466,155	411,593	54,561	+13.3%	+5.4%	412,072

(2) Analysis of Financial Position

As at December 31, 2015, total assets amounted to ¥808.5 billion, down ¥15.1 billion compared with the end of the previous fiscal year. This was due mainly to the impact of the strong yen. Total liabilities declined ¥19.1 billion owing primarily to the repayment of borrowings. Net assets increased ¥4.0 billion thanks to a number of factors. These included an upswing in shareholders' equity as net income attributable to owners of parent outweighed cash dividend payments. As a result, the equity ratio as of the end of the fiscal year under review was 48.4%, up from 47.0% as of the end of the previous fiscal year.

Net cash provided by operating activities totaled ¥60.5 billion in the fiscal year under review. Net cash used in investing activities was ¥23.1 billion, reflecting such factors as the acquisition of non-current assets. Net cash used in financing activities amounted to ¥30.2 billion. This was largely attributable to the repayment of borrowings. As a result of these activities, cash and cash equivalents at the end of the fiscal year under review totaled ¥104.9 billion, an increase of ¥4.1 billion from the start of the period.

Consolidated Cash Flows (Summary)

(Billions of yen)

Category	Amount
Cash and cash equivalents at beginning of term	100.8
Net cash provided by operating activities	60.5
Net cash used in investing activities	(23.1)
[Investments in fixed assets]	[(32.4)] *
Net cash used in financing activities	(30.2)
Effect of exchange rate changes on cash and cash equivalents	(3.1)
Net change in cash and cash equivalents	4.1
Cash and cash equivalents at end of term	104.9

*Investments in Fixed Assets (Billions of yen)

Category	Amount
Acquisition of property, plant, and equipment	(16.9)
Increase in intangibles	(10.1)
Long-term prepaid expenses	(5.4)

As shown in the table below, the equity ratio was in the 48% range based on book value and the 120% range based on market prices. The debt repayment term (1.4 years) is generally regarded as a safe level.

Cash Flow Indexes

	Fiscal Year Ended March 31, 2012	Fiscal Year Ended March 31, 2013	Fiscal Year Ended March 31, 2014	Fiscal Year Ended March 31, 2015	Fiscal Year Ended Dec. 31, 2015
Equity Ratio (%)	40.3	40.1	42.2	47.0	48.4
Equity Ratio Based on Market Price (%)	78.9	73.8	90.3	103.3	124.8
Debt Repayment Term (Years)	3.5	4.4	1.8	3.3	1.4
Interest Coverage Ratio (Times)	27.3	22.5	47.5	24.2	71.7

Notes:
1. Equity ratio: (Net assets –Subscription rights to shares – Minority interests) / Total assets
   Equity ratio based on market price: Market value of total stock / Total assets
   Debt repayment term: Interest-bearing debt / Operating cash flows
   Interest coverage ratio: Operating cash flows / Payment of interest expenses
2. Each index is calculated based on consolidated financial figures.
3. Market value of total stock is calculated by multiplying the closing stock price at the end of the term by the number of shares outstanding at the end of the term (after deduction of treasury stock).
4. Interest-bearing debt refers to all liabilities listed in Consolidated Balance Sheets that incur interest. For payment of interest expenses, amounts shown in the Consolidated Statements of Cash Flows are used.

(3) Basic Shareholder Return Policy; Cash Dividends

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means, in addition to generating medium- and long-term share price gains. To this end, our fundamental policy is to deploy growth-oriented strategic investments to drive increases in earnings and improvements in capital efficiency, which will lead to medium- and long-term increases in dividends and higher share prices. Our medium-term profit return objective is to achieve a consolidated dividend payout ratio of 40%. To this end, we will maintain dividend payments in a stable and consistent manner. With respect to share buybacks, we will act appropriately while considering free cash flow levels and the market environment.

For the fiscal year ended December 31, 2015, the Company plans to declare a year-end dividend of ¥10.00 per share, as originally planned. Coupled with the ¥10.00 per share interim dividend, this will bring the total annual dividend to ¥20.00 per share. As a result, the consolidated payout ratio for the fiscal year under review will be 34.4%.

In the fiscal year ending December 31, 2016, we plan to pay both interim and fiscal year-end dividends of ¥10.00 per share each, for an annual dividend of ¥20.00 per share, which is the same level as the fiscal year under review.

(4) Business and Other Risks

Business and other risks that could potentially affect the Shiseido Group are described in its most recent Securities Report (filed on June 23, 2015). Since there are no major changes, the “Business and Other Risks” section has been omitted from this report.

(Company Website)
http://www.shiseidogroup.jp/ir/library/syoken/pdf/2014/1503all.pdf (Japanese only)

2. The Shiseido Group

For details about major changes in subsidiaries during the period, please refer to “Basis of Presenting Consolidated Financial Statements” under “5. Consolidated Financial Statements (5) Notes Concerning Consolidated Financial Statements” on page 29.

3. Management Policies

(1) Basic Corporate Policies

Our Mission, Values and Way (MVW) is the Shiseido Group corporate philosophy that every employee of the Shiseido Group shares regardless of their nationality and what affiliate or brand they represent. “Our Mission” defines the Company’s underlying calling, which is “to inspire a life of beauty and culture.” “Our Values” defines the values that must be held and shared by each and every employee of the Shiseido Group aiming to realize Our Mission. And, “Our Way” defines the actions that must be taken and shared by each and every employee of the Shiseido Group aiming to realize “Our Mission.” Guided by this corporate philosophy, we will inspire to a life of beauty and culture with all consumers in this ever-changing world, and realize a sustainable society in which people find happiness through beauty. In these ways, we will deliver sustained improvements in corporate value.

[Our Mission]

We cultivate relationships with people
We appreciate genuine, meaningful values
We inspire a life of beauty and culture.

[Our Values]

In Heritage, Excellence
In Diversity, Strength
In Innovation, Growth

[Our Way]

All members of Shiseido Group pursue
shared and sustainable growth with all stakeholders.

With Consumers
With Business Partners
With Employees
With Shareholders
With Society and the Earth

(2) Medium-and Long-Term Strategies and Targets

[Medium-and Long-Term Strategy VISION 2020]

Underpinned by the Group’s corporate mission of helping people live beautifully, Shiseido put in place the medium-and-long-term strategy, VISION 2020, with a view to building a foundation that will enable the Company to remain vital for the next 100 years. Guided by this strategy, we embarked on various activities from fiscal 2015. As a global beauty company with its roots firmly entrenched in Japan, we are shifting all of our activities toward a consumer-oriented focus in a bid to enhance brand value. At the same time, we are taking steps to strengthen marketing as well as innovation and promoting measures that utilize diverse human resources while putting in place a global organization to support these efforts. Through these means, we are endeavoring to forge a robust foothold in the global market.

In quantitative terms, we have set consolidated operating income of ¥100 billion or more and an ROE of 12% or higher as our targets for fiscal 2020. To achieve these targets, we will strive for consolidated net sales above ¥1 trillion.

As for specific strategies, we have positioned the three years from fiscal 2015 to fiscal 2017 as a period for reconstructing our business foundation. On this basis, we are reinforcing our brands, expanding marketing and R&D investments, reforming our organizational and personnel systems, and strengthening our China, Asia, travel retail and e-commerce businesses while implementing Companywide structural reforms. In addition, we have positioned the subsequent three years from fiscal 2018 to fiscal 2020 as a period for pursuing new strategies aimed at expediting growth. During that time, we will develop and acquire new brands through various methods including M&As, continue to engage in investments while recouping returns, cultivate untapped areas and new businesses, establish a global management system, and reassess/innovate our business model.

[Three-year plan from fiscal 2015 to fiscal 2017]

We have positioned the three years from fiscal 2015 to fiscal 2017 as a period for reconstructing our business foundation. During this period, we will focus on promoting the selection and concentration of brands, expanding investments in marketing as well as R&D with a view to strengthening brands, restoring growth in Japan, and rebuilding business in China. We will also increase investments in the growth travel retail, digital and e-commerce businesses.

In addition, we will concentrate on thoroughly building up a platform that is capable of realizing strong growth. Among a host of initiatives, we will strengthen basic and fundamental research as well as innovation centers, reform our personnel systems in order to reenergize the organization, and put in place a matrix-type organization. Furthermore, we will continue to promote business reforms in a bid to secure the resources necessary to bring these goals to fruition and work to expand Global business profitability.

By the end of this three-year plan, we aim to achieve ¥900 billion or more in consolidated net sales, ¥50-¥60 billion in operating income and an ROE of 9-10%.

(3) Issues to Address

[Rebuild a brand portfolio that is capable of winning worldwide]

Representing the Company’s name, we will concentrate on reinforcing the flagship ***SHISEIDO*** brand as a part of efforts to build a strong brand portfolio focusing on the prestige category. At the same time, we will adhere strictly to a brand selection and concentration approach and expand marketing investments to a cumulative total of more than ¥100 billion over the three-year period to fiscal 2017 while nurturing a large number of strong brands that can win worldwide.

Through these initiatives, we will endeavor to secure a sales composition under which 15 mainstay brands account for 90% of sales in 2020 in Japan.

In addition, we will carefully select brands that continue to meet designated sales and earnings criteria and also consider upgrading and expanding brands through M&As as well as alliances when deemed necessary as a part of efforts to rebuild the brand portfolio.

[The center of excellence concept]

As is the case with skincare in Japan, makeup and digital in the Americas as well as fragrance in Europe, we will take the lead in gathering information, putting forward strategies, developing products and promoting other measures in those advanced areas that have the greatest global impact in each category. Guided by a center of excellence concept, we will make the most of these measures as we pursue global marketing and develop strong brands that excel on the world stage.

In the growth digital and e-commerce markets, in particular, we will establish a base in New York and promote timely as well as interactive communication to hasten new encounters with consumers worldwide including the younger generation.

[Strengthen the innovation function]

With respect to R&D, we will leverage our advanced basic technologies to promote innovative product development while pursuing coordination and integration with our marketing team. While R&D expenses as a ratio to consolidated net sales was 1.8% in fiscal 2014, we will increase this ratio to 2.5% in fiscal 2020. Plans are also in place to increase the number of worldwide research personnel to 1,500 from the current level of around 1,000.

We will also promote localization in the R&D field. To this end, we will expand the scale of our research facilities—in Japan, China, Southeast Asia, Europe and the Americas—while building a system for conducting R&D in various regions based on consumer insights. In these ways, we will improve our ability to develop products reflecting local needs and strengthen links with local marketing activities.

Meanwhile, we will continue positioning Japan as the origin for basic and foundational research, which supports future growth, and we will rigorously reinforce our capabilities in this field. As for new research, we will establish a Global Innovation Center (tentative name) in the Yokohama Minato Mirai 21 District where operations are scheduled to commence from the end of fiscal 2018. By attracting highly diverse R&D personnel and bringing together intelligence from around the world, we will expedite the creation of innovation.

In the area of basic and foundational research, we will strengthen our capabilities in each of the six life science research, material science research, consumer research, beauty equipment, hair regenerative medicine and ICT technology fields. At the same time, we will work diligently to create new value.

[Put in place personnel systems that befit a global company]

In order to realize the medium- and long-term strategy, VISION 2020, we will overhaul all personnel activities. From fiscal 2016, our energies will reinforce efforts aimed at developing individual employee skills. As a part of these efforts, we will endeavor to provide opportunities that allow employees to excel and shine worldwide. As one measure, we will accelerate the pace of global personnel transfers and placements. Through the experiences gained, these initiatives can be expected to help both employees and the Company to grow. As we move forward, we will work diligently to nurture employees who radiate an increased brilliance. At the same time, we will step up investments in training. In specific terms, we will provide external opportunities such as leaders' programs aimed at honing skills as well as the support needed to acquire academic qualifications such as MBAs.

Working to continuously exceed consumers' expectations, we will unleash the latent potential of each individual and focus on nurturing a team that is capable of rising over its own limitation and surpassing rivals.

[Global supply chain strategy]

In order to realize the medium-to-long-term strategy, VISION 2020, Shiseido is looking to build production bases that exhibit unique attributes and further sharpen production capabilities, while putting in place a global perspective supply chain strategy. At the same time, Shiseido is linking these endeavors with its blueprint for Companywide marketing. Taking into consideration a wide range of production-related factors, we are building a flexible structure that is designed to more accurately analyze and determine what products should be manufactured and where. Our goal is to establish an ideal supply chain that is capable of manufacturing products in the right quantities and at the right time while ensuring timely delivery to consumers.

Guided by a center of excellence concept, we are advancing a strategy that draws on the prestige and renowned high quality of products "made in Japan." For skincare cosmetics that are developed and manufactured within our home base, we are looking to actively expand demand not only in the domestic market, but also globally in such countries and regions as China and Asia. In order to support this strategy, we will construct a new Osaka factory as well as the Kansai Integration Center (tentative name) within the same site.

As a mother plant for the production of mainly mid- and high-priced skincare cosmetics and a platform for their global rollout, the new Osaka Factory will manufacture competitive, high-quality products. The Kansai Integration Center (tentative name) will consolidate the product distribution flow that currently extends over several separate functions thereby unifying the procurement of raw materials as well as the storage and shipment of manufactured products. Furthermore, we will utilize robotics that employ the latest distribution technologies in order to facilitate timely, low-cost operations. Through these means, we will put in place an efficient product supply system. Moving forward, we will look to upgrade and expand the new Osaka Factory and the Kansai Integration Center (tentative name) as a logistics hub while striving to increase efficiency and to reinforce our ability to promptly address domestic and overseas consumer and market needs.

[Build a growth foundation; restructure to generate investment resources]

Going forward, we will continue to advance structural reforms that began in fiscal 2014 across all global regions. By fiscal 2017, we will come up with a three-year cumulative total of approximately ¥60 billion to cover the cost of this initiative (the total of basic costs, marketing costs, inventory and supply chain management costs, back office costs and personnel costs/productivity).

The resources derived from these structural reforms will be allocated to various areas including such marketing investments as sales counters at frontline stores as well as product samples, sales promotions and other direct consumer interface initiatives together with R&D and other investments aimed at expediting revenue growth.

[Address social issues and expectations]

In order for Shiseido to remain vital for the next 100 years, it is critical that the communities in which consumers reside as well as the global environment also remain vibrant. In addition to actively resolving a host of issues confronted by society and the environment, we are incorporating social and environmental concerns into every facet of our business activities. In this manner, we are ensuring that our activities continue to evolve and that we are better placed to address consumer needs.

"Environmental responses covering the entire product life cycle" represent a core pillar of our environmental activities. From an environmental perspective, we therefore remain committed to actively developing and adopting refillable products. Moreover, we continue to push forward worldwide initiatives aimed at cutting carbon dioxide emissions. Among various initiatives, we undertook the switch of all palm oil and palm kernel oil used by the Shiseido Group with palm oil certified by the Roundtable on Sustainable Palm Oil (RSPO). We also work diligently to protect biodiversity.

From a social perspective, Shiseido established a safety assurance system based on alternatives to animal experiments and discontinued the use of animal experiments in its cosmetic and quasi-drug development products launched after March 2013 as an animal protection measure. We have also been aggressively and vigorously lobbying relevant public authorities in foreign countries and regions to codify alternatives to animal experiments as validated methods of experiment. Meanwhile, the Company holds a fundamental technology patent in Japan over the Human Cell Line Activation Test (h-CLAT) method, developed as an alternative technique that does not rely on experiments using animals in collaboration with Kao Corporation. Since entering the final phase of consideration for inclusion in the guideline development on safety tests issued by the Organization for Economic Co-operation and Development (OECD), we have continued to offer free of charge our proprietary core technology associated with h-CLAT for use as a skin sensitization test to encourage its application by outside institutions.

Over the years, we have endeavored to cultivate and communicate a strong corporate culture while also supporting the arts. Through these endeavors, we are helping to promote a spiritually rich and affluent society and to reflect the new values that artistic culture provides in our own value creation efforts. Moreover, we encourage active and beautiful lifestyles for people around the world by helping to advance a feeling of excitement and partnership globally.

As a signatory to the Women’s Empowerment Principles (WEPs), a set of international guidelines, Shiseido regards playing a leading role in elevating the social status of women and supporting their advancement as an important part of its mission. As one example, we engage in research support activities targeting women specializing in the natural science field. Our goal is to help nurture female researchers, who will take leading roles in shaping the next generation. Aspiring to help people live beautiful lives, we have continued to assist a great many women in realizing their quest for beauty. Looking ahead, we will work hand-in-hand with women as they search for a beautiful lifestyle as a life-long partner.

4. Basic Approach to the Selection of Accounting Standards

The Shiseido Group applies Japanese accounting standards. We believe that financial statements based on Japanese accounting standards provide appropriate disclosure of the Group’s business results, financial position and cash flow status.

With respect to applying International Financial Reporting Standards (IFRS), we are currently undertaking an assessment while monitoring convergence with Japanese standards, revisions of IFRS itself, and the impact of changes in standards as well as the responses to such changes on our operations.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As at March 31, 2015	As at December 31, 2015
ASSETS		
Current Assets:		
Cash and Time Deposits	103,603	116,771
Notes and Accounts Receivable	131,951	127,201
Short-Term Investments in Securities	18,266	7,685
Inventories	106,696	105,928
Deferred Tax Assets	32,240	28,242
Other Current Assets	24,046	26,608
Less: Allowance for Doubtful Accounts	(1,733)	(1,765)
Total Current Assets	415,069	410,673
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and Structures	163,777	162,630
Less: Accumulated Depreciation	(101,389)	(103,837)
Buildings and Structures, Net	62,388	58,793
Machinery, Equipment and Vehicles	86,840	86,981
Less: Accumulated Depreciation	(72,784)	(73,076)
Machinery, Equipment and Vehicles, Net	14,056	13,905
Tools, Furniture and Fixtures	79,683	77,869
Less: Accumulated Depreciation	(54,892)	(55,758)
Tools, Furniture and Fixtures, Net	24,790	22,110
Land	30,256	29,989
Leased Assets	6,678	7,373
Less: Accumulated Depreciation	(2,935)	(3,734)
Leased Assets, Net	3,743	3,639
Construction in Progress	1,752	5,843
Total Property, Plant and Equipment	136,986	134,281
Intangible Assets:		
Goodwill	64,453	59,430
Leased Assets	635	513
Trademarks	58,005	60,087
Other Intangible Assets	44,027	41,372
Total Intangible Assets	167,121	161,403
Investments and Other Assets:		
Investments in Securities	29,234	27,434
Long-Term Loans Receivable	—	396
Long-Term Prepaid Expenses	12,842	12,692
Deferred Tax Assets	37,960	36,833
Other Investments	24,483	24,877
Less: Allowance for Doubtful Accounts	(62)	(46)
Total Investments and Other Assets	104,458	102,187
Total Fixed Assets	408,567	397,873
Total Assets	823,636	808,547

(Millions of yen)

	As at March 31, 2015	As at December 31, 2015
LIABILITIES		
Current Liabilities:		
Notes and Accounts Payable	34,460	33,102
Electronically Recorded Obligations - Operating	25,980	29,213
Short-Term Debt	27,187	7,167
Commercial Papers	602	4,218
Current Portion of Bonds Payable	40,000	—
Current Portion of Long-Term Debt	5,952	5,739
Lease Obligations	1,873	1,870
Other Payables	35,329	37,090
Accrued Income Taxes	16,210	4,661
Reserve for Sales Returns	15,101	14,799
Accrued Bonuses for Employees	17,012	18,480
Accrued Bonuses for Directors	182	55
Provision for Liabilities and Charges	649	1,192
Provision for Structural Reforms	10	—
Deferred Tax Liabilities	39	16
Other Current Liabilities	44,788	49,176
Total Current Liabilities	265,381	206,784
Long-Term Liabilities:		
Bonds	—	30,000
Long-Term Debt	28,831	35,432
Lease Obligations	2,450	2,184
Liability for Retirement Benefits	77,704	83,656
Allowance for Losses on Guarantees	350	350
Allowance for Environmental Measures	395	377
Provision for Structural Reforms	1,005	990
Deferred Tax Liabilities	33,198	31,270
Other Long-Term Liabilities	4,949	4,165
Total Long-Term Liabilities	148,885	188,428
Total Liabilities	414,267	395,212
NET ASSETS		
Shareholders' Equity:		
Common Stock	64,506	64,506
Capital Surplus	70,258	70,258
Retained Earnings	218,757	233,933
Treasury Stock	(2,214)	(1,700)
Total Shareholders' Equity	351,308	366,999
Accumulated Other Comprehensive Income:		
Unrealized Gains on Available-for-Sale Securities	6,443	8,144
Foreign Currency Translation Adjustments	48,544	40,374
Accumulated Adjustments for Retirement Benefits	(19,435)	(23,854)
Total Accumulated Other Comprehensive Income	35,552	24,664
Stock Acquisition Rights	1,043	863
Non-Controlling Interests	21,465	20,806
Total Net Assets	409,369	413,334
Total Liabilities and Net Assets	823,636	808,547

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Fiscal Year Ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Net Sales	777,687	763,058
Cost of Sales	196,433	196,009
Gross Profit	581,254	567,048
Selling, General and Administrative Expenses	553,640	529,388
Operating Income	27,613	37,660
Other Income		
Interest Income	1,194	1,172
Dividend Income	565	559
Equity in Earnings of Affiliates	212	149
Rental Income	1,006	669
Subsidy Income	874	730
Other	1,085	819
Total Other Income	4,938	4,100
Other Expenses		
Interest Expense	1,207	809
Foreign Exchange Loss	657	1,790
Other	1,447	1,571
Total Other Expenses	3,312	4,172
Ordinary Income	29,239	37,588
Extraordinary Income		
Gain on Transfer of Business	22,268	5,772
Gain on Sales of Property, Plant and Equipment	4,422	696
Gain on Sales of Investments in Securities	233	2,426
Total Extraordinary Income	26,923	8,894
Extraordinary Losses		
Impairment Loss	2,531	153
Structural Reform Expenses	3,273	1,485
Loss on Liquidation of Subsidiaries and Affiliates	125	812
Loss on Disposal of Property, Plant and Equipment	1,164	1,132
Loss on Sales of Investments in Securities	29	0
Loss on Valuation of Investments in Securities	0	6
Total Extraordinary Losses	7,125	3,590
Income before Income Taxes	49,038	42,892
Income Taxes – Current	20,230	15,267
Income Taxes –Deferred	(7,419)	2,024
Total Income Taxes	12,811	17,292
Net Income	36,227	25,600
Net Income Attributable to Non-Controlling Interests	2,558	2,389
Net Income Attributable to Owners of Parent	33,668	23,210

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Fiscal Year Ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Net Income	36,227	25,600
Other Comprehensive Income		
Unrealized Gains on Available-for-Sale Securities	2,842	1,690
Foreign Currency Translation Adjustments	30,822	(9,173)
Adjustment for Retirement Benefits	773	(4,468)
Share of Other Comprehensive Income of Entities Accounted for Under the Equity Method	2	(55)
Total Other Comprehensive Income (Loss)	34,441	(12,005)
Comprehensive Income	70,668	13,594
(Breakdown)		
Comprehensive Income Attributable to Owners of Parent	66,193	12,323
Comprehensive Income Attributable to Non-Controlling Interests	4,474	1,271

(3) Consolidated Statements of Changes in Net Assets
(Fiscal Year Ended March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance at Beginning of Year	64,506	70,258	203,452	(2,682)	335,535
Effect of Changes in Accounting Policies (Cumulative)			(10,303)		(10,303)
Balance at Beginning of Year Reflecting Changes in Accounting Policies	64,506	70,258	193,149	(2,682)	325,231
Changes during Year					
Dividend from Retained Earnings			(7,972)		(7,972)
Net income Attributable to Owners of Parent			33,668		33,668
Acquisition of Treasury Stock				(6)	(6)
Disposal of Treasury Stock			(93)	474	381
Change in Scope of Consolidation			139		139
Non-Controlling Interests, Capital Transactions, Others			(133)		(133)
Net Changes of Items Other Than Shareholders' Equity					
Total Changes during Year	—	—	25,608	468	26,076
Balance at End of Year	64,506	70,258	218,757	(2,214)	351,308

	Accumulated Other Comprehensive Income				Stock Acquisition Rights	Non-controlling Interests	Total net assets
	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Accumulated Adjustment for Retirement Benefits	Total Accumulated Other Comprehensive Income			
Balance at Beginning of Year	3,544	19,690	(20,207)	3,026	941	19,204	358,707
Effect of Changes in Accounting Policies (Cumulative)						(2)	(10,306)
Balance at Beginning of Year Reflecting Changes in Accounting Policies	3,544	19,690	(20,207)	3,026	941	19,201	348,401
Changes during Year							
Dividend from Retained Earnings							(7,972)
Net income Attributable to Owners of Parent							33,668
Acquisition of Treasury Stock							(6)
Disposal of Treasury Stock							381
Change in Scope of Consolidation							139
Non-controlling Interests, Capital Transactions, Others							(133)
Net Changes of Items Other Than Shareholders' Equity	2,899	28,854	771	32,525	102	2,263	34,891
Total Changes during Year	2,899	28,854	771	32,525	102	2,263	60,967
Balance at End of Year	6,443	48,544	(19,435)	35,552	1,043	21,465	409,369

(Fiscal Year Ended December 31, 2015)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance at Beginning of Year	64,506	70,258	218,757	(2,214)	351,308
Effect of Changes in Accounting Policies (Cumulative)					—
Balance at Beginning of Year Reflecting Changes in Accounting Policies	64,506	70,258	218,757	(2,214)	351,308
Changes during Year					
Dividend from Retained Earnings			(7,979)		(7,979)
Net income Attributable to Owners of Parent			23,210		23,210
Acquisition of Treasury Stock				(10)	(10)
Disposal of Treasury Stock		0		524	525
Change in Scope of Consolidation					—
Non-Controlling Interests, Capital Transactions, Others			(55)		(55)
Net Changes of Items Other Than Shareholders' Equity					
Total Changes during Year	—	0	15,176	514	15,691
Balance at End of Year	64,506	70,258	233,933	(1,700)	366,999

	Accumulated Other Comprehensive Income				Stock Acquisition Rights	Non-controlling Interests	Total net assets
	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Accumulated Adjustment for Retirement Benefits	Total Accumulated Other Comprehensive Income			
Balance at Beginning of Year	6,443	48,544	(19,435)	35,552	1,043	21,465	409,369
Effect of Changes in Accounting Policies (Cumulative)							—
Balance at Beginning of Year Reflecting Changes in Accounting Policies	6,443	48,544	(19,435)	35,552	1,043	21,465	409,369
Changes during Year							
Dividend from Retained Earnings							(7,979)
Net income Attributable to Owners of Parent							23,210
Acquisition of Treasury Stock							(10)
Disposal of Treasury Stock							525
Change in Scope of Consolidation							—
Non-Controlling Interests, Capital Transactions, Others							(55)
Net Changes of Items Other Than Shareholders' Equity	1,701	(8,170)	(4,418)	(10,887)	(180)	(658)	(11,726)
Total Changes during Year	1,701	(8,170)	(4,418)	(10,887)	(180)	(658)	3,965
Balance at End of Year	8,144	40,374	(23,854)	24,664	863	20,806	413,334

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Fiscal Year Ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Cash Flows from Operating Activities:		
Income before Income Taxes	49,038	42,892
Depreciation	33,353	31,761
Amortization of Goodwill	4,726	5,172
Impairment Loss	2,531	153
(Gain) Loss on Disposal of Property, Plant and Equipment	(3,257)	436
(Gain) Loss on Sales of Investments in Securities	(203)	(2,426)
(Gain) Loss on Revaluation of Investments in Securities	0	6
Gain on Transfer of Business	(22,268)	(5,772)
Loss on Liquidation of Subsidiaries and Affiliates	—	812
Increase (Decrease) in Allowance for Doubtful Accounts	260	620
Increase (Decrease) in Reserve for Sales Returns	3,490	(396)
Increase (Decrease) in Accrued Bonuses for Employees	(1,568)	1,845
Increase (Decrease) in Accrued Bonuses for Directors	(107)	(127)
Increase (Decrease) in Provision for Liabilities and Charges	219	621
Increase (Decrease) in Provision for Structural Reforms	(168)	(25)
Increase (Decrease) in Liability for Retirement Benefits	2,086	1,562
Increase (Decrease) in Allowance for Environmental Measures	—	(18)
Interest and Dividend Income	(1,759)	(1,731)
Interest Expense	1,207	809
Equity in (Earnings) Losses of Affiliates	(212)	(149)
(Increase) Decrease in Notes and Accounts Receivable	11,173	(1,745)
(Increase) Decrease in Inventories	(11,625)	(2,846)
Increase (Decrease) in Notes and Accounts Payable	(8,586)	7,405
Other	(1,882)	5,721
Subtotal	56,446	84,579
Interest and Dividends Received	1,709	1,728
Interest Paid	(1,328)	(843)
Income Tax Paid	(24,693)	(24,935)
Net Cash Provided by Operating Activities	32,134	60,529

(Millions of yen)

	Fiscal Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Fiscal Year Ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Cash Flows from Investing Activities:		
Transfers to Time Deposits	(17,777)	(18,312)
Proceeds from Maturity of Time Deposits	17,412	17,915
Acquisition of Short-Term Investments in Securities	—	(89)
Proceeds from Sales of Short-Term Investments in Securities	1,300	14
Acquisition of Investments in Securities	(296)	(1,051)
Proceeds from Sales of Investment Securities	1,842	6,762
Proceeds from Transfer of Business	29,823	4,233
Acquisition of Property, Plant and Equipment	(15,610)	(16,941)
Proceeds from Sales of Property, Plant and Equipment	5,577	829
Acquisition of Intangible Assets	(5,225)	(10,055)
Payments of Long-Term Prepaid Expenses	(5,938)	(5,373)
Payments for Long-Term Loans Receivable	—	(140)
Acquisition of Shares in Subsidiaries Resulting in Change in Scope of Consolidation	—	(221)
Sales of Shares in Subsidiaries Resulting in Change in Scope of Consolidation	—	(141)
Other	429	(566)
Net Cash Provided by (Used in) Investing Activities	11,538	(23,137)
Cash Flows from Financing Activities:		
Net Increase (Decrease) in Short-Term Debt	23,039	(15,600)
Proceeds from Long-Term Debt	—	35,001
Repayment of Long-Term Debt	(20,917)	(28,599)
Proceeds from Issuance of Bonds	—	30,000
Redemption of Bonds	(50,000)	(40,000)
Repayment of Lease Obligations	(2,012)	(1,686)
Acquisition of Treasury Stock	(6)	(10)
Disposal of Treasury Stock	381	525
Cash Dividends Paid	(7,988)	(7,711)
Cash Dividends Paid to Non-Controlling Interests	(914)	(2,071)
Net Cash Used in Financing Activities	(58,419)	(30,151)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	4,818	(3,121)
Net Change in Cash and Cash Equivalents (Decrease)	(9,927)	4,118
Cash and Cash Equivalents at Beginning of Term	110,163	100,807
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiary	571	—
Cash and Cash Equivalents at End of Term	100,807	104,926

(5) Notes Concerning Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable.

(Basis of Presenting Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 91

Apart from the change described below, principal subsidiaries are listed in the Group's most recent Securities Report (submitted June 23, 2015). Since there are no other major changes, the list is omitted from this report. Please refer to the following website for the list of principal subsidiaries.
http://www.shiseidogroup.jp/ir/library/syoken/pdf/2014/1503all.pdf (Japanese only)

[Additions: 3 companies]

Three companies—PT Shiseido Professional Indonesia, Shiseido Asia Pacific Pte. Ltd. and JOICO Belgium NV—were established and commenced operations during the period and thus have been included in the scope of consolidation in the fiscal year under review.

[Exclusions: 4 companies]

Shares held in Ayura Laboratories Inc., Shiseido Hellas S.A. and SHISEIDO Kozmetic Anonim Sirketi were sold during the period. Accordingly, these companies were excluded from the scope of consolidation in the fiscal year under review.
Shiseido Beauty Foods Co., Ltd. was liquidated during the period. Accordingly, these companies were excluded from the scope of consolidation in the fiscal year under review.

(2) Nonconsolidated subsidiary

Major Company Name: Beauté Prestige International Ltd. (UK)

(Reasons for excluding nonconsolidated subsidiary from the scope of consolidation)

Since the company is small in scale or does not engage in full-scale operations, its combined assets, net sales, net income (the Company's interest share) and retained earnings (the Company's interest share) have a minimal effect on the Company's consolidated financial statements, and it is insignificant in general, it is not included in the scope of consolidation.

2. Matters Concerning Application of the Equity Method

(1) Number of affiliated companies accounted for by the equity method: 4

Major Company Name: Pierre Fabre Japon Co., Ltd.

(2) Nonconsolidated subsidiaries that are not accounted for by the equity method

Since nonconsolidated subsidiaries that are not accounted for by the equity method including Beauté Prestige International Ltd. (UK) are small in scale and do not engage in full-scale operations, and net income (the Company's interest share) and retained earnings (the Company's interest share) have a minimal effect on the Company's consolidated financial statements, and are insignificant in general, these companies are excluded from the scope of equity method application.

3. Matters Concerning the Change in Consolidated Account Settlement Date

Effective from the fiscal year under review, Shiseido and its consolidated subsidiaries in Japan excluding Tai Shi Trading Co., Ltd. , Bare Escentuals, KK. and Selan Anonymous Association changed their account settlements dates from March 31 to December 31. As a result, the consolidated account settlement date was simultaneously amended from March 31 to December 31. Taking each of the aforementioned factors into consideration, steps have been taken to match the account settlement dates of the Company and all of its consolidated subsidiaries with the consolidated account settlement date. Moreover, by effecting this change and matching the account settlement dates of all consolidated subsidiaries, positive measures have been implemented to promote the management of a unified group and to enhance the transparency and quality of management through timely and pertinent disclosure of operating results and other important information.

Following this changes in account settlement date, the term of the fiscal year under review is the nine months from April 2015 to December 31, 2015.

4. Matters Concerning the Business Term and Other Items of Consolidated Subsidiaries

The accounts settlement dates of consolidated subsidiaries matches the consolidated account settlement date.

(Changes in Accounting Policies)

The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Accounting Standard for Business Divestures” (ASBJ Statement No. 7, September 13, 2013) effective from the fiscal year under review, causing differences resulting from changes in the Company’s ownership of subsidiaries of which ownership continues to be recorded in capital surplus and changing the method of recording acquisition-related expenses in the fiscal year in which such expenses are incurred. Also, for corporate combinations occurring after the beginning of the fiscal year under review, the allocation of acquisition costs determined under provisional accounting treatment has been revised, reflecting such costs in the consolidated financial statements for the consolidated financial period to which the business combination date belongs. Furthermore, the presentation of net income has been changed, and the presentation of minority interests has been changed to non-controlling interests. The consolidated financial statements for the previous fiscal year have been revised to reflect these changes in presentation.

On the consolidated statements of cash flow for the fiscal year under review, cash flows related to the acquisition and divesture of shares in subsidiaries unaccompanied by changes in the scope of consolidation are now recorded under cash flows from financing activities. Cash flows related to the acquisition cost of shares in subsidiaries accompanied by changes in the scope of consolidation, and cash flows related to costs for the acquisition and divesture of shares in subsidiaries unaccompanied by changes in the scope of consolidation are now recorded under cash flows from operating activities.

With regard to application of the Accounting Standard for Business Combinations, etc., as Clause 58-2 (4) of the Accounting Standard for Business Combinations, Clause 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Clause 57-4 (4) of the Accounting Standard for Business Divestures stipulate transitional treatment, these standards have been applied from the beginning of the fiscal year under review.

These adoptions had no impact on the consolidated financial statements for the fiscal year under review.

(Consolidated Statements of Income)

<u>Business Transfer Income</u>

Fiscal year under review (April 1, 2015–December 31, 2015)

In addition to such items as compensation for early license agreement termination and the extraordinary bonus that arose in connection with the transfer of ***Jean Paul GAULTIER*** fragrance intellectual property rights, business transfer income comprised income from the transfer of Ayura Laboratories Inc. and subsidiary SHISEIDO Kozmetic Anonim Sirketi.

Impairment Losses
Fiscal year under review (April 1, 2015–December 31, 2015)
The Company incurred impairment losses on overseas non-current assets.

Use	Type	Location
Business-use assets	Buildings and structures, etc.	United States
Unutilized assets	Other intangible fixed assets, etc.	China, etc.

The Shiseido Group pools its business-use assets according to the minimum independent cash-flow-generating unit, based on business classification. Unutilized assets are pooled according to individual property.

As a result, and among business-use assets, the book values of assets were written-down to their recoverable value, resulting in an extraordinary loss of ¥62 million. The recoverable amount is estimated based on the expected selling price after calculating net sale value.

With respect to underutilized assets, Group assets that are no longer expected to be used in the future have been written-down to their recoverable value, resulting in a ¥90 million extraordinary loss. The recoverable amount is estimated based on the expected selling price after calculating net sale value.

Structural Reform Expenses
Fiscal year under review (April 1, 2015–December 31, 2015)
Structural reform expenses refer to retirement premiums paid to early retirees and other expenses included in temporary expenses attributable to structural reforms in progress worldwide.

Loss on Liquidation of Subsidiary
Fiscal year under review (April 1, 2015–December 31, 2015)
The Company reported losses on the transfer of a subsidiary in Greece and the liquidation of a subsidiary in India.

(Segment Information)

1. Overview of Reportable Segments

With respect to its reportable segments, the Company is able to obtain delineated financial data from among its structural units. Accordingly, its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance by the Board of Directors. The Company's main business is the production and sale of cosmetics. Under a business structure classified according to domestic and global regions, various business departments in the head office formulate comprehensive strategies and promote business activities. Consequently, the Company has classified its operations into two segments along geographical lines: Japan Business and Global Business.

The Japan Business segment includes the domestic cosmetics business (production and sale of cosmetics, cosmetic accessories, and toiletries) and the healthcare business (production and sale of health & beauty foods and over-the-counter drugs).

The Global Business segment covers the overseas cosmetics business (production and sale of cosmetics, cosmetic accessories, and toiletries) and the domestic and overseas professional business (production and sale of beauty salon products).

2. Method of Computing Sales, Income/Loss, Assets, Liabilities, and Other Items by Reportable Segment

The accounting treatment method for the Group's reported business segments is generally the same as described in the Company's most recent Securities Report (filed on June 23, 2015) and "Basis of Presenting Consolidated Financial Statements." Also, segment income is based on operating income. The prices of inter-segment transactions and transfers are determined by price negotiations based on the Company's submission of preferred prices after taking market conditions into account.

3. Sales, Income (Loss), Assets, and Other Items by Reportable Segment

Fiscal Year Ended March 31, 2015 (April 1, 2014–March 31, 2015)

(Millions of yen)

	Japan Business	Global Business	Others (Note 1)	Subtotal	Adjustment (Note 2)	Total Shown in Consolidated Financial Statements (Note 3)
Net Sales						
Sales to Outside Customers	332,218	427,899	17,568	777,687	—	777,687
Intersegment Sales or Transfers	9,033	2,991	13,917	25,941	(25,941)	—
Total	341,251	430,891	31,485	803,628	(25,941)	777,687
Segment Income (Loss)	29,214	(5,315)	3,754	27,653	(40)	27,613
Segment Assets	201,177	514,274	48,523	763,976	59,660	823,636
Other Items						
Depreciation and Amortization	11,125	21,020	1,205	33,351	2	33,353
Amortization of Goodwill	141	4,584	—	4,726	—	4,726
Increase in Tangible and Intangible Fixed Assets	13,905	15,295	1,456	30,657	(55)	30,602

Notes: 1. "Others" includes businesses not included in the reportable segments. These include certain cosmetics sales subsidiaries, the frontier science business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment, etc.) and the restaurant business.

2. Below is a description of adjustments.

(1) The "Segment Income (Loss)" adjustment refers to intersegment transaction eliminations amounting to a negative ¥40 million.

(2) The "Segment Assets" adjustment includes intersegment eliminations amounting to negative ¥3,251 million and Companywide assets (not allocated to specific segments) totaling ¥62,912 million. Companywide assets consist mainly of assets not belonging to specific segments (cash and time deposits, short-term investments in securities, investments in securities, etc.) and assets related to administrative operations.

(3) The "Depreciation and Amortization" adjustment refers to depreciation expenses related to Companywide assets and intersegment eliminations.

(4) The amount of "Property, Plant and Equipment" and "Intangible Assets" adjustment increase refers to intersegment transaction eliminations of negative ¥55 million.

Long-term prepaid expenses are included in "Depreciation and Amortization" and "Increase in Tangible and Intangible Fixed Assets."

3. "Segment Income (Loss)" is adjusted for Operating Income described in the Consolidated Statements of Income.

Fiscal Year Ended December 31, 2015 (April 1–December 31, 2015)

(Millions of yen)

	Japan Business	Global Business	Others (Note 1)	Subtotal	Adjustment (Note 2)	Total Shown in Consolidated Quarterly Financial Statements (Note 3)
Net Sales						
Sales to Outside Customers	266,773	478,803	17,481	763,058	—	763,058
Intersegment Sales or Transfers	8,068	2,566	10,623	21,258	(21,258)	—
Total	274,841	481,370	28,104	784,317	(21,258)	763,058
Segment Income	30,534	2,112	4,921	37,568	91	37,660
Segment Assets	202,779	498,842	49,034	750,656	57,890	808,547
Other Items						
Depreciation and Amortization	9,139	21,413	1,195	31,747	13	31,761
Amortization of Goodwill	106	5,065	—	5,172	—	5,172
Increase in Tangible and Intangible Fixed Assets	13,028	20,316	539	33,884	—	33,884

Notes: 1. “Others” includes businesses not included in the reportable segments. These include certain cosmetics sales subsidiaries, the frontier science business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment, etc.) and the restaurant business.

2. Below is a description of adjustments.

(1) The “Segment Income” adjustment refers to intersegment transaction eliminations amounting to ¥91 million.

(2) The “Segment Assets” adjustment includes intersegment eliminations amounting to negative ¥3,192 million and Companywide assets (not allocated to specific segments) totaling ¥61,082 million. Companywide assets consist mainly of assets not belonging to specific segments (cash and time deposits, short-term investments in securities, investments in securities, etc.) and assets related to administrative operations.

(3) The “Depreciation and Amortization” adjustment refers to depreciation expenses related to Companywide assets and intersegment eliminations.

Long-term prepaid expenses are included in “Depreciation and Amortization” and “Increase in Tangible and Intangible Fixed Assets.”

3. “Segment Income” is adjusted for Operating Income described in the Consolidated Statements of Income.

4. Items related to Changes in Reportable Segments

(Changes in the Method of Classifying Reportable Segments)

In line with an internal Group reorganization, the former Domestic Cosmetics Business segment has been revised to the Japan Business segment, and reportable segment classifications have been changed accordingly effective from the fiscal year under review.

Segment information for the previous fiscal year has been retroactively adjusted to the post-revision classification method.

(Changes in the Method of Measuring Profits or Losses of Reportable Segments)

In addition, from the fiscal year under review, the method of allocating certain expenses has been revised to allow individual segment operating performance to be determined more accurately.

Segment information for the previous fiscal year has been retroactively adjusted to the post-revision measurement method.

As a result, segment income for the previous fiscal year under review, was up ¥628 million in the Japan Business segment and down ¥628 million in the Global Business segment. In the fiscal year under review, these changes had the effect of increasing income by ¥665 million in the Japan Business segment and reducing income by ¥665 million in the Global Business segment.

(Per-Share Data)

(Yen)

Fiscal Year Ended March 31, 2015 (April 1, 2014–March 31, 2015)		Fiscal Year Ended December 31, 2015 (April 1, 2015–December 31, 2015)	
Net assets per share	970.00	Net assets per share	981.37
Net income per share	84.44	Net income per share	58.17
Net income per share (fully diluted)	84.30	Net income per share (fully diluted)	58.08

Notes: 1. The basis for calculating net assets per share is shown below.

	As at March 31, 2015	As at December 31, 2015
Total net assets (¥ millions)	409,369	413,334
Amount deducted from total net assets (¥ millions)	22,508	21,670
[Stock acquisition rights (¥ millions)]	(1,043)	(863)
[Non-controlling interests (¥ millions)]	(21,465)	(20,806)
Net assets at term-end related to common stock (¥ millions)	386,860	391,664
Common stock at term-end used to calculate net assets per share (1,000 shares)	398,826	399,100

2. The basis for calculating net income/(loss) per share and fully diluted net income per share is shown below.

	Fiscal Year Ended March 31, 2015 (April 1, 2014–March 31, 2015)	Fiscal Year Ended December 31, 2015 (April 1, 2015–December 31, 2015)
Net income/(loss) per share		
Net income attributable to owners of parent (¥ millions)	33,668	23,210
Amount not belonging to common stockholders (¥ millions)	—	—
Net income attributable to owners of parent related to common stock (¥ millions)	33,668	23,210
Average shares outstanding (1,000 shares)	398,704	399,026
Net income per share (fully diluted)		
Net income attributable to owners of parent adjustment (¥ millions)	—	—
Increase in common stock (1,000 shares)	691	629
(Stock options made available through new share subscription rights) (1,000 shares)	(691)	(629)
Latent shares not included in fully diluted net income per share calculation due to lack of dilution effect.	Stock options made available through new share subscription rights (300 stock acquisition rights): 300 thousand shares of common stock	—

(Important Subsequent Event)

Transfer of significant assets

On April 9, 2015, BEAUTÉ PRESTIGE INTERNATIONAL S.A. (BPI), a subsidiary of the Company (Shiseido Company, Limited) entered into an agreement (the Agreement) with PUIG, S.L. (Puig) to transfer IP rights of ***Jean Paul GAULTIER*** (JPG) regarding fragrance products and other related activities, which BPI has been managing. The transfer was completed on January 4, 2016.

1. Reason for the transfer

   BPI has developed and distributed JPG fragrance products since 1991 under a license agreement (the License Agreement) for Class 3 products (cosmetics category) according to International Trademark Classification, the term of which is June 2016.

   Puig became the majority shareholder of the fashion house ***Jean Paul GAULTIER*** in 2011 and wanted to develop and sell JPG fragrances on its own. Accordingly, BPI and Puig entered into the Agreement regarding the transfer of IP rights to JPG fragrances.

2. Name of counterparty to the Agreement

   PUIG, S.L.

3. Summary of properties and assets to be transferred

   IP rights (trademarks, design rights, and copyrights) related to JPG fragrances and shares of Noms de Code S.A.S., which holds some of these IP rights, held by BPI and the Company.

4. Overview of the Agreement

   Agreements to transfer the properties and assets above and an early termination agreement of the License Agreement

5. Closing date

   January 4, 2016

6. Transfer price

   IP rights and shares of Noms de Code S.A.S.: €69,500,000

   Extra bonus, with payment conditional upon JPG fragrance's business results in fiscal 2015: Maximum of €20,000,000

7. Effect of the transfer on the Company's financial position, business results, and cash flows

   Plans are in place to post a gain on sales attributable to the transfer of IP rights in the fiscal year ending December 31, 2016. Steps are currently being taken to calculate the impact on consolidated financial statements. Meanwhile, an amount representing compensation for early termination of the License Agreement and a portion of the extraordinary bonus identified in 6. Transfer price above of ¥4,602 million has been posted as Gain on Transfer of Business in the fiscal year ended December 31, 2015.

Change in business segment classification

Effective from the fiscal year ending December 31, 2016, the Company has decided to revise the business segment classification for its reportable segments in line with changes to its organizational system. Under this change, the Company's reportable "Japan Business" and "Global Business segments have been reclassified into the reportable "Japan Business," "China Business," "Asia Pacific Business," "Americas Business," "EMEA Business" and "Travel Retail Business" segments effective from the fiscal year ending December 31, 2016.

Meanwhile, steps are currently being taken to calculate the amounts of net sales, segment income (loss), segment assets, segment liabilities and other items by reportable segment for the fiscal year under review after this change in reportable segment classification.

6. Other

(1) Top Management Changes

[Directors]
Change in Representative Director
(Effective January 1, 2016)

Name	Former Title	New Title
Tsunehiko Iwai	Director Corporate Executive Officer	Representative Director Executive Vice President

New Candidate
(To be appointed at the 116th Ordinary General Meeting of Shareholders scheduled in late March 2016)

Title	Name
External Director	Kanoko Oishi

[Corporate Officers]
Promotion
(Effective January 1, 2016]

Title	Name	Main Responsibilities or Positions
Executive Vice President	Tsunehiko Iwai	Chief Technology and Innovation Officer, Chief Technical Strategy Officer, Chief Quality Officer [Responsible for Research and Development, Supply Chain, Technical Strategy, Regulatory Strategy, Quality Management, Frontier Science Business, Legal and Governance, Compliance, Sustainability Strategy]

New Appointments
(Effective January 1, 2016]

Title	Name	Main Responsibilities or Positions
Corporate Officer	Kentaro Fujiwara	Chairman and President, Shiseido China Co., Ltd.
Corporate Officer	Katharina Höhne	Senior Vice President, Global Professional Business
Corporate Officer	Mitsuru Kameyama	Chief Information Officer, Department Director, Global Information and Communication Technology Department
Corporate Officer	Yasushi Kushida	Chief Supply Chain Officer Chairman, Shanghai Zotos Citic Cosmetics Co., Ltd.
Corporate Officer	Yoshihiro Shiojima	Chief Legal and Governance Officer [Responsible for Compliance, Sustainability Strategy]

Retired

(Effective December 31, 2015)

Title	Name	Main Responsibilities or Positions
Corporate Executive Officer	Ralph Ahrbeck	Responsible for Corporate Strategy Chairman, Shiseido Liyuan Cosmetics Co., Ltd. Chairman, Shanghai Zotos Citic Cosmetics Co., Ltd.

Corporate Executive Officer	Chikako Sekine	Chief Beauty Officer [Responsible for the area of Beauty (Global & Japan), Beauty Creation, and Consumer Information]
Corporate Officer	Kiyoshi Ishimoto	Chief Supply Chain Officer [Responsible for Production, Purchasing, and Logistics]
Corporate Officer	Norio Iwasaki	[Responsible for Personal Care Brands, Japan Business] Senior Vice President, Personal Care Brands, Shiseido Japan Co., Ltd. President, FT Shiseido Co., Ltd.
Corporate Officer	Naoki Murakami	[Responsible for Prestige Brands, Japan Business] Senior Vice President, Prestige Brands, Shiseido Japan Co., Ltd. President and Representative Director, Shiseido International Inc.
Corporate Officer	Kazuhisa Shibata	Chief Administration Officer [Responsible for General Affairs, Legal Affairs, Executive Affairs, CSR, and Environment]
Corporate Officer	Shigeru Takano	Assisting Chief Global Business Officer, Global Business Division

Note: Norio Iwasaki, Naoki Murakami, Kazuhisa Shibata and Shigeru Takano were appointed corporate officers of Shiseido Japan Co., Ltd. effective January 1, 2016.

[Reference] Top Management Structure after closing of the 116th Ordinary General Meeting of Shareholders scheduled in late March 2016 (plan)

[Directors]

Title	Name	Main Responsibilities or Positions
Representative Director President and CEO	Masahiko Uotani	Chairman of the Board of Directors [Responsible for Corporate Strategy, Corporate Communications, Internal Audit, Global Cosmetics and Personal Care Brands]
Representative Director Executive Vice President	Tsunehiko Iwai	Chief Technology Officer, Chief Technical Strategy Officer, Chief Quality Officer [Responsible for Research and Development, Supply Chain, Technical Strategy, Regulatory Strategy, Quality Management, Frontier Science Business, Legal and Governance, Compliance, Sustainability Strategy]
Representative Director Corporate Executive Officer	Toru Sakai	President and CEO, Shiseido Japan Co., Ltd. [Responsible for Japan Region]
External Director (Independent)	Yoko Ishikura	Director, Independent Officer, Nissin Food Holdings Co., Ltd. Outside Director, Lifenet Insurance Company Outside Director, Sojitz Corporation Professor Emeritus, Hitotsubashi University
External Director (Independent)	Shoichiro Iwata	President & CEO, ASKUL Corporation Outside Director, Minnano Wedding Co., Ltd.
External Director (Independent)	Kanoko Oishi	CEO, Mediva Inc. CEO, Seeds 1 Co., Ltd. Outside Director, Ezaki Glico Co., Ltd. External Board Member, Santen Pharmaceutical Co., Ltd. External Director, Suruga Bank Ltd.
External Director (Independent)	Tatsuo Uemura	Professor, School of Law, Waseda University

Notes: 1. Representative directors are scheduled to be decided at the Board of Directors meeting held following the 116th Ordinary General Meeting of Shareholders.

2. Independent: Yoko Ishikura, Shoichiro Iwata and Tatsuo Uemura are designated as independent directors under Article 436-2 of the Securities Regulations of the Tokyo Stock Exchange, and are expected to be reappointed as independent directors following their election at the Ordinary General Meeting of Shareholders. Kanoko Oishi is expected to be designated as independent director following her appointment at the Ordinary General Meeting of Shareholders.

[Audit & Supervisory Board Members]

Title	Name	Main Responsibilities or Positions
Audit & Supervisory Board Member (Full-time)	Yoshinori Nishimura	—
Audit & Supervisory Board Member (Full-time)	Kyoko Okada	—
Audit & Supervisory Board Member (External) (Independent)	Akio Harada	External Director, Seiko Holdings Corporation External Director, Sumitomo Corporation External Director, Yamazaki Baking Co., Ltd. Representative Director, Young Men’s Christian Association at the University of Tokyo, public interest incorporated foundation President, Japan Criminal Policy Society President, International Civil and Commercial Law Centre Foundation
Audit & Supervisory Board Member (External) (Independent)	Nobuo Otsuka	Chairman, Keiseikai Hospital Group
Audit & Supervisory Board Member (External) (Independent)	Eiko Tsujiyama	Professor, School of Commerce and the Graduate School of Commerce, Waseda University Outside Corporate Auditor, Mitsubishi Corporation Outside Director, ORIX Corporation Outside Corporate Auditor, Lawson, Inc. Outside Audit & Supervisory Board Member, NTT DoCoMo, Inc.

Note: Independent: Akio Harada, Nobuo Otsuka, and Eiko Tsujiyama are designated as independent directors under Article 436-2 of Securities Regulations of the Tokyo Stock Exchange.

[Corporate Officers Not Serving Concurrently as Directors]

Title	Name	Main Responsibilities or Positions
Corporate Executive Officer	Yoichi Shimatani	Chief Research and Development Officer
Corporate Officer	Jun Aoki	Chief People Officer Department Director, Human Resources Department [Responsible for China Business Innovation Project, Executive and External Relations]
Corporate Officer	Jean-Philippe Charrier	President, Shiseido Asia Pacific Pte. Ltd. and Managing Director, Shiseido Singapore Co., (Pte.) Ltd. [Responsible for Asia Pacific Region]
Corporate Officer	Kentaro Fujiwara	Chairman and President, Shiseido China Co., Ltd.
Corporate Officer	Takahiro Hayashi	Chief Creative Officer [Responsible for Advertising and Design, Corporate Culture]
Corporate Officer	Katharina Höhne	Senior Vice President, Global Professional Business
Corporate Officer	Masaya Hosaka	Assisting Chief Technology and Innovation Officer
Corporate Officer	Mitsuru Kameyama	Chief Information Officer, Department Director, Global Information and Communication Technology Department
Corporate Officer	Yasushi Kushida	Chief Supply Chain Officer Chairman, Shanghai Zotos Citic Cosmetics Co., Ltd.
Corporate Officer	Yoshiaki Okabe	Brand Director, SHISEIDO Brand Unit Global Prestige Brands
Corporate Officer	Yoshihiro Shiojima	Chief Legal and Governance Officer [Responsible for Compliance, Sustainability Strategy]
Corporate Officer	Mikiko Soejima	Chief Beauty Officer Chief Beauty Officer, Shiseido Japan Co., Ltd. [Responsible for Beauty Creation, Consumer Information, Japan Region]
Corporate Officer	Shigekazu Sugiyama	Senior Vice President, Cosmetics Brands, Shiseido Japan Co., Ltd. [Responsible for Cosmetics Brands, Japan Business] President and Representative Director, Shiseido FITIT Co., Ltd.
Corporate Officer	Norio Tadakawa	Chief Finance Officer [Responsible for Finance, Corporate Planning]
Corporate Officer	Mari Tamura	Senior Vice President, Global Prestige Brands