

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 the summarization of accounts.

May 12, 2017



## Consolidated Settlement of Accounts for the First Quarter of the Fiscal Year Ending December 31, 2017 [Japanese Standards]

### Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number: 4911)  
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Scheduled filing date of quarterly securities report: May 15, 2017

Scheduled starting date of cash dividend payments: —

Supplementary quarterly materials prepared: Yes (Supplementary information will be uploaded to the corporate website on Friday, May 12, 2017)

Quarterly financial results information meeting held: Yes (Conference call for institutional investors, analysts, etc.)

### 1. Performance for the First Quarter of the Fiscal Year Ending December 31, 2017 (From January 1–March 31, 2017)

\* 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	Quarterly Net Income Attributable to Owners of Parent
First Quarter Ended March 31, 2017	232,457 [9.0%]	24,133 [9.3%]	23,885 [8.8%]	13,999 [(48.7)%]
First Quarter Ended March 31, 2016	213,264 [—%]	22,089 [—%]	21,956 [—%]	27,302 [—%]

Note: Comprehensive income First quarter ended March 31, 2017: ¥6,660 million [(9.0)%]  
First quarter ended March 31, 2016: ¥7,318 million [—%]

	Quarterly Net Earnings per Share (Yen)	Fully Diluted Quarterly Net Earnings per Share (Yen)
First Quarter Ended March 31, 2017	35.05	35.01
First Quarter Ended March 31, 2016	68.40	68.31

Shiseido changed its fiscal year-end from March 31, to December 31 from the fiscal year ended December 31, 2015. As a result, the first quarter (January 1, 2016 to March 31, 2016) of the fiscal year ended December 31, 2016 differs from the corresponding first quarter (April 1, 2015 to June 30, 2015) of the fiscal year ended December 31, 2015. On this basis, percentage data for changes between the first quarter of the fiscal year ended December 31, 2016 and the first quarter of the fiscal year ended December 31, 2015 have not been provided.

## (2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As at March 31, 2017	922,177	416,550	42.8%
As at December 31, 2016	934,590	413,870	42.0%

[Reference] Equity: As at March 31, 2017: ¥394,355 million

As at December 31, 2016: ¥392,963 million

Note: Effective from the first quarter of the fiscal year ending December 31, 2017, the Company has made certain changes to its presentation method. Deferred tax assets and deferred tax liabilities data for the fiscal year ended December 31, 2016 has been restated in line with the aforementioned changes.

## 2. Cash Dividends

	Cash Dividends per Share (Yen)				
	1Q	2Q	3Q	Year-End	Full Year
Fiscal Year Ended December 31, 2016	—	10.00	—	10.00	20.00
Fiscal Year Ending December 31, 2017	—				
Fiscal Year Ending December 31, 2017 (plan)		10.00	—	10.00	20.00

Note: Revision to the most recently disclosed dividend forecast: None

## 3. Projections for the Fiscal Year Ending December 31, 2017 (From January 1–December 31, 2017)

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

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Earnings per Share (Yen)
Fiscal Year Ending December 31, 2017	940,000 [10.5%]	45,500 [23.7%]	45,500 [22.4%]	26,000 [(19.0)%]	65.10

Note: Revision to the most recently disclosed performance forecast: None

## Notes

- (1) Significant changes in subsidiaries during the period (changes in specific subsidiaries due to a change in the scope of consolidation): None
- (2) Adoption of special accounting treatment in preparation of consolidated quarterly financial statements: None
- (3) Changes in accounting policies; changes in accounting estimates; restatements
  - 1) Changes in accounting policies due to the amendment of accounting standards: None
  - 2) Other changes in accounting policies: None
  - 3) Changes in accounting estimates: None
  - 4) Restatements: None
- (4) Shares outstanding (common stock) at term-end
  - 1) Number of shares outstanding (including treasury stock)
    - As at March 31, 2017: 400,000,000
    - As at December 31, 2016: 400,000,000
  - 2) Number of treasury stock outstanding
    - As at March 31, 2017: 606,767
    - As at December 31, 2016: 700,745
  - 3) Average number of shares over the period
    - First quarter ended March 31, 2017: 399,373,501
    - First quarter ended March 31, 2016: 399,139,009

### **Implementation status of quarterly audit review procedures**

This Consolidated Settlement of Accounts for the First Quarter of the Fiscal Year Ending December 31, 2017 is not subject to quarterly review procedures.

### **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 (2) Consolidated Forecasts and Other Forward-Looking Information" on page 11 for information on preconditions underlying the above outlook and other related information.

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# 1. Analysis of Operating Results

## (1) Consolidated Performance

	Net Sales (Billions of yen)	Operating Income (Billions of yen)	Ordinary Income (Billions of yen)	Quarterly Net Income Attributable to Owners of Parent (Billions of yen)	Quarterly Net Earnings per Share (Yen)	Fully Diluted Quarterly Net Earnings per Share (Yen)
First Quarter of the Fiscal Year Ending December 31, 2017	232.5	24.1	23.9	14.0	35.05	35.01
First Quarter of the Fiscal Year Ended December 31, 2016	213.3	22.1	22.0	27.3	68.40	68.31
Percentage Change Increase (Decrease)	9.0%	9.3%	8.8%	(48.7)%	(48.8)%	(48.7)%
Percentage Change Increase (Decrease) in Local Currency	10.7%					

In the first quarter, the three-month period of the fiscal year ending December 31, 2017, economic conditions in Japan continued along a moderate recovery path. This included signs of a positive turnaround in consumer spending against the backdrop of improvements in the employment and salary income environments. The domestic cosmetics market was also firm thanks to a similar ongoing recovery trend and inbound demand that is being supported by the continued increase in overseas tourists to Japan. Meanwhile, in overseas cosmetics markets, Europe and the Americas expanded moderately while growth in Asia and China remained strong.

Under these circumstances, and guided by its medium-to-long-term strategy, VISION 2020, Shiseido (“the Company”) aims to become “a global winner with heritage”. Based on a “Think Global, Act Local” concept, the Company is also shifting all of its activities toward a consumer-oriented focus while working to enhance its brand value.

The Company positions fiscal 2017 as the final year for rebuilding the business foundation under its current three-year plan. In specific terms, Shiseido is looking to accelerate sales growth, further reinforce investments in areas that offer substantial opportunities for expansion and has also commenced measures to address brand and other category issues where concerns remain regarding growth potential and profitability. Moreover, the Company has made a start to push forward a variety of initiatives including strictly managing profits by business and brand, dramatically reclassifying mainstay businesses and the brand portfolio and significantly cutting products that contribute little to sales and income with the aim of improving profitability.

In the first quarter of the fiscal year ending December 31, 2017, net sales exceeded the levels recorded in the previous year across all segments. Shiseido continued its high-growth momentum with net sales climbing 10.7% compared with the previous year on a local currency basis. Focusing on the prestige category, existing businesses maintained high growth. The Japan, China and Travel Retail businesses, where the Company actively undertook borderless marketing with a focus on Chinese customers, in particular drove growth. Sales were also boosted by contributions from newly added brands. After converting to Japanese yen, consolidated net sales came to ¥232.5 billion, 9.0% higher than the level recorded for the previous year.

Operating income rose 9.3% year on year, to ¥24.1 billion. This was due to a variety of factors including a reduction in the cost of sales ratio, improvement in profitability in the Japan, China and Travel Retail businesses, reform of the cost structure and efficient use of expenses. Meanwhile, net income attributable to owners of parent decreased 48.7% compared with the corresponding period of the previous year, to ¥14.0

billion. This mainly reflected the absence of the gain on transfer of intellectual property rights as well as the gain on sale of land at the Company's former factory site recorded as extraordinary income in the previous fiscal year.

The major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements are US\$1:¥113.6, €1:¥121.1, and CNY1:¥16.6 for the first quarter of the fiscal year under review.

**[Consolidated Performance]**

Classification	First Quarter Ended March 31, 2017	Share of Total	First Quarter Ended March 31, 2016	Share of Total	(Millions of yen) Year-on-Year Increase/(Decrease)		
					Amount	% Change	Change in Local Currency Terms
					Japan Business	101,123	43.5%
China Business	35,457	15.3%	30,859	14.5%	4,598	14.9%	21.0%
Asia Pacific Business	13,278	5.7%	11,617	5.4%	1,660	14.3%	11.5%
Americas Business	31,065	13.4%	30,036	14.1%	1,028	3.4%	4.9%
EMEA Business	26,496	11.4%	22,525	10.6%	3,970	17.6%	23.1%
Travel Retail Business	10,956	4.7%	6,161	2.9%	4,795	77.8%	81.0%
Professional Business	10,753	4.6%	10,271	4.8%	481	4.7%	5.8%
Other	3,325	1.4%	3,107	1.4%	217	7.0%	7.0%
Sales Total	232,457	100.0%	213,264	100.0%	19,192	9.0%	10.7%

(Note) Sales by reportable segment are sales to outside customers.

**(Income)**

(Millions of yen)

Classification		First Quarter Ended March 31, 2017	Ratio to Net Sales	First Quarter Ended March 31, 2016	Ratio to Net Sales	Year-on-Year Increase/(Decrease)	
						Amount	% Change
Operating Income/(Loss)	Japan Business	19,920	18.3%	17,867	17.4%	2,052	11.5%
	China Business	6,584	18.6%	3,490	11.3%	3,094	88.6%
	Asia Pacific Business	2,679	19.6%	1,285	11.0%	1,393	108.4%
	Americas Business	(3,708)	(10.8) %	(384)	(1.2) %	(3,323)	—
	EMEA Business	(2,127)	(7.6) %	(16)	(0.1)%	(2,110)	—
	Travel Retail Business	3,701	33.7%	1,604	26.0%	2,097	130.7%
	Professional Business	444	4.1%	(280)	(2.7) %	724	—
	Other	(2,143)	(10.2) %	(1,932)	(14.8) %	(210)	—
	Subtotal	25,350	9.6%	21,633	9.4%	3,716	17.2%
	Adjustments	(1,216)	—	456	—	(1,672)	—
Total	24,133	10.4%	22,089	10.4%	2,044	9.3%	
Ordinary Income		23,885	10.3%	21,956	10.3%	1,929	8.8%
Quarterly Net Income Attributable to Owners of Parent		13,999	6.0%	27,302	12.8%	(13,303)	(48.7) %

## Notes:

1. The ratio of operating income/(loss) to net sales includes intersegment transactions.
2. Effective from the fiscal year ending December 31, 2017, the Company has revised its reportable segment classification method in line with the Group's internal financial management structure. As a result, reportable segment classifications have been changed to the "Japan Business" "China Business" "Asia Pacific Business" "Americas Business" "EMEA Business" "Travel Retail Business" and "Professional Business" segments.
3. "Other" includes head office administration departments, manufacturing operations as well as the activities of the Frontier Science business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment), the Restaurant business, etc.
4. The total amount of operating income/(loss) adjustment refers to intersegment transaction eliminations.
5. Effective from the fiscal year ending December 31, 2017, *bareMinerals*, *NARS* etc. in the United Kingdom included in the "Americas Business" under the Company's previous segment classification has been included in the "EMEA Business." This reflects the change in the Company's management structure in line with our matrix organization approach.
6. Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the "EMEA Business" under the Company's previous segment classification has been included in the "Americas Business" in line with the aforementioned change in the Company's management structure.
7. Segment information for the previous period has been restated in line with changes in the method of classifying reportable segments.

Results by reportable segment are presented as follows.

**[Japan Business]**

In the Japan Business, trends remained robust for mid- and high-priced brands, where the Company implemented brand innovation measures. At the same time, Shiseido captured expanding inbound demand on the back of efforts to engage in proactive borderless marketing focusing on Chinese customers. Mainly due to such factors, sales in this segment increased 2.5% compared with the corresponding period of the previous year, to ¥101.1 billion. Operating income also climbed 11.5% year on year, to ¥19.9 billion owing to a drop in the ratio of personnel costs and other expenses in line with the increase in sales, an upswing in the ROI of prestige brands and improvements in profitability through the streamlining of brands in the personal care category, and other factors.

### **[China Business]**

In the China Business, such prestige brands as *SHISEIDO*, *clé de peau BEAUTÉ*, and *IPSA* maintained high growth also reflecting an increase in their share of e-commerce sales. With the expansion of e-commerce activity, personal care sales also increased substantially. Owing to these and other factors, sales in this segment climbed 21.0% compared with the corresponding period of the previous year on a local currency basis. After converting into Japanese yen, segment sales grew 14.9% year on year, to ¥35.5 billion. Profitability improved substantially with operating income surging 88.6% year on year, to ¥6.6 billion. This was mainly due to a drop in the cost of sales ratio in line with an upswing in sales in the prestige category and an improvement in the efficiency of marketing investments.

### **[Asia Pacific Business]**

In the Asia Pacific Business, such prestige brands as *clé de peau BEAUTÉ* and *NARS* grew substantially. Personal care brands, which are mainly comprised of *SENKA*, where marketing geared to local consumer needs and life styles which differ between countries have been successful, also continued to contribute. Accounting for these and other factors, sales in this segment rose 11.5% compared with the corresponding period of the previous year on a local currency basis. After converting to Japanese yen, sales increased 14.3% year on year, to ¥13.3 billion.

Operating income jumped 108.4% compared with the corresponding period of the previous year, to ¥2.7 billion owing largely to the increase in prestige brand sales which contributed to a favorable turnaround in the product mix.

### **[Americas Business]**

In the Americas Business, sales increased 4.9% compared with the previous year on a local currency basis. After converting to Japanese yen, sales grew 3.4% year on year, to ¥31.1 billion. While operations were impacted by intense competition, a slowdown in the rate of market growth and issues relating to the supply chain, *Laura Mercier*, which was acquired during the previous year, contributed to results. The operating loss in this segment increased ¥3.3 billion compared with the corresponding period of the previous year, to ¥3.7 billion. In addition to the downturn in sales in existing businesses, this largely reflected advance investments in connection with *Laura Mercier* integration.

### **[EMEA Business]**

In the EMEA Business, results were boosted by growth in sales of existing brands as well as contributions from *Dolce&Gabbana* sales following conclusion of the license agreement last year. As a result, sales in the EMEA Business increased 23.1% compared with the previous year on a local currency basis. After converting to Japanese yen, sales climbed 17.6% year on year, to ¥26.5 billion. On the earnings front, the operating loss came to ¥2.1 billion, up ¥2.1 billion compared with the previous year. This was largely due to advance marketing and other investments.

### **[Travel Retail Business]**

In the Travel Retail Business, results were positively impacted by the success of proactive marketing investment activities which contributed to an increase in sales per store. At the same time, sales at major airport duty-free shops in Asia including China, South Korea, and Thailand significantly surpassed the levels recorded in the previous year. As a result, sales in this segment surged 81.0% compared with the corresponding period of the previous year on a local currency basis. After converting to Japanese yen, sales climbed 77.8% year on year, to ¥11.0 billion. Operating income also grew 130.7% year on year, to ¥3.7 billion on the back of such factors as higher margins in line with the increase in sales and improvements in productivity per store.

**[Professional Business]**

In the Professional Business, Zotos International, Inc. activities, which focus mainly on the Americas, were robust. Accounting for this and other factors, sales in this segment increased 5.8% compared with the corresponding period of the previous year on a local currency basis. After converting to Japanese yen, sales climbed 4.7% year on year, to ¥10.8 billion. Operating income also grew ¥0.7 billion year on year, to ¥0.4 billion owing mainly to higher margins in line with the increase in sales.

[Reference Information]

Details of the principal business domains and companies of each reportable segment are presented as follows.

Classification		Principal Business Domains and Companies
Reportable Segment	Japan Business	Business in the Japan region generally (excluding PF) including the operations of such companies as Shiseido Japan Co., Ltd., domestic TR business in Japan
	China Business	Business in the China region generally including the operations of such companies as Shiseido China Co., Ltd. (excluding TR and PF)
	Asia Pacific Business	Operations of such companies as Shiseido Asia Pacific Pte. Ltd., business in the Asia and Oceania regions generally excluding Japan and China (excluding TR and PF)
	Americas Business	Operations of such companies as Shiseido Americas Corporation, business in the Americas region generally (excluding TR and PF)
	EMEA Business	Operations of such companies as Shiseido Europe S.A., business in the EMEA (Europe, the Middle East and Africa) region generally (excluding TR)
	Travel Retail Business	Operations of worldwide duty-free stores generally excluding Japan (excluding TR in the Fragrance business)
	Professional Business	Global Professional Business generally
Other		Manufacturing operations, Frontier Science business, Restaurant business, etc.

Notes:

- Professional business operations included in each business segment excluding the EMEA and Travel Retail businesses under the Company's previous segment classification have been recorded as the separate "Professional Business" effective from the fiscal year ending December 31, 2017.
- Manufacturing operations, Frontier Science business, Restaurant business, etc. included in the "Japan Business" under the Company's previous segment classification have been included in the separate "Other" effective from the fiscal year ending December 31, 2017.
- Effective from the fiscal year ending December 31, 2017, *bareMinerals*, *NARS* etc. in the United Kingdom included in the "Americas Business" under the Company's previous segment classification structure has been included in the "EMEA Business." This reflects the change in the Company's management structure in line with our matrix organization approach.
- Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the "EMEA Business" under the Company's previous segment classification structure has been included in the "Americas Business" in line with the aforementioned change in the Company's management structure.
- The fragrance business includes such brands as *Dolce&Gabbana*, *ISSEY MIYAKE* and *narciso rodriguez* and excludes *SHISEIDO* fragrance.
- PF: "Professional Business;" TR: "Travel Retail Business"

**(2) Consolidated Forecasts and Other Forward-Looking Information**

There are no changes to the consolidated forecasts previously announced on February 9, 2017.

**2. Summary (Note) Information**

**(1) Significant Changes in Subsidiaries during the Period**

Not applicable.

**(2) Adoption of Special Accounting Treatment in Preparation of Consolidated Quarterly Financial Statements**

Not applicable.

**(3) Changes in Accounting Policies; Changes in Accounting Estimates; Restatements**

Not applicable.

### 3. Consolidated Quarterly Financial Statements

#### (1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As at December 31, 2016	As at March 31, 2017
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and time deposits	120,126	97,602
Notes and accounts receivable	136,768	145,732
Short-term investments in securities	7,905	14,873
Inventories	115,672	122,568
Deferred tax assets	21,773	17,867
Other current assets	31,589	29,925
Less: Allowance for doubtful accounts	(1,933)	(1,979)
Total current assets	431,903	426,590
<b>Fixed Assets:</b>		
<b>Property, Plant and Equipment:</b>		
Buildings and structures	164,817	164,078
Less: Accumulated depreciation	(106,338)	(106,504)
Buildings and structures, net	58,478	57,574
Machinery, equipment and vehicles	86,847	86,588
Less: Accumulated depreciation	(71,867)	(71,404)
Machinery, equipment and vehicles, net	14,980	15,183
Tools, furniture and fixtures	80,371	78,724
Less: Accumulated depreciation	(55,969)	(55,568)
Tools, furniture and fixtures, net	24,402	23,156
Land	36,604	36,458
Lease assets	7,414	7,746
Less: Accumulated depreciation	(4,096)	(4,035)
Leased assets, net	3,317	3,710
Construction in progress	18,411	20,713
Total property, plant and equipment	156,194	156,797
<b>Intangible Assets:</b>		
Goodwill	59,795	57,837
Leased assets	401	351
Trademarks	146,209	140,920
Other intangible assets	39,927	41,174
Total intangible assets	246,333	240,284
<b>Investments and Other Assets:</b>		
Investments in securities	24,899	24,755
Long-term loans receivable	240	235
Long-term prepaid expenses	13,377	13,000
Deferred tax assets	37,800	36,638
Other investments	23,874	23,918
Less: Allowance for doubtful accounts	(33)	(42)
Total investments and other assets	100,158	98,506
<b>Total Fixed Assets</b>	502,687	495,587
<b>Total Assets</b>	934,590	922,177

(Millions of yen)

	As at December 31, 2016	As at March 31, 2017
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Notes and accounts payable	51,080	40,378
Electronically recorded obligations - operating	32,312	33,861
Short-term debt	6,339	6,894
Commercial papers	5,243	7,293
Current portion of long-term debt	3,230	3,230
Lease obligations	1,744	1,726
Other payables	43,453	38,791
Accrued income taxes	5,561	4,912
Reserve for sales returns	12,948	13,327
Accrued bonuses for employees	22,110	13,807
Accrued bonuses for directors	99	20
Provision for liabilities and charges	2,024	1,923
Other current liabilities	60,539	56,102
<b>Total current liabilities</b>	<b>246,687</b>	<b>222,268</b>
<b>Long-Term Liabilities:</b>		
Bonds	40,000	40,000
Long-term debt	62,196	72,097
Lease obligations	1,826	2,192
Long-term payables	53,135	54,680
Liability for retirement benefits	94,489	93,715
Allowance for losses on guarantees	350	350
Allowance for environmental measures	376	294
Deferred tax liabilities	18,402	16,930
Other long-term liabilities	3,257	3,098
<b>Total long-term liabilities</b>	<b>274,033</b>	<b>283,359</b>
<b>Total Liabilities</b>	<b>520,720</b>	<b>505,627</b>
<b>NET ASSETS</b>		
<b>Shareholders' Equity:</b>		
Common stock	64,506	64,506
Capital surplus	70,846	70,869
Retained earnings	258,005	267,907
Treasury stock	(1,325)	(1,147)
<b>Total shareholders' equity</b>	<b>392,033</b>	<b>402,136</b>
<b>Accumulated Other Comprehensive Income:</b>		
Unrealized gains (losses) on available-for-sale securities	7,389	7,379
Foreign currency translation adjustments	26,516	15,899
Accumulated adjustments for retirement benefits	(32,975)	(31,059)
<b>Total accumulated other comprehensive income</b>	<b>930</b>	<b>(7,780)</b>
<b>Stock Acquisition Rights</b>	<b>818</b>	<b>784</b>
<b>Non-Controlling Interests in Consolidated Subsidiaries</b>	<b>20,087</b>	<b>21,410</b>
<b>Total Net Assets</b>	<b>413,870</b>	<b>416,550</b>
<b>Total Liabilities and Net Assets</b>	<b>934,590</b>	<b>922,177</b>

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

**Consolidated Quarterly Statements of Income  
Cumulative for the First Quarter**

(Millions of yen)

	First Quarter Ended March 31, 2016 (January 1, 2016 to March 31, 2016)	First Quarter Ended March 31, 2017 (January 1, 2017 to March 31, 2017)
<b>Net Sales</b>	213,264	232,457
<b>Cost of Sales</b>	50,980	54,464
<b>Gross Profit</b>	162,284	177,992
<b>Selling, General and Administrative Expenses</b>	140,195	153,859
<b>Operating Income</b>	22,089	24,133
<b>Other Income</b>		
Interest income	205	178
Dividend income	5	8
Equity in earnings of affiliates	50	38
Rental income	183	183
Subsidy income	4	4
Other	390	499
Total other income	841	911
<b>Other Expenses</b>		
Interest expense	199	209
Foreign exchange loss	457	348
Other interest on debt	—	330
Other	316	269
Total other expenses	974	1,159
<b>Ordinary Income</b>	21,956	23,885
<b>Extraordinary Income</b>		
Gain on sales of property, plant and equipment	9,037	222
Gain on sales of investments in securities	—	160
Gain on transfer of business	8,772	—
Total extraordinary gains	17,809	382
<b>Extraordinary Losses</b>		
Loss on disposal of property, plant and equipment	152	183
Impairment loss	23	—
Structural reform expenses	206	197
Voluntary product recall-related expenses	—	141
Loss of liquidation of subsidiaries and affiliates	—	136
Temporary expenses associated with reforms to human resource systems	—	130
Total extraordinary losses	381	789
<b>Quarterly Income before Income Taxes</b>	39,384	23,478
<b>Income Taxes – Current</b>	12,110	4,607
<b>Income Tax –Deferred</b>	(1,018)	3,402
<b>Total Income Taxes</b>	11,092	8,010
<b>Quarterly Net Income</b>	28,292	15,468
<b>Quarterly Net Income Attributable to Non-Controlling Interests</b>	989	1,469
<b>Quarterly Net Income Attributable to Owners of Parent</b>	27,302	13,999

**Consolidated Quarterly Statements of Comprehensive Income  
Cumulative for the First Quarter**

(Millions of yen)

	First Quarter Ended March 31, 2016 (January 1, 2016 to March 31, 2016)	First Quarter Ended March 31, 2017 (January 1, 2017 to March 31, 2017)
<b>Quarterly Net Income</b>	28,292	15,468
<b>Other Comprehensive Income</b>		
Unrealized gains (losses) on available-for-sale securities	(2,365)	(47)
Foreign currency translation adjustments	(19,528)	(10,680)
Adjustment for retirement benefits	932	1,918
Share of other comprehensive income of associates accounted for under the equity method	(12)	1
Total other comprehensive income (loss)	(20,973)	(8,807)
<b>Quarterly Comprehensive Income</b>	7,318	6,660
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	7,349	5,287
Quarterly comprehensive income attributable to non-controlling interests	(30)	1,372

**(3) Notes Concerning Consolidated Quarterly Financial Statements  
(Note on Assumptions for Going Concern)**

Not applicable.

**(Consolidated Quarterly Statements of Income)**

Structural Reform Expenses

First quarter of the fiscal year ending December 31, 2017 (From January 1, 2017 to March 31, 2017)

Structural reform expenses mainly reflect early retirement premiums included in temporary expenses incurred as a result of ongoing structural reforms across all global regions.

Voluntary Product Recall-Related Expenses

First quarter of the fiscal year ending December 31, 2017 (From January 1, 2017 to March 31, 2017)

Voluntary product recall-related expenses reflect expenses related to eyeliner products.

Loss of Liquidation of Subsidiaries and Affiliates

First quarter of the fiscal year ending December 31, 2017 (From January 1, 2017 to March 31, 2017)

The loss of liquidation of subsidiaries and affiliates reflects the loss on liquidation of a subsidiary in India.

Temporary Expenses Associated with Reforms to Human Resource Systems

First quarter of the fiscal year ending December 31, 2017 (From January 1, 2017 to March 31, 2017)

Temporary expenses associated with reforms to human resource systems reflect changes in the human resource systems of certain employees working at factories.

**(Note in the Event of Major Changes in Shareholders' Equity)**

Not applicable.

**(Segment Information and Others)****I. First Quarter of the Fiscal Year Ended December 31, 2016 (From January 1, 2016 to March 31, 2016)****1. Sales and Income/(Loss) by Reportable Segment**

(Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business
Net Sales						
Sales to Outside Customers	98,684	30,859	11,617	30,036	22,525	6,161
Intersegment Sales or Transfers	4,219	34	21	2,708	912	0
<b>Total</b>	<b>102,904</b>	<b>30,893</b>	<b>11,639</b>	<b>32,744</b>	<b>23,438</b>	<b>6,161</b>
<b>Segment Income/(Loss)</b>	<b>17,867</b>	<b>3,490</b>	<b>1,285</b>	<b>(384)</b>	<b>(16)</b>	<b>1,604</b>

	Reportable Segment	Other (Note 2)	Total	Adjustments (Note 3)	Total Shown in Consolidated Quarterly Financial Statements (Note 4)
	Professional Business				
Net Sales					
Sales to Outside Customers	10,271	3,107	213,264	—	213,264
Intersegment Sales or Transfers	96	9,938	17,930	(17,930)	—
<b>Total</b>	<b>10,367</b>	<b>13,046</b>	<b>231,195</b>	<b>(17,930)</b>	<b>213,264</b>
<b>Segment Income/(Loss)</b>	<b>(280)</b>	<b>(1,932)</b>	<b>21,633</b>	<b>456</b>	<b>22,089</b>

## Notes:

1. The EMEA Business includes the Middle East and African regions.
2. "Other" includes head office administration departments, manufacturing operations as well as the activities of the Frontier Science business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment.), the Restaurant business, etc.
3. Segment income/(loss) adjustment refers to intersegment transaction eliminations.
4. Segment income/(loss) is adjusted for operating income debited in the consolidated quarterly statements of income.

**2. Information on impairment loss, goodwill, etc. on fixed assets by reportable segment****(Major Impairment Loss on Fixed Assets)**

Not applicable.

**(Major Change in Goodwill)**

Not applicable.

**II. First Quarter of the Fiscal Year Ending December 31, 2017**  
**(From January 1, 2017 to March 31, 2017)**

**1. Sales and Income/(Loss) by Reportable Segment**

(Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business
Net Sales						
Sales to Outside Customers	101,123	35,457	13,278	31,065	26,496	10,956
Intersegment Sales or Transfers	7,785	30	400	3,314	1,652	30
Total	108,909	35,488	13,678	34,380	28,149	10,986
Segment Income/(Loss)	19,920	6,584	2,679	(3,708)	(2,127)	3,701

	Reportable Segment	Other (Note 2)	Total	Adjustments (Note 3)	Total Shown in Consolidated Quarterly Financial Statements (Note 4)
	Professional Business				
Net Sales					
Sales to Outside Customers	10,753	3,325	232,457	—	232,457
Intersegment Sales or Transfers	116	17,598	30,928	(30,928)	—
Total	10,869	20,923	263,385	(30,928)	232,457
Segment Income/(Loss)	444	(2,143)	25,350	(1,216)	24,133

Notes:

1. The EMEA Business includes the Middle East and African regions.
2. "Other" includes head office administration departments, manufacturing operations as well as the activities of the Frontier Science business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment, ), the Restaurant business, etc.
3. Segment income/(loss) adjustment refers to intersegment transaction eliminations.
4. Segment income/(loss) is adjusted for operating income described in the consolidated quarterly statements of income.

**2. Information on impairment loss, goodwill, etc. on fixed assets by reportable segment**  
**(Major Impairment Loss on Fixed Assets)**

Not applicable.

**(Major Change in Goodwill)**

Not applicable.

### **3. Items related to Changes in Reportable Segments (Changes in the Method of Classifying Reportable Segment)**

The Company has revised its reportable segment classification method in line with the Group's internal financial management structure. As a result, the "Japan Business" "China Business" "Asia Pacific Business" "Americas Business" "EMEA Business" and "Travel Retail Business" reportable segments have been changed to the "Japan Business" "China Business" "Asia Pacific Business" "Americas Business" "EMEA Business" "Travel Retail Business" and "Professional Business" segments effective from the first quarter of the fiscal year ending December 31, 2017.

In line with this change, manufacturing operations, Frontier Science business, Restaurant business, etc. included in the "Japan Business" have been included in the "Other" segment.

According to change in the Company's management structure in line a matrix organization approach, *bareMinerals*, *NARS* etc. in the United Kingdom included in the "Americas Business" have been included in the "EMEA Business." The Fragrance business in Latin America included in the "EMEA Business" has been included in the "Americas Business."

Segment information for the first quarter of the previous fiscal year has been restated in line with changes in the method of classifying reportable segments.