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.

August 9, 2016

Consolidated Settlement of Accounts for the First Half of the Fiscal Year Ending December 31, 2016

[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
Filing date of quarterly securities report: August 10, 2016
Start of cash dividend payments: September 2, 2016
Supplementary quarterly materials prepared:Yes (Supplementary information will be uploaded to the corporate website on Tuesday, August 9, 2016)
Quarterly financial results information meeting held: Yes (for institutional investors, analysts, etc.)

1. Performance for the First Half of the Fiscal Year Ending December 31, 2016 (From January 1–June 30, 2016)

* Amounts under one million yen have been rounded down.

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
First Half Ended June 30, 2016	412,279	[—%]	19,942	[—%]	18,337	[—%]	24,496	[—%]
First Half Ended September 30, 2015	411,889	[12.6%]	14,888	[36.2%]	15,153	[31.6%]	3,988	[(83.8)%]

Note: Comprehensive income
First Half ended June 30, 2016: ¥(27,321) million [—%]
First Half ended September 30, 2015: ¥9,292 million [(33.8)%]

	Net Earnings per Share (Yen)	Fully Diluted Net Earnings per Share (Yen)
First Half Ended June 30, 2016	61.37	61.28
First Half Ended September 30, 2015	10.00	9.98

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 half (January 1, 2016 to June 30, 2016) of the fiscal year ending December 31, 2016 differs from the corresponding first half (April 1, 2015 to September 30, 2015) of the fiscal year ended December 31, 2015. On this basis, percentage data for changes between the first half of the fiscal year ending December 31, 2016 and the first half of the fiscal year ended December 31, 2015 have not been provided.

[Reference]
Percentage figures below (adjusted % increase/(decrease)) represent year-on-year changes between the six-month period from January 1, 2016 to June 30, 2016 and the corresponding period of the previous year, the six-month period from January 1, 2015 to June 30, 2015.

(Millions of yen)

Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
412,279 [0.4%]	19,942 [32.1%]	18,337 [18.4%]	24,496 [351.8%]

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As at June 30, 2016	765,583	381,098	47.4%
As at December 31, 2015	808,547	413,334	48.4%

[Reference] Equity: As at June 30, 2016: ¥362,660 million
As at December 31 2015: ¥391,664 million

2. Cash Dividends

	Cash Dividends per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Full Year
Fiscal Year Ended December 31, 2015	—	10.00	—	10.00	20.00
Fiscal Year Ending December 31, 2016	—	10.00			
Fiscal Year Ending December 31, 2016 (plan)			—	10.00	20.00

Note: Revision to the most recent dividend forecast: None

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

(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 2016	848,000 [—%]	30,000 [—%]	29,000 [—%]	30,000 [—%]	75.15

Note: Revisions to the most recently disclosed projections: Yes
Due to the change in the account settlement period, fiscal year 2015, the previous fiscal year, for Shiseido and its subsidiaries with a previous fiscal year-end of March 31 is the nine-month period from April 1, 2015 to December 31, 2015, and the 12-month period from January 1, 2015 to December 31, 2015 for subsidiaries with a fiscal year-end of December 31. As a result, percentage data for changes between projections for the fiscal year ending December 31, 2016 as well as 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 fiscal year ending December 31, 2016, the period from January 1, 2016 to December 31, 2016 and the corresponding period of the previous year, the period from January 1, 2015 to December 31, 2015.

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
Fiscal Year Ending December 31, 2016	848,000 [(1.8)%]	30,000 [(32.3)%]	29,000 [(34.5)%]	30,000 [1.8%]

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 amendments 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)
   First Half ended June 30, 2016: 400,000,000
   Fiscal year ended December 31, 2015: 400,000,000
2) Number of treasury stocks outstanding
   First Half ended June 30, 2016: 748,953
   Fiscal year ended December 31, 2015: 899,741
3) Average number of shares over the period
   First Half ended June 30, 2016: 399,176,256
   First Half ended June 30, 2015: 398,996,709

Implementation status of quarterly audit review procedures
At the time of disclosure of this report, review audit procedures for quarterly 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 (P. 5) Consolidated Forecasts and Other Forward-Looking Information" on page 11 for information on preconditions underlying the above outlook and other related information.

Contents

1. Analysis of Operating Results

(1) Consolidated Performance

Effective from the previous fiscal year, Shiseido and those companies that fall within its scope of consolidation with a March 31 fiscal year-end changed their account settlement dates to December 31. Accordingly, the first half of the fiscal year ended December 31, 2015 for Shiseido and those companies that fall within its scope of consolidation and had previously adopted a March 31 fiscal year-end is the six-month period from April 1, 2015 to September 30, 2015. Meanwhile, the first half of the fiscal year ended December 31, 2015 for companies that fall within Shiseido's scope of consolidation with a December 31 fiscal year-end is the six-month period from January 1, 2015 to June 30, 2015. Comparative data for the corresponding period of the previous year (Note) is presented for reference as follows.

(Billions of yen unless otherwise stated)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Earnings per Share (Yen)	Fully Diluted Net Earnings per Share (Yen)
First Half of the Fiscal Year Ending December 31, 2016	412.3	19.9	18.3	24.5	61.37	61.28
(Reference) Corresponding period of the previous year	410.6	15.1	15.5	5.4	13.59	13.57
Adjusted percentage increase/(decrease)	0.4%	32.1%	18.4%	351.8%	351.4%	351.6%
Adjusted percentage change increase/(decrease) in local currency	5.5%	38.7%				
First Half of the Fiscal Year Ended December 31, 2015	411.9	14.9	15.2	4.0	10.00	9.98

Note: The corresponding period for the first half of the fiscal year ending December 31, 2016 from January 1, 2016 to June 30, 2016 is the six-month period of the previous year from January 1, 2015 to June 30, 2015. The adjusted percentage increase/ (decrease) data represent year-on-year changes compared with the corresponding period of the previous year.

In the first half, the six-month period from January 1, 2016 to June 30, 2016, of the fiscal year ending December 31, 2016, economic conditions in Japan continued along a moderate recovery path underpinned by such factors as improvements in the employment environment. In contrast, there is a growing sense of uncertainty regarding the future. This largely reflects further appreciation of the yen and a drop in stock prices, mounting anxiety toward overseas economies, and signs that corporate-sector earnings and consumer spending have stalled. Despite indications that the inbound sales growth rate is slowing, the domestic cosmetics market continued to expand. Meanwhile, in overseas cosmetics markets, growth while differing from country to country was held to a moderate upswing in Europe. In China, Asia and the Americas, however, growth remained firm.

Under these circumstances, Shiseido continued to draw on its medium- to- long-term strategy, VISION 2020, details of which were initially announced in December 2014. Guided by this strategy, the Company is shifting all of its activities toward a consumer-oriented focus while working to enhance its brand value. In this manner, Shiseido is making every effort to become a global beauty company that can excel on the world stage with its roots firmly entrenched in Japan. Based on a "Think Global, Act Local" approach, Shiseido took steps to put in place an organizational matrix using five brand categories based on consumer purchasing styles and six regions from January 2016. Accordingly, Shiseido launched a matrix-type organizational structure, delegated broad authority and responsibilities to each region, and is strengthening its ability to respond to consumers and markets. In the first half of the fiscal year under review, under this global management structure, the Company also thoroughly undertook consumer-oriented activities, adopted a policy of selection and focus with respect to brands earmarked for strengthening, and continued to further reinforce marketing investments. Through these means, Shiseido is endeavoring to promote sustainable brand growth, engage in various activities including efforts to improve profitability while promoting structural reforms mainly across its overseas operations, and build a platform that is capable of expanding sales and profits in each region.

As a result, consolidated net sales in the first half of the fiscal year ending December 31, 2016 climbed 5.5% compared with the corresponding period of the previous year on a local currency basis as the growth in sales across all regions excluding the EMEA business offset the decline in ***Jean Paul GAULTIER*** sales in line with the termination of the licensing agreement. Movements in foreign currency exchange rates and most notably appreciation of the yen had a major impact, with consolidated net sales after converting into Japanese yen coming to an historic high of ¥412.3 billion, 0.4% higher than the level recorded for the corresponding period of the previous year. From a profit perspective, operating income rose 32.1% year on year, to ¥19.9 billion. This was mainly due to contributions from higher margins in line with the increase in net sales, improvements in the product mix through increased sales of prestige brands across each region worldwide, and the flow-on effects of cost structural reforms. Meanwhile, net income attributable to owners of parent surged 351.8% compared with the corresponding period of the previous year, to ¥24.5 billion. This largely reflected the gain on sale of intellectual property rights in connection with the ***Jean Paul GAULTIER*** fragrance business as well as the gain on sale of land at the former Kamakura factory recorded as extraordinary gains.

The major foreign currency exchange rates applicable to income and expense accounting line items in the Company’s financial statements are US$1:¥111.9, €1:¥124.7, and CNY1:¥17.1 for the first half of the fiscal year under review.

Turning to the return of profits to shareholders, the Company has declared an interim dividend of ¥10 per share in line with initial plans.

[Consolidated Performance]

(Sales) (Millions of yen)

Reportable Segment	First Half Ended June 30, 2016	Share of Total	(Reference) Adjusted Six-Month Period Ended June 30, 2015	Share of Total	Adjusted Year-on-Year Increase/(Decrease)		
					Amount	Change	Change in local currency terms
Japan Business	202,905	49.2%	192,314	46.8%	10,591	5.5%	5.5%
China Business	61,525	14.9%	59,684	14.5%	1,841	3.1%	15.5%
Asia Pacific Business	24,463	5.9%	25,614	6.2%	(1,151)	(4.5)%	9.1%
Americas Business	72,357	17.6%	76,795	18.8%	(4,437)	(5.8)%	1.7%
EMEA Business	39,010	9.5%	47,713	11.6%	(8,702)	(18.2)%	(11.0)%
Travel Retail Business	12,015	2.9%	8,490	2.1%	3,525	41.5%	52.2%
Sales Total	412,279	100.0%	410,612	100.0%	1,667	0.4%	5.5%

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

(Income)

Reportable Segment		First Half Ended June 30, 2016	Ratio to Net Sales	(Reference) Adjusted Six-Month Period Ended June 30, 2015	Ratio to Net Sales	Adjusted Year-on-Year Increase/(Decrease)	
						Amount	Change
Operating Income	Japan Business	26,721	11.9%	26,544	12.4%	176	0.7%
	China Business	2,419	3.9%	(2,792)	(4.7)%	5,212	—
	Asia Pacific Business	45	0.2%	(303)	(1.2)%	349	—
	Americas Business	(5,506)	(7.1)%	(5,544)	(6.7)%	38	—
	EMEA Business	(2,139)	(5.2)%	1,979	3.9%	(4,118)	—
	Travel Retail Business	2,978	24.8%	1,076	12.7%	1,902	176.7%
	All Regions	24,519	5.6%	20,958	4.8%	3,561	17.0%
	Adjustments	(4,577)	—	(5,859)	—	1,282	—
	Total	19,942	4.8%	15,098	3.7%	4,843	32.1%
Ordinary Income		18,337	4.4%	15,493	3.8%	2,844	18.4%
Net Income Attributable to Owners of Parent		24,496	5.9%	5,422	1.3%	19,073	351.8%

Notes:

1. The Operating Income/(Loss) adjustment refers to intersegment transaction eliminations amounting to ¥2,543 million and Companywide expenses totaling ¥7,120 million not allocated to specific reportable segments. Companywide expenses mainly comprise expenditure relating to the Company's Administration Division.
2. The ratio of operating income to net sales includes intersegment transactions.
3. Effective from the first quarter of the fiscal year ending December 31, 2016, reportable segment classifications have been changed from the "Japan Business" and "Global Business" segments to the "Japan Business" "China Business" "Asia Pacific Business" "Americas Business" "EMEA Business" and "Travel Retail Business" segments in accordance with changes in the organizational structure of the Shiseido Group. Segment information for the corresponding period of the previous fiscal year has been restated in line with changes in the method of classifying reportable segments.
4. The EMEA Business refers to Europe, the Middle East and African regions.

Results by reportable segment are presented as follows.

[Japan Business]

In the Japan Business, sales increased 5.5% compared with the corresponding period of the previous year, to ¥202.9 billion in the first half of the fiscal year under review. This was mainly due to the renewal of major brands in the prestige and cosmetics category including ***clé de peau BEAUTÉ, SHISEIDO***, ***IPSA*** and ***ANESSA*** as well as proactive marketing investments, which are showing signs of a definitive positive effect. Other factors included steady trends in inbound demand. While profits were impacted by proactive marketing investments, higher margins in line with the increase in sales, improvements in the product mix, and cost structural reforms helped to push up operating income 0.7% compared with the corresponding period of the previous year, to ¥26.7 billion.

[China Business]

Amid ongoing steps to promote structural reforms that began from the previous fiscal year, the Shiseido Group achieved steady e-commerce growth, reported an upswing in sales of such prestige brands as ***SHISEIDO***, ***clé de peau BEAUTÉ*** and ***IPSA***, and saw a recovery trend in the cosmetics business focusing mainly on locally dedicated brands. As a result, sales in this segment climbed 15.5% compared with the corresponding period of the previous year on a local currency basis. After converting into Japanese yen, segment sales grew 3.1% year on year, to ¥61.5 billion. Operating income improved ¥5.2 billion year on year, to ¥2.4 billion. Despite higher marketing investments and an increase in personnel expenses in line with efforts to rebuild the sales and marketing structure, this improvement in operating income was mainly due to higher margins in line with the increase in sales, a better product mix and more efficient application of expenses.

[Asia Pacific Business]

In the Asia Pacific Business, sales of ***NARS*** and ***SENKA*** personal care brand grew substantially in South Korea. In addition, sales of such prestige brands as ***SHISEIDO***, ***clé de peau BEAUTÉ*** and ***NARS*** continued to grow mainly in Thailand and Vietnam. Accounting for these and other factors, sales in this segment rose 9.1% compared with the corresponding period of the previous year on a local currency basis. After converting to Japanese yen, however, sales declined 4.5% year on year, to ¥24.5 billion. Turning to profits, operating income improved ¥300 million compared with the corresponding period of the previous year, to ¥50 million owing mainly to higher margins in line with the increase in sales.

[Americas Business]

In the Americas, the Shiseido Group continued to enjoy growth in prestige brands such as ***SHISEIDO***, ***clé de peau BEAUTÉ*** and ***NARS***. As a result, sales in the Americas Business rose 1.7% compared with the corresponding period of the previous year on a local currency basis. After converting to Japanese yen, however, sales declined 5.8% year on year, to ¥72.4 billion. While the Shiseido Group enjoyed higher margins in line with the increase in sales, the operating loss in this segment was held to a slight year-on-year improvement of ¥5.5 billion. This largely reflected efforts to strengthen marketing investments, progress in building a structure that comprises the Research Center and the Center of Excellence, a global base in the makeup and digital fields, and steps to reinforce the regional headquarters resulting in increase in personnel expenses.

[EMEA Business]

Despite the steady growth in sales of ***SHISEIDO*** and ***narciso rodriguez*** results in the EMEA Business were substantially impacted by the loss of ***Jean Paul GAULTIER*** sales as a result of the termination of the licensing agreement in 2015. Accounting for these factors, sales in this segment declined 11.0% compared with the corresponding period of the previous year on a local currency basis. This was 18.2% lower year on year after converting to Japanese yen, to ¥39.0 billion. Meanwhile, sales increased 6.0% in local currency terms compared with the corresponding period of the previous year after excluding the impact of the ***Jean Paul GAULTIER***. In the six-month period under review, the Shiseido Group incurred an operating loss of ¥2.1 billion. This was a negative movement of ¥4.1 billion compared with the corresponding period of the previous year and mainly reflected lower margins in line with the drop in sales.

[Travel Retail Business]

The Shiseido Group actively strengthened marketing investments in the Travel Retail Business. This included the opening of counters, increasing the number of beauty consultants and introducing designated Travel Retail products. Through these and other initiatives, sales at major airport duty-free stores in Asia including China, South Korea, and Thailand significantly surpassed the levels recorded in the previous year. As a result, sales in this segment increased 52.2% compared with the corresponding period of the previous year on a local currency basis. After converting to Japanese yen, sales grew 41.5% year on year, to ¥12.0 billion. Operating income also climbed 176.7% year on year, to ¥3.0 billion on the back of 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.

Reportable Segment	Principal Business Domains and Companies
Japan Business	Business in the Japan region generally including the operations of such companies as Shiseido Japan Co., Ltd.(excluding BE) ; 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 BE)
Asia Pacific Business	Business in the Asia and Oceania regions generally excluding Japan and China including the operations of such companies as Shiseido Asia Pacific Pte. Ltd. (excluding TR and BE)
Americas Business	Business in the Americas region generally including the operations of such companies as Shiseido Americas Corporation; Bare Escentuals, Inc. (excluding TR)
EMEA Business	Business in the EMEA including the operations of such companies as Shiseido International Europe S.A.; Beauté Prestige International S.A. and its subsidiaries (excluding TR and BE)
Travel Retail Business	Operations of worldwide duty-free stores generally excluding Japan and the Travel Retail operations (excluding Beauté Prestige International S.A. in the EMEA Business)

Notes:

1. The domestic Professional business included in the Global Business and the operations of such companies as The Ginza Co., Ltd. and Shiseido Parlour Co., Ltd. included in the Others segment under the Company’s previous segment classification structure have been included in the Japan Business under the Company’s revised segment classification structure effective from the fiscal year ending December 31, 2016.
2. The overseas Professional business included in the Global Business under the Company’s previous segment classification structure has been included in each region excluding the Travel Retail Business.
3. BE: Bare Escentuals, Inc. and its subsidiaries; TR: Travel Retail business

(2) Consolidated Financial Position

(a) Assets, Liabilities and Net Assets

As of June 30, 2016, total assets stood at ¥765.6 billion, down ¥43.0 billion from the previous fiscal year-end (December 31, 2015). This largely reflected a decline in notes and accounts receivable owing mainly to the impact of movements in foreign currency exchange rates and the decrease in goodwill. Liabilities declined ¥10.7 billion to ¥384.5 billion, largely reflecting the decrease in accrued bonuses and deferred tax liabilities. Net assets totaled ¥381.1 billion, a decrease of ¥32.2 billion mainly on account of a drop in foreign currency translation adjustments. The equity ratio as of June 30, 2016 came in at 47.4%, down from 48.4% as of the end of the previous fiscal year.

(b) Cash Flows

Net cash provided by operating activities totaled ¥25.7 billion in the first half of fiscal year ending December 31, 2016. Net cash used in investing activities was ¥1.0 billion. Major investing cash inflows included the gain on sale of land at the Company's former Kamakura factory and the transfer of ***Jean Paul GAULTIER*** fragrance intellectual property rights. The main cash outflow was the purchase of land for the Global Innovation Center. Net cash provided by financing activities amounted to ¥7.5 billion. While the Company undertook the payment of period-end dividends, the major cash inflow came from the increase in debt.

As a result of these activities, cash and cash equivalents as of June 30, 2016 stood at ¥128.7 billion, an increase of ¥23.8 billion compared with the beginning of the fiscal year under review.

(3) Consolidated Forecasts and Other Forward-Looking Information

The Company's performance in the first half of the fiscal year under review was impacted by several factors. Shiseido worked to strengthen its portfolio of prestige brands, which included such initiatives as the acquisition of the ***Laura Mercier*** and ***RéVive*** brands (July) as well as the start of the licensing business with DOLCE&GABBANA S.R.L. (October). In addition to the forecast incidence of one-off costs, the Company is factoring in the negative impact of appreciation of the yen. As a result, Shiseido has revised its consolidated forecasts for the full fiscal year ending December 31, 2016, previously announced on May 13, 2016, as shown in the following tables.

Assumptions regarding the major average foreign currency exchange rates for the full fiscal year are US$1:¥106.9, €1:¥118.8 and CNY1:¥16.1.

Revised Forecasts for Consolidated Results for Fiscal Year Ending December 31, 2016

(From January 1, 2016 to December 31, 2016)

(Millions of yen unless otherwise stated)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Earnings per Share (Yen)
Previous Forecast (A)	872,000	38,000	38,000	34,500	86.44
Revised Forecast (B)	848,000	30,000	29,000	30,000	75.15
Change (B-A)	(24,000)	(8,000)	(9,000)	(4,500)	
Percentage Change (%)	(2.8)	(21.1)	(23.7)	(13.0)	
(Reference) Corresponding Period of the Previous Year	863,288	44,337	44,258	29,462	73.85
Results for the Previous Period (The Fiscal Year Ended December 31, 2015)	763,058	37,660	37,588	23,210	58.17

[Reference Information] Consolidated Net Sales Forecasts by Reportable Segment

Consolidated results forecasts for the fiscal year ending December 31, 2016 by reportable segment are presented as follows.

(Billions of yen unless otherwise stated)

Reportable Segment	Revised Forecasts	Compared with Previous Announcement Increase/ (Decrease)	(Reference) Corresponding Period of the Previous Year	Percentage Change Compared with the Corresponding Period of the Previous Year	(Revised Forecasts) Adjusted Percentage Increase/ (Decrease) in Local Currency	(Previous Announcement) Adjusted Percentage Increase/ (Decrease) in Local Currency
Japan Business	412.0	(4.0)	396.0	4.1%	4%	5%
China Business	117.5	(11.5)	125.7	(6.5)%	11%	11%
Asia Pacific Business	50.0	(1.5)	52.7	(5.2)%	7%	7%
Americas Business	160.0	(6.5)	167.5	(4.5)%	8%	4%
EMEA Business	85.5	(0.5)	104.2	(17.9)%	(6)%	(13)%
Travel Retail Business	23.0	0.0	17.2	33.8%	50%	41%
Total	848.0	(24.0)	863.3	(1.8)%	6%	4%

2. Summary (Note) Information

(1) Significant Changes in Subsidiaries
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, 2015	As at June 30, 2016
ASSETS		
Current Assets:		
Cash and time deposits	116,771	127,972
Notes and accounts receivable	127,201	104,378
Short-term investments in securities	7,685	14,769
Inventories	105,928	105,151
Deferred tax assets	28,242	27,657
Other current assets	26,608	23,593
Less: Allowance for doubtful accounts	(1,765)	(1,531)
Total current assets	410,673	401,990
Fixed Assets:		
Property, Plant and Equipment, at Cost:		
Buildings and structures	162,630	157,267
Less: Accumulated depreciation	(103,837)	(102,069)
Buildings and structures, net	58,793	55,198
Machinery, equipment and vehicles	86,981	82,166
Less: Accumulated depreciation	(73,076)	(69,727)
Machinery, equipment and vehicles, net	13,905	12,439
Tools, furniture and fixtures	77,869	72,256
Less: Accumulated depreciation	(55,758)	(52,292)
Tools, furniture and fixtures, net	22,110	19,963
Land	29,989	36,228
Lease assets	7,373	7,263
Less: Accumulated depreciation	(3,734)	(3,808)
Leased assets, net	3,639	3,455
Construction in progress	5,843	7,754
Total property, plant and equipment	134,281	135,039
Intangible Assets:		
Goodwill	59,430	48,711
Leased assets	513	460
Trademarks	60,087	51,563
Other intangible assets	41,372	34,815
Total intangible assets	161,403	135,549
Investments and Other Assets:		
Investments in securities	27,434	22,024
Long-term loans receivable	396	340
Long-term prepaid expenses	12,692	12,251
Deferred tax assets	36,833	34,716
Other investments	24,877	23,705
Less: Allowance for doubtful accounts	(46)	(34)
Total investments and other assets	102,187	93,004
Total fixed assets	397,873	363,593
Total assets	808,547	765,583

(Millions of yen)

	As at December 31, 2015	As at June 30, 2016
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	33,102	28,007
Electronically recorded obligations - operating	29,213	31,716
Short-term debt	7,167	23,203
Commercial papers	4,218	5,148
Current portion of long-term debt	5,739	5,734
Lease obligations	1,870	1,810
Other payables	37,090	37,170
Accrued income taxes	4,661	9,250
Reserve for sales returns	14,799	12,761
Accrued bonuses for employees	18,480	11,471
Accrued bonuses for directors	55	49
Provision for liabilities and charges	1,192	441
Deferred tax liabilities	16	—
Other current liabilities	49,176	42,993
Total current liabilities	206,784	209,759
Long-Term Liabilities:		
Bonds	30,000	30,000
Long-term debt	35,432	32,547
Lease obligations	2,184	1,965
Liability for retirement benefits	83,656	80,050
Allowance for losses on guarantees	350	350
Allowance for environmental measures	377	377
Provision for structural reforms	990	—
Deferred tax liabilities	31,270	25,871
Other long-term liabilities	4,165	3,562
Total long-term liabilities	188,428	174,725
Total Liabilities	395,212	384,485
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,258	70,259
Retained earnings	233,933	254,439
Treasury stock	(1,700)	(1,416)
Total shareholders' equity	366,999	387,789
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	8,144	4,817
Foreign currency translation adjustments	40,374	(8,121)
Accumulated adjustments for retirement benefits	(23,854)	(21,823)
Total accumulated other comprehensive income	24,664	(25,128)
Stock Acquisition Rights	863	795
Non-Controlling Interests in Consolidated Subsidiaries	20,806	17,642
Total Net Assets	413,334	381,098
Total Liabilities and Net Assets	808,547	765,583

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

Consolidated Quarterly Statements of Income Cumulative for the First Half

(Millions of yen)

	First Half Ended September 30, 2015 (April 1, 2015 to September 30, 2015)	First Half Ended June 30, 2016 (January 1, 2016 to June 30, 2016)
Net Sales	411,889	412,279
Cost of Sales	99,002	98,599
Gross profit	312,887	313,680
Selling, General and Administrative Expenses	297,998	293,737
Operating Income	14,888	19,942
Other Income		
Interest income	628	408
Dividend income	338	275
Equity in earnings of affiliates	—	18
Rental income	421	379
Subsidy income	7	104
Other	398	662
Total other income	1,794	1,848
Other Expenses		
Interest expense	441	401
Equity in losses of affiliates	33	—
Foreign exchange loss	333	1,853
Other	720	1,199
Total other expenses	1,529	3,453
Ordinary Income	15,153	18,337
Extraordinary Gains		
Gain on transfer of business	835	9,075
Gain on sales of property, plant and equipment	92	9,040
Gain on sales of investments in securities	2,341	0
Total extraordinary gains	3,269	18,116
Extraordinary Losses		
Impairment loss	3	161
Structural reform expenses	—	774
Loss on disposal of property, plant and equipment	806	416
Loss on sales of investments in securities	0	—
Loss on revaluation of investments in securities	6	21
Total extraordinary losses	817	1,374
Income before income taxes	17,606	35,079
Income Taxes – Current	8,531	10,374
Income Tax –Deferred	4,105	(672)
Total Income Taxes	12,636	9,702
Net income	4,969	25,377
Net Income Attributable to Non-Controlling Interests	981	881
Net Income Attributable to Owners of Parent	3,988	24,496

Consolidated Statements of Comprehensive Income
Cumulative for the First Half

(Millions of yen)

	First Half Ended September 30, 2015 (April 1, 2015 to September 30, 2015)	First Half Ended June 30, 2016 (January 1, 2016 to June 30, 2016)
Net Income	4,969	25,377
Other Comprehensive Income		
Unrealized gains (losses) on available-for-sale securities	331	(3,340)
Foreign currency translation adjustments	3,426	(51,338)
Adjustment for retirement benefits	591	2,035
Share of other comprehensive income of associates accounted for under the equity method	(27)	(54)
Total other comprehensive income (loss)	4,322	(52,698)
Comprehensive Income (Losses)	9,292	(27,321)
(Breakdown)		
Comprehensive income (losses) attributable to owners of parent	7,761	(25,296)
Comprehensive income (losses) attributable to non-controlling interests	1,531	(2,024)

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half Ended September 2015 (April 1, 2015 to September 30, 2015)	First Half Ended June 30, 2016 (January 1, 2016 to June 30, 2016)
Cash Flows from Operating Activities:		
Income before income taxes	17,606	35,079
Depreciation	17,546	16,655
Amortization of goodwill	2,530	2,356
Impairment loss	3	161
(Gain) loss on disposal of property, plant and equipment	714	(7,630)
(Gain) loss on sales of investments in securities	(2,341)	(0)
(Gain) loss on revaluation of investments in securities	6	21
Gain on transfer of business	(835)	(9,075)
Increase (decrease) in allowance for doubtful accounts	62	(5)
Increase (decrease) in reserve for sales returns	(2,682)	(1,102)
Increase (decrease) in accrued bonuses for employees	482	(6,032)
Increase (decrease) in accrued bonuses for directors	(151)	(5)
Increase (decrease) in provision for liabilities and charges	(79)	(647)
Increase (decrease) in provision for structural reforms	(13)	(990)
Increase (decrease) in liability for retirement benefits	897	360
Interest and dividend income	(967)	(683)
Interest expense	441	401
Equity in (earnings) losses of affiliates	33	(18)
(Increase) decrease in notes and accounts receivable	15,879	10,884
(Increase) decrease in inventories	(13,045)	(10,437)
Increase (decrease) in notes and accounts payable	11,484	5,852
Other	(792)	(1,837)
Subtotal	46,781	33,308
Interest and dividends received	1,130	1,005
Interest paid	(458)	(423)
Income tax paid	(15,539)	(8,168)
Net cash provided by operating activities	31,913	25,721

(Millions of yen)

	First Half Ended September 2015 (April 1, 2015 to September 30, 2015)	First Half Ended June 30, 2016 (January 1, 2016 to June 30, 2016)
Cash Flows from Investing Activities:		
Transfers to time deposits	(14,874)	(10,523)
Proceeds from maturity of time deposits	14,754	13,293
Acquisition of short-term investments in securities	—	(3)
Acquisition of investments in securities	(694)	(413)
Proceeds from sales of investments in securities	5,630	9
Proceeds from transfer of business	726	11,132
Acquisition of property, plant and equipment	(7,285)	(16,359)
Proceeds from sales of property, plant and equipment	90	8,661
Acquisition of intangible assets	(4,097)	(4,017)
Payments of long-term prepaid expenses	(3,624)	(2,835)
Acquisition of shares in subsidiaries resulting in change in scope of consolidation	(221)	—
Other	(120)	75
Net cash provided by (used in) investing activities	(9,716)	(980)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term debt	(17,269)	18,621
Proceeds from long-term debt	35,001	—
Repayment of long-term debt	(2,948)	(2,870)
Proceeds from issuance of bonds	30,000	—
Redemption of bonds	(40,000)	—
Repayment of lease obligations	(1,124)	(1,123)
Acquisition of treasury stock	(8)	(3)
Disposal of treasury stock	500	288
Cash dividends paid	(3,979)	(4,230)
Cash dividends paid to non-controlling interests	(1,898)	(3,186)
Net cash used in financing activities	(1,727)	7,495
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(391)	(8,453)
Net Change in Cash and Cash Equivalents	20,078	23,783
Cash and Cash Equivalents at Beginning of Term	100,807	104,926
Cash and Cash Equivalents at End of Term	120,886	128,709

(4) Notes Concerning Consolidated Quarterly Financial Statements

(Note on Assumptions for Going Concern)

Not applicable.

(Consolidated Quarterly Statements of Income)

Gain on Transfer of Business
First half of the fiscal year ending December 31, 2016
(From January 1, 2016 to June 30, 2016)
The gain on transfer of business mainly reflects the transfer of ***Jean Paul GAULTIER*** fragrance intellectual property rights.

Gain on Sales of Property, Plant and Equipment
First half of the fiscal year ending December 31, 2016
(From January 1, 2016 to June 30, 2016)
The gain on sales of property, plant and equipment mainly reflects the gain on sale of land at the Company's former Kamakura factory.

Structural Reform Expenses
First half of the fiscal year ending December 31, 2016
(From January 1, 2016 to June 30, 2016)
Structural reform expenses mainly reflect early retiree retirement premiums included in temporary expenses incurred as a result of ongoing structural reforms across all global regions.

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

Not applicable.

(Segment Information)

I. First Half of the Fiscal Year Ended December 31, 2015 (From April 1, 2015 to September 30, 2015)

1. Sales and Income/Loss by Reportable Segment

(Millions of yen)

	Reportable Segment							Adjustments (Note 2)	Total Shown in Consolidated Financial Statements (Note 3)
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business	Total		
Net Sales Sales to Outside Customers	193,591	59,684	25,614	76,795	47,713	8,490	411,889	—	411,889
Intersegment Sales or Transfers	20,996	193	145	5,373	2,730	—	29,439	(29,439)	—
Total	214,587	59,877	25,760	82,169	50,443	8,490	441,329	(29,439)	411,889
Segment Income/(Loss)	27,109	(2,816)	(69)	(5,765)	1,841	1,053	21,353	(6,464)	14,888

Notes:
1. The EMEA Business refers to Europe, the Middle East and African regions.
2. The segment income/(loss) adjustment refers to intersegment transaction eliminations amounting to ¥266 million and Companywide expenses totaling ¥6,731 million not allocated to specific reportable segments. Companywide expenses mainly comprise expenditures relating to the Company's Administration Division.
3. Segment income/(loss) is adjusted for operating income decribed 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 Half of the Fiscal Year Ending December 31, 2016 (From January 1, 2016 to June 30, 2016)

1. Sales and Income/Loss by Reportable Segment

(Millions of yen)

	Reportable Segment							Adjustments (Note 2)	Total Shown in Consolidated Financial Statements (Note 3)
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business	Total		
Net Sales									
Sales to Outside Customers	202,905	61,525	24,463	72,357	39,010	12,015	412,279	—	412,279
Intersegment Sales or Transfers	22,051	45	119	5,103	2,000	—	29,319	(29,319)	—
Total	224,957	61,571	24,582	77,461	41,011	12,015	441,599	(29,319)	412,279
Segment Income/(Loss)	26,721	2,419	45	(5,506)	(2,139)	2,978	24,519	(4,577)	19,942

Notes:

1. The EMEA Business refers to Europe, the Middle East and African regions.
2. The segment income/(loss) adjustment refers to intersegment transaction eliminations amounting to ¥2,543 million and Companywide expenses totaling ¥7,120 million not allocated to specific reportable segments. Companywide expenses mainly comprise expenditures relating to the Company's Administration Division.
3. Segment income/(loss) is adjusted for operating income decribed 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 Segments)

Effective from the first quarter of the fiscal year ending December 31, 2016, reportable segment classifications have been changed from the "Japan Business" and "Global Business" segments to the "Japan Business" "China Business" "Asia Pacific Business" "Americas Business" "EMEA Business" and "Travel Retail Business" segments in accordance with changes in the organizational structure of the Shiseido Group.

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

(Major Subsequent Event)

Business Combination due to Acquisition

On June 2, 2016, the Company's subsidiary in the US, Shiseido Americas Corporation, signed a definitive agreement with Alticor Inc. to acquire its wholly-owned subsidiary Gurwitch Products, LLC, a marketer of global prestige cosmetics and skincare brands. Pursuant to that agreement, Shiseido Americas acquired all of the shares of Gurwitch on July 12, 2016.

1. Overview of the business combination

(1) Overview of the acquired company
Name: Gurwitch Products, LLC
Business activities: Sales of the prestige cosmetics ***Laura Mercier*** and ***RéVive*** brands

(2) The main reason for the business combination
The acquisition is consistent with Shiseido's medium-to-long-term strategy VISION 2020 goal to accelerate global growth as well as the Company's strategy to leverage regional strengths, assets, and expertise for global benefit. With the addition of the ***Laura Mercier*** brand, which has an oustanding presence in the prestige makeup market and the prestige skincare ***RéVive*** brand, positive steps will be taken to further strengthen the Shiseido Group's portfolio. At the same time, the combination will help provide the Company with significant growth opportunities by expanding points of contact with consumers in the prestige makeup market and forge a robust presence.

(3) Date of the business combination
July 12, 2016

(4) Legal form of the business combination
The acquisition of shares through the payment of cash

(5) Name of the company after the business combination
There will be no change to the company name.

(6) Percentage of voting rights to be acquired
100%

(7) The principal acquisition process
The payment of cash as compensation for shares and the acquisition of the cosmetics brands

2. Acquisition cost of the acquired company
Payment of cash on the date of business combination: US$240 million*
Note: The amount of compensation (acquisition cost) may be adjusted.

3. Amount and cause of goodwill; amortization method and period
The amount of goodwill is currently being calculated.

(Supplementary Information)

Execution of an Important Licensing Agreement

On June 30, 2016, the Company's subsidiary, BEAUTÉ PRESTIGE INTERNATIONAL S.A., entered into a licensing agreement regarding the development, manufacture, and distribution of the fragrance, makeup, and skincare lines and products of DOLCE&GABBANA S.R.L., an Italy-based luxury fashion brand, on a worldwide exclusive basis.

1. Objective of the Agreement
   Concluding this licensing agreement will enhance activities in the fragrance category, which is of particular importance to the Group's operations in Europe and the US among the three key categories in the beauty market, and also strengthen the functions of the Center of Excellence* for Fragrance that is owned by Shiseido Group EMEA.

   Note: Center of Excellence: With the aim of nurturing globally competitive brands, the Shiseido Group pursues the Center of Excellence startegy in which each center (for skincare in Japan, for makeup and digital marketing in the United States, and for fragrance in Europe) will capitalize on its capabilities and expertise in global marketing while leading data collection, strategy planning and product development that yield cutting-edge results in its designated field with world influence.

2. Counterparty to the Agreement
   DOLCE&GABBANA S.R.L.

3. Type of Assets that Fall within the Scope of the Agreement
   Intellectual property rights and other assets

4. Date of Agreement Execution and Commencement Date
   June 30, 2016 and October 1, 2016