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.

November 9, 2016

Consolidated Settlement of Accounts for the First Nine Months 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: November 11, 2016
Start of cash dividend payments: —
Supplementary quarterly materials prepared: Yes (Supplementary information will be uploaded to the corporate website on Wednesday, November 9, 2016)
Quarterly financial results information meeting held: Yes (conference call for institutional investors, analysts, etc.)

1. Performance for the First Nine Months of the Fiscal Year Ending December 31, 2016 (From January 1–September 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 Nine Months Ended September 30, 2016	622,728 [—%]	38,737 [—%]	38,203 [—%]	37,175 [—%]
First Nine Months Ended September 30, 2015	— [—%]	— [—%]	— [—%]	— [—%]

Note: Comprehensive income First nine months ended September 30, 2016: ¥(17,989) million [—%]
First nine months ended September 30, 2015: ¥— million [—%]

	Net Earnings per Share (Yen)	Fully Diluted Net Earnings per Share (Yen)
First Nine Months Ended September 30, 2016	93.12	93.00
First Nine Months Ended September 30, 2015	—	—

Shiseido changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2015. As a result, comparative data with the first nine months of the fiscal year ended December 31, 2015 has not been provided because consolidated financial statements for the first nine months of the fiscal year ended December 31, 2015 have not been prepared.

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

(Millions of yen)

Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
622,728 [(1.3)%]	38,737 [17.1%]	38,203 [17.9%]	37,175 [135.0%]

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As at September 30, 2016	801,497	386,320	45.9%
As at December 31, 2015	808,547	413,334	48.4%

[Reference] Equity: As at September 30, 2016: ¥367,850 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: None
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 months from April 1, 2015 to December 31, 2015, and the 12 months 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 nine months ended September 30, 2016: 400,000,000
  - Fiscal year ended December 31, 2015: 400,000,000
- 2) Number of treasury stocks outstanding
  - First nine months ended September 30, 2016: 728,156
  - Fiscal year ended December 31, 2015: 899,741
- 3) Average number of shares over the period
  - First nine months ended September 30, 2016: 399,207,799
  - First nine months ended September 30, 2015: —

Shiseido changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2015. As a result, data for the average number of shares over the period for the first nine months of the fiscal year ended December 31, 2015 has not been provided because consolidated financial statements for the first nine months of the fiscal year ended December 31, 2015 have not been prepared.

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 Shiseido'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 10 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 (or "the Company") and its subsidiaries that fall within its scope of consolidation with a March 31 fiscal year-end changed their account settlement dates to December 31. Comparative data for the corresponding period of the previous year (Notes) 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 Nine Months of the Fiscal Year Ending December 31, 2016	622.7	38.7	38.2	37.2	93.12	93.00
(Reference) Corresponding period of the previous year	631.0	33.1	32.4	15.8	39.65	39.58
Adjusted percentage increase/(decrease)	(1.3)%	17.1%	17.9%	135.0%	134.9%	135.0%
Adjusted percentage change increase/(decrease) in local currency	5.4%					
First Nine Months of the Fiscal Year Ended December 31, 2015	—	—	—	—	—	—

Notes:

1. The corresponding period for the first nine months of the fiscal year ending December 31, 2016 from January 1, 2016 to September 30, 2016 is the nine months from January 1, 2015 to September 30, 2015. The adjusted percentage increase/(decrease) data represent year-on-year changes compared with the corresponding period of the previous year.
2. The account settlement date was changed from March 31 to December 31 effective from the fiscal year ended December 31, 2015. Data for the first nine months of the fiscal year ended December 31, 2015 has not been provided because consolidated financial statements for the first nine months of the fiscal year ended December 31, 2015 have not been prepared.

Despite signs of weakness in certain areas, economic conditions in Japan continued along a moderate recovery path underpinned by such factors as improvements in the employment environment in the first nine months of the fiscal year under review (the nine months from January 1, to September 30, 2016). In contrast, there is a growing sense of uncertainty regarding the future due largely to further appreciation of the yen and mounting anxiety toward overseas economies. Despite indications that the inbound sales growth rate is settling down, 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 nine months 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 enhancing, 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 nine months of the fiscal year ending December 31, 2016 climbed 5.4% compared with the corresponding period of the previous year on a local currency basis. Excluding the EMEA business, which was impacted by the decline in ***Jean Paul GAULTIER*** sales following termination of the licensing agreement, sales grew across all regions. This was largely attributable to ongoing growth momentum as well as additional sales from the acquisition of ***Laura Mercier*** and ***RéVive*** in July. Movements in foreign currency exchange rates and most notably appreciation of the yen had a major impact, with consolidated net sales coming to ¥622.7 billion, 1.3% lower than the level recorded for the corresponding period of the previous year. From a profit perspective, operating income rose 17.1% year on year, to ¥38.7 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 effects of cost structural reforms. Meanwhile, net income attributable to owners of parent surged 135.0% compared with the corresponding period of the previous year, to ¥37.2 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:¥108.7, €1:¥121.2, and CNY1:¥16.5 for the first nine months of the fiscal year under review.

[Consolidated Performance]

(Sales) (Millions of yen)

Reportable Segment	First Nine Months Ended September 30, 2016	Share of Total	(Reference) Adjusted Nine Months Ended September 30, 2015	Share of Total	Adjusted Year-on-Year Increase/(Decrease)		
					Amount	Change	Change in local currency terms
Japan Business	305,506	49.1%	293,821	46.6%	11,684	4.0%	4.0%
China Business	88,505	14.2%	87,993	13.9%	511	0.6%	16.7%
Asia Pacific Business	36,866	5.9%	39,688	6.3%	(2,821)	(7.1)%	7.1%
Americas Business	115,330	18.5%	121,116	19.2%	(5,785)	(4.8)%	6.1 %
EMEA Business	58,191	9.4%	75,316	11.9%	(17,124)	(22.7)%	(13.3)%
Travel Retail Business	18,327	2.9%	13,093	2.1%	5,234	40.0%	55.7%
Sales Total	622,728	100.0%	631,029	100.0%	(8,301)	(1.3)%	5.4%

Note: Sales by reportable segment are sales to outside customers.

(Income)

Reportable Segment		First Nine Months Ended September 30, 2016	Ratio to Net Sales	(Reference) Adjusted Nine Months Ended September 30, 2015	Ratio to Net Sales	Adjusted Year-on-Year Increase/(Decrease)	
						Amount	Change
Operating Income	Japan Business	45,907	13.5%	39,582	12.1%	6,324	16.0%
	China Business	4,267	4.8%	(1,956)	(2.2)%	6,224	—
	Asia Pacific Business	1,797	4.9%	1,795	4.5%	1	0.1%
	Americas Business	(8,055)	(6.6)%	(5,434)	(4.2)%	(2,621)	—
	EMEA Business	(2,845)	(4.6)%	5,999	7.5%	(8,844)	—
	Travel Retail Business	4,762	26.0%	2,089	16.0%	2,673	127.9%
	All Regions	45,834	6.9%	42,076	6.2%	3,757	8.9%
	Adjustments	(7,097)	—	(9,003)	—	1,906	—
	Total	38,737	6.2%	33,072	5.2%	5,664	17.1%
Ordinary Income		38,203	6.1%	32,394	5.1%	5,808	17.9%
Net Income Attributable to Owners of Parent		37,175	6.0%	15,816	2.5%	21,359	135.0%

Notes:

1. The Operating Income/Loss adjustment refers to intersegment transaction eliminations amounting to ¥3,232 million and Companywide expenses totaling ¥10,330 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 three months 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 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 4.0% compared with the corresponding period of the previous year, to ¥305.5 billion in the first nine months of the fiscal year under review. This was mainly due to the upswing in sales of the ***clé de peau BEAUTÉ***, ***SHISEIDO*** and ***IPSA*** brands in the prestige category and robust sales in such mid-priced brands as ***ELIXIR***, ***MAQuillAGE*** and ***PRIOR***, which continued to surpass levels recorded in the previous year covering low-priced brands that struggled, in the cosmetics category. Turning to inbound sales targeting overseas tourists to Japan, trends were strong primarily in airport duty-free and departments stores. Despite signs that growth rates in inbound sales are beginning to settle, results in the first nine months of the fiscal year ending December 31, 2016 again exceeded the corresponding period of the previous year. In addition to intense ongoing marketing investments, higher margins in line with the increase in sales, improvements in the product mix, and cost structural reforms, profits were impacted by delays with respect to the timing of marketing investments. Taking each of these factors into consideration, operating income increased 16.0% compared with the corresponding period of the previous year, to ¥45.9 billion.

[China Business]

In the China Business, sales climbed 16.7% compared with the corresponding period of the previous year on a local currency basis. After converting into Japanese yen, segment sales grew 0.6% year on year, to ¥88.5 billion. In addition to the steady improvement in sales in such prestige brands as ***SHISEIDO, clé de peau BEAUTÉ*** and ***IPSA***, this was mainly due to E-commerce sales centered on personal care brands, where growth also substantially outpaced the market. Operating income climbed ¥6.2 billion year on year, to ¥4.3 billion. Despite higher marketing investments and an increase in personnel expenses, this increase in operating income largely reflected higher margins in line with the increase in sales and improvements in the cost of sales as a result of the favorable turn in the product mix.

[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 7.1% compared with the corresponding period of the previous year on a local currency basis. After converting to Japanese yen, however, sales declined 7.1% year on year, to ¥36.9 billion. Turning to profits, operating income improved 0.1% compared with the corresponding period of the previous year, to ¥1.8 billion owing mainly to higher margins in line with the increase in sales.

[Americas Business]

In the Americas Business, sales rose 6.1% compared with the corresponding period of the previous year on a local currency basis. After converting to Japanese yen, however, sales declined 4.8% year on year, to ¥115.3 billion. In addition to continued high growth in the prestige brands such as ***SHISEIDO***, ***NARS*** and ***clé de peau BEAUTÉ***, results reflected the boost to sales following the acquisition of ***Laura Mercier*** and ***RéVive*** in July. The operating loss in this segment came to ¥8.1 billion, a further deterioration of ¥2.6 billion year on year. Together with the strengthening of marketing investments, this was primarily due to the structural reform of Bare Escentuals, Inc. and one time costs incurred in connection with the acquisition of the aforementioned brands.

[EMEA Business]

Despite the steady growth in sales of ***SHISEIDO*** and ***narciso rodriguez***, results in the EMEA Business were substantially impacted by the downturn in ***Jean Paul GAULTIER*** sales following the termination of the licensing agreement in 2015. Accounting for these factors, sales in this segment declined 13.3% compared with the corresponding period of the previous year on a local currency basis. This was 22.7% lower year on year after converting to Japanese yen, to ¥58.2 billion. Meanwhile, sales increased 8.0% in local currency terms compared with the corresponding period of the previous year after excluding the impact of the ***Jean Paul GAULTIER***. In the first nine months of the fiscal year under review, there was a negative movement of ¥8.8 billion compared with the corresponding period of the previous year resulting in an operating loss of ¥2.8 billion. This mainly reflected lower margins in line with the drop in sales.

[Travel Retail Business]

In the Travel Retail Business, a variety of measures were undertaken, which included the opening of counters, steps to increase the number of beauty consultants and introduce designated Travel Retail products as well as efforts to actively strengthen marketing investments. As a result, sales expanded at major airport duty-free stores in Asia including China, South Korea, and Thailand. Accounting for these factors, sales in this segment increased 55.7% compared with the corresponding period of the previous year on a local currency basis. After converting to Japanese yen, sales grew 40.0% year on year, to ¥18.3 billion. Operating income also climbed 127.9% year on year, to ¥4.8 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 and LM); TR business in Japan
China Business	Business in the China region generally including the operations of such companies as Shiseido China Co., Ltd. (excluding BE, LM, and TR)
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 BE, LM, and TR)
Americas Business	Operations of such companies as Shiseido Americas Corporation, business in the Americas region generally; Bare Escentuals, Inc., Laura Mercier, and other (excluding TR)
EMEA Business	Operations of such companies as Shiseido International Europe S.A., business in the EMEA generally; Beauté Prestige International S.A. and its subsidiaries, and other (excluding BE, LM and TR)
Travel Retail Business	Operations of worldwide duty-free stores generally excluding Japan (excluding Beauté Prestige International S.A. in the TR 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; LM: Laura Mercier and RéVive through the acquisition of Gurwitch Products, LLC; TR: Travel Retail business

(2) Consolidated Forecasts and Other Forward-Looking Information

There is no change to the consolidated forecasts announced on August 9, 2016.

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 September 30, 2016
ASSETS		
Current Assets:		
Cash and time deposits	116,771	120,015
Notes and accounts receivable	127,201	128,127
Short-term investments in securities	7,685	10,745
Inventories	105,928	110,615
Deferred tax assets	28,242	30,438
Other current assets	26,608	26,305
Less: Allowance for doubtful accounts	(1,765)	(1,709)
Total current assets	410,673	424,537
Fixed Assets:		
Property, Plant and Equipment, at Cost:		
Buildings and structures	162,630	159,239
Less: Accumulated depreciation	(103,837)	(102,863)
Buildings and structures, net	58,793	56,376
Machinery, equipment and vehicles	86,981	81,522
Less: Accumulated depreciation	(73,076)	(68,576)
Machinery, equipment and vehicles, net	13,905	12,946
Tools, furniture and fixtures	77,869	75,001
Less: Accumulated depreciation	(55,758)	(53,766)
Tools, furniture and fixtures, net	22,110	21,234
Land	29,989	36,223
Lease assets	7,373	7,230
Less: Accumulated depreciation	(3,734)	(3,904)
Leased assets, net	3,639	3,326
Construction in progress	5,843	6,545
Total property, plant and equipment	134,281	136,653
Intangible Assets:		
Goodwill	59,430	52,994
Leased assets	513	404
Trademarks	60,087	58,337
Other intangible assets	41,372	36,389
Total intangible assets	161,403	148,126
Investments and Other Assets:		
Investments in securities	27,434	22,272
Long-term loans receivable	396	335
Long-term prepaid expenses	12,692	12,758
Deferred tax assets	36,833	33,435
Other investments	24,877	23,412
Less: Allowance for doubtful accounts	(46)	(33)
Total investments and other assets	102,187	92,180
Total fixed assets	397,873	376,960
Total assets	808,547	801,497

(Millions of yen)

	As at December 31, 2015	As at September 30, 2016
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	33,102	36,196
Electronically recorded obligations - operating	29,213	33,172
Short-term debt	7,167	38,210
Commercial papers	4,218	6,067
Current portion of long-term debt	5,739	5,731
Lease obligations	1,870	1,759
Other payables	37,090	32,154
Accrued income taxes	4,661	13,798
Reserve for sales returns	14,799	10,785
Accrued bonuses for employees	18,480	21,051
Accrued bonuses for directors	55	74
Provision for liabilities and charges	1,192	449
Deferred tax liabilities	16	0
Other current liabilities	49,176	42,750
Total current liabilities	206,784	242,203
Long-Term Liabilities:		
Bonds	30,000	30,000
Long-term debt	35,432	32,550
Lease obligations	2,184	1,833
Liability for retirement benefits	83,656	79,299
Allowance for losses on guarantees	350	350
Allowance for environmental measures	377	376
Provision for structural reforms	990	—
Deferred tax liabilities	31,270	25,016
Other long-term liabilities	4,165	3,546
Total long-term liabilities	188,428	172,972
Total Liabilities	395,212	415,176
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,258	70,278
Retained earnings	233,933	263,111
Treasury stock	(1,700)	(1,377)
Total shareholders' equity	366,999	396,519
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	8,144	4,890
Foreign currency translation adjustments	40,374	(13,053)
Accumulated adjustments for retirement benefits	(23,854)	(20,506)
Total accumulated other comprehensive income	24,664	(28,669)
Stock Acquisition Rights	863	813
Non-Controlling Interests in Consolidated Subsidiaries	20,806	17,656
Total Net Assets	413,334	386,320
Total Liabilities and Net Assets	808,547	801,497

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

Consolidated Quarterly Statements of Income Cumulative for the First Nine Months

(Millions of yen)

	First Nine Months Ended September 30, 2016 (January 1, 2016 to September 30, 2016)
Net Sales	622,728
Cost of Sales	150,629
Gross profit	472,098
Selling, General and Administrative Expenses	433,361
Operating Income	38,737
Other Income	
Interest income	553
Dividend income	285
Equity in earnings of affiliates	171
Rental income	575
Subsidy income	559
Other	866
Total other income	3,011
Other Expenses	
Interest expense	589
Foreign exchange loss	2,028
Other	926
Total other expenses	3,545
Ordinary Income	38,203
Extraordinary Gains	
Gain on transfer of business	8,884
Gain on sales of property, plant and equipment	9,041
Gain on sales of investments in securities	24
Total extraordinary gains	17,951
Extraordinary Losses	
Impairment loss	156
Structural reform expenses	1,355
Loss on disposal of property, plant and equipment	557
Loss on revaluation of investments in securities	21
Total extraordinary losses	2,091
Income before income taxes	54,063
Income Taxes – Current	19,082
Income Tax –Deferred	(3,470)
Total Income Taxes	15,612
Net income	38,451
Net Income Attributable to Non-Controlling Interests	1,275
Net Income Attributable to Owners of Parent	37,175

Consolidated Statements of Comprehensive Income
Cumulative for the First Nine Months

(Millions of yen)

	First Nine Months Ended September 30, 2016 (January 1, 2016 to September 30, 2016)
Net Income	38,451
Other Comprehensive Income	
Unrealized gains (losses) on available-for-sale securities	(3,288)
Foreign currency translation adjustments	(56,451)
Adjustment for retirement benefits	3,355
Share of other comprehensive income of associates accounted for under the equity method	(57)
Total other comprehensive income (loss)	(56,440)
Comprehensive Income (Losses)	(17,989)
(Breakdown)	
Comprehensive income (losses) attributable to owners of parent	(16,158)
Comprehensive income (losses) attributable to non-controlling interests	(1,831)

(3) 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 nine months of the fiscal year ending December 31, 2016
(From January 1, 2016 to September 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 nine months of the fiscal year ending December 31, 2016
(From January 1, 2016 to September 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 nine months of the fiscal year ending December 31, 2016
(From January 1, 2016 to September 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)

First Nine Months of the Fiscal Year Ending December 31, 2016
(From January 1, 2016 to September 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	305,506	88,505	36,866	115,330	58,191	18,327	622,728	—	622,728
Intersegment Sales or Transfers	33,599	92	149	7,296	3,064	—	44,202	(44,202)	—
Total	339,105	88,598	37,015	122,626	61,256	18,327	666,930	(44,202)	622,728
Segment Income/(Loss)	45,907	4,267	1,797	(8,055)	(2,845)	4,762	45,834	(7,097)	38,737

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 ¥3,232 million and Companywide expenses totaling ¥10,330 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 three months 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.

(Business Combination)

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 Corporation acquired all of the shares of Gurwitch Products, LLC 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 by the Company's subsidiary in the US, Shiseido Americas Corporation for shares and the acquisition of the cosmetics brands

2. *Disclosure period for results of acquired company in Consolidated Quarterly Statements of Income (cumulative period)*

From July 12 to September 30, 2016

3. *Acquisition cost of the acquired company*

Compensation	Cash	$248,195 thousand (¥25,489 million)
Acquisition cost		$248,195 thousand (¥25,489 million)

4. *Amount and cause of goodwill; amortization method and period*

(1) Amount of goodwill

$62,917 thousand (¥6,461million)

(2) Cause of goodwill

Additional future income-generating power expected to derive from business development going forward.

(3) Amortization method and period

Straight-line method over 10 years

(Major Subsequent Event)

Issue of domestic unsecured straight bonds

At its meeting held on October 27, 2016, the Board of Directors reached a comprehensive resolution to issue domestic unsecured straight bonds. Details are outlined as follows.

(1) Total amount of issue	Maximum of ¥20.0 billion (however, multiple issues can be made within this total amount)
(2) Payment amount	At least ¥100 for each ¥100 bond issued
(3) Interest rate	Maximum of +1.0 percentage point over the running yield of government bonds with the same maturity
(4) Term	Within 10 years
(5) Redemption method	Lump sum payment upon maturity
(6) Issue period	Between the time of the resolution of the Board of Directors and December 31, 2016
(7) Use of funds raised	Repayment of loans, etc.