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.

Consolidated Settlement of Accounts for the First Two Quarters of the Fiscal Year Ending December 31, 2015

[Japanese Standards]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number: 4911)
URL: http://www.shiseidogroup.com/
Representative: Masahiko Uotani, Representative Director, President and CEO
Contact: Tetsuaki Shiraiwa, General Manager, Investor Relations Department
Tel. +81-3-3572-5111

Filing date of quarterly securities report: November 10, 2015 (plan)
Start of cash dividend payments: December 4, 2015 (plan)
Supplementary quarterly materials prepared:Yes (Supplementary information will be uploaded to the corporate website on Friday, October 30, 2015)
Quarterly results information meeting held: Yes (for institutional investors, analysts, etc.)

1. Performance for the First Two Quarters of the Fiscal Year Ending December 31, 2015 (From April 1–September 30, 2015)

* Amounts under one million yen have been rounded down.

(1) Consolidated Operating Results

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

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
First Two Quarters Ended September 30, 2015	411,889 [+12.6%]	14,888 [+36.2%]	15,153 [+31.6%]	3,988 [–83.8%]
First Two Quarters Ended September 30, 2014	365,678 [+1.4%]	10,932 [–46.4%]	11,512 [–45.2%]	24,629 [+358.0%]

Note: Comprehensive income
First Two quarters ended September 30, 2015: ¥9,292 million [−33.8%]
First Two quarters ended September 30, 2014: ¥14,040 million [–67.8%]

	Net Earnings per Share (Yen)	Fully Diluted Net Earnings per Share (Yen)
First Two Quarters Ended September 30, 2015	10.00	9.98
First Two Quarters Ended September 30, 2014	61.78	61.68

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As at September 30, 2015	831,658	414,840	47.0%
As at March 31, 2015	823,636	409,369	47.0%

[Reference] Equity: As at September 30, 2015: ¥391,093 million
As at March 31, 2015: ¥386,860 million

2. Cash Dividends

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

Note: Revision to dividend forecast during period: None

3. Projections for the Fiscal Year Ending December 31, 2015 (April 1–December 31, 2015)

(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 Dec. 2015	760,000 [—]	30,000 [—]	30,000 [—]	13,000 [—]	32.58

Note: Revisions to the most recently disclosed projections: Yes
At the Ordinary General Meeting of Shareholders on June 23, 2015, the “Partial Amendments to the Articles of Incorporation” were approved, changing the fiscal year-end from March 31 to December 31 from the fiscal year ending December 31, 2015. For the Company and subsidiaries with March 31 fiscal year-ends, therefore, fiscal 2015 will be the nine-month period from April 1 to December 31, 2015. The fiscal periods for subsidiaries with December 31 fiscal year-ends will remain unchanged (January 1–December 31, 2015).

[Reference]
Percentage figures below (adjusted % increase/decrease) represent year-on-year changes based on adjusted figures for the nine-month period (April 1–December 31, 2014) for the Company and subsidiaries with March 31 fiscal year-ends.

(Millions of yen)

Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
760,000 [+12.2%]	30,000 [+41.3%]	30,000 [+31.5%]	13,000 [–52.8%]

Notes

(1) Significant changes in subsidiaries during the period (changes in specific subsidiaries due to change in 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 amendment of accounting standards: Yes
2) Other changes in accounting policies: None
3) Changes in accounting estimates: None
4) Restatements: None

Note: For more information, please refer to “2. (3) Changes in Accounting Policies; Changes in Accounting Estimates; Restatements” on page 9.

(4) Shares outstanding (common stock) at term-end

1) Number of shares outstanding (including treasury stock)
   As at September 30, 2015: 400,000,000
   As at March 31, 2015: 400,000,000
2) Number of treasury stocks outstanding
   As at September 30, 2015: 921,521
   As at March 31, 2015: 1,173,894
3) Average number of shares over period
   First two quarters ended September 30, 2015: 398,996,709
   First two quarters ended September 30, 2014: 398,665,703

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 (3) Consolidated Forecasts and Other Forward-Looking Information” on page 8 for information on preconditions underlying the above outlook and other related information.

Contents

1. Analysis of Operating Results

(1) Consolidated Performance

Review of Performance in the First Two Quarters of the Fiscal Year Ending December 31, 2015

In the first two quarters of the fiscal period under review (the six-month period from April 1 to September 30, 2015), the Japanese economy continued on a moderate recovery trend, supported by government measures to stimulate the economy, and consumer spending was stable overall. Similarly, the domestic cosmetics market remained firm. In addition to a persistent recovery trend, this was attributable to contributions from inbound demand. Overseas cosmetics markets are closely linked with economic conditions in their respective regions. Market growth was weak in Europe, but continued to be firm in China, Asia and the Americas. (For our overseas consolidated subsidiaries, the first two quarters refers to the six-month period from January 1 to June 30, 2015.)

In this environment, in December 2014 we announced VISION 2020, the medium- and long-term strategy for building a foundation that will enable us to remain vital for the next 100 years. This vision refocuses all activity on a consumer orientation, and strives to rebuild the brand value. In fiscal 2015, we will further reinforce marketing activities from a consumer orientation, reforming our organization in response to changes in consumer trends and take other measures to resolve issues identified in the previous fiscal year.

In the first two quarters, we posted consolidated net sales of ¥411.9 billion, up 12.6% year on year. In addition to seeing results from brand innovation initiatives implemented from the previous fiscal year, we also undertook proactive measures to capture growing inbound demand. As a result of these and other endeavors, domestic sales rose 12.2%, to ¥193.7 billion. Overall overseas sales were up 2.8% year on year in local currency terms. Despite results in China, where we are restructuring our business foundation, falling below the previous year’s level, this overall improvement in overseas sales reflects year-on-year growth in all other regions. After translation into yen, Global Business sales were up 13.0%, to ¥218.2 billion.

Operating income rose 36.2%, to ¥14.9 billion, owing to the increase in earnings attributable to the growth in net sales and improved cost efficiencies. Ordinary income expanded 31.6%, to ¥15.2 billion. Net income attributable to owners of parent amounted to ¥4.0 billion, a decline of 83.8% from the previous fiscal year. In addition to the absence of the gain on transfer in line with the sale of the ***DECLÉOR and CARITA*** brands posted as extraordinary income in the previous period, this decrease in net income attributable to owners of parent also reflects the increase in tax expenses due to a smaller tax benefit related to the elimination of unrealized earnings as a result of the change to an irregular account settlement period.

As originally planned, the Company has set the interim dividend at ¥10 per share.

[Consolidated Performance]

(Net Sales) (Millions of yen)

	First Two Quarters Ended September 2015	Share of Total	First Two Quarters Ended September 2014	Share of Total	Year-on-Year Increase/Decrease		
					Amount	Change	Change in Local Currency Terms
Japan Business	174,471	42.4%	157,042	43.0%	17,429	+11.1%	+11.1%
Global Business	225,873	54.8%	200,883	54.9%	24,989	+12.4%	+2.5%
Others	11,544	2.8%	7,752	2.1%	3,792	+48.9%	+48.9%
Total Net Sales	411,889	100.0%	365,678	100.0%	46,211	+12.6%	+7.2%

Domestic Sales	193,673	47.0%	172,554	47.2%	21,118	+12.2%	+12.1%
Overseas Sales	218,216	53.0%	193,123	52.8%	25,092	+13.0%	+2.8%

(Income)

	First Two Quarters Ended September 2015	Ratio to Net Sales	First Two Quarters Ended September 2014	Ratio to Net Sales	Year-on-Year Increase/Decrease	
					Amount	Change
Japan Business	18,013	10.0%	12,610	7.8%	5,403	+42.8%
Global Business	(6,121)	–2.7%	(3,105)	–1.5%	(3,015)	—
Others	2,949	16.3%	1,438	9.8%	1,511	+105.0%
Elimination/Corporate	46	—	(10)	—	57	—
Operating Income Total	14,888	3.6%	10,932	3.0%	3,955	+36.2%
Ordinary Income	15,153	3.7%	11,512	3.1%	3,641	+31.6%
Net Income Attributable to Owners of Parent	3,988	1.0%	24,629	6.7%	(20,640)	-83.8%

Notes: 1. Ratio to net sales includes intersegment transactions.
2. Effective from the first quarter of the fiscal year ending December 2015, the Company has partially reorganized its reportable segment classification method, ahead of a new organizational system to start in the fiscal year ending December 2016. Under the revision of reportable segments, the “Domestic Cosmetics Business” and “Global Business” segments became the “Japan Business” and “Global Business” segments. Some subsidiaries, previously classified under the “Domestic Cosmetics Business” segment, are reclassified under the “Global Business” or “Others” segment. Also, the method of allocating certain expenses has been revised in order to more accurately ascertain the operating performance of individual segments. Results for the first six months of the previous fiscal year have been adjusted to the reportable segment post-revision classification and expense allocation methods.

Results by Reportable Segment

(a) Japan Business

In the Japan Business, sales increased 11.1%, to ¥174.5 billion, in the first two quarters of the fiscal year under review. We continued initiatives to enhance our brand value from the previous fiscal year and strengthened efforts to innovate our core brands while increasing marketing investment. As a result, sales continued to grow for the ***ELIXIR*** aging care brand and the ***MAQuillAGE*** makeup brand. Sales were also favorable for the ***clé de Peau BEAUTÉ*** luxury brand and the brand ***SHISEIDO*** which was driven by the ***ULTIMUNE*** serum launched in 2014. Inbound demand also increased for the ***ANESSA*** sunscreen and skincare products in the ***SENKA*** brand.

Operating income was ¥18.0 billion, an increase of 42.8% owing to improved cost efficiencies and an increase in earnings attributable to the growth in sales, even though marketing investment expanded.

(b) Global Business

In the Global Business, sales rose 2.5% in local currency terms, and totaled ¥225.9 billion after translation into yen, a year-on-year increase of 12.4% that reflects yen depreciation.

In China, although e-commerce sales expanded, overall sales were down compared with the previous year owing to a reduction in market inventories at specialty stores and distributors in preparation for restructuring the business foundation. In Asia, sales increased from the previous year, buoyed by strong growth in the travel retail business and continued growth in sales of ***ULTIMUNE*** under the brand ***SHISEIDO***. In the Americas, sales were higher than the previous year on sustained growth in sales of the ***NARS*** makeup artist brand and the ***clé de Peau BEAUTÉ*** brand. In Europe, demand remained firm for fragrances and the brand ***SHISEIDO***, resulting in year-on-year growth in sales.

Operating losses totaled ¥6.1 billion, owing mainly to higher marketing investment in China and for fragrances.

(c) Others

In the Others segment, sales grew 48.9% to ¥11.5 billion, reflecting successful efforts to capture inbound demand at subsidiary THE GINZA Co., Ltd., which sells cosmetics at duty-free shops in domestic airports.

With an increase in the marginal gain on higher sales, operating income grew 105.0% to ¥2.9 billion.

(2) Consolidated Financial Position

(a) Assets, Liabilities and Net Assets

As of September 30, 2015, the Group had total assets of ¥831.7 billion, up ¥8.0 billion from the previous fiscal year-end (March 31, 2015), owing mainly to an increase in cash and time deposits as well as inventories. Liabilities rose ¥2.6 billion to ¥416.8 billion, reflecting an increase in debt. Net assets totaled ¥414.8 billion, an increase of ¥5.5 billion on account of an increase in foreign currency translation adjustments. The equity ratio at the end of the period was 47.0%, unchanged from the previous fiscal year-end.

(b) Cash Flows

Net cash provided by operating activities totaled ¥31.9 billion in the first two quarters of fiscal 2015. Net cash used in investing activities was ¥9.7 billion, reflecting capital investments in sales counters at stores around the world. Net cash used in financing activities amounted to ¥1.7 billion, reflecting the payment of year-end dividends for the previous fiscal year and other items.

As a result of these activities, cash and cash equivalents at the end of the first two quarters totaled ¥120.9 billion, an increase of ¥20.1 billion from the start of the fiscal year.

(3) Consolidated Forecasts and Other Forward-Looking Information

In light of performance in the first two quarters under review including a downward revision of sales forecasts in China as well as the projected partial recording of gains on the sale of intellectual property related to the ***Jean Paul GAULTIER*** fragrance and other factors, we have revised our consolidated forecasts for the full fiscal year (our previous forecasts were announced on July 31, 2015), as shown in the table below. Our forecasts are based on the exchange rates of ¥120 per U.S. dollar, ¥134 per euro, and ¥19.3 per Chinese yuan.

The Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ending December 31, 2015. For the Company and subsidiaries with March 31 fiscal year-ends, therefore, fiscal 2015 will be the nine-month period from April 1 to December 31, 2015. The fiscal periods for subsidiaries with December 31 fiscal year-ends will remain unchanged (January 1–December 31, 2015).

Revised Consolidated Forecasts for the Fiscal Year Ending December 31, 2015

(April 1–December 31, 2015) (Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Earnings per Share (yen)
Previous Forecast (A)	765,000	30,000	30,500	11,000	27.57
Revised Forecast (B)	760,000	30,000	30,000	13,000	32.58
Change (B–A)	(5,000)	0	(500)	2,000	
Percentage Change	–0.7%	0.0%	–1.6%	+18.2%	
Previous Result for the Fiscal Year Ended March 31, 2015	777,687	27,613	29,239	33,668	84.44
Previous Result for the Fiscal Year Ended March 31, 2015 (Adjusted)	677,457	21,234	22,814	27,523	69.04

Note: Figures for "Fiscal Year Ended March 31, 2015 (Adjusted)" have been adopted to the nine-month period (April 1–December 31, 2014) for the Company and subsidiaries with March 31 fiscal year-ends.

2. Summary (Note) Information

(1) Significant Changes in Subsidiaries during the Period
Not applicable.

(2) Special Accounting Treatment Adopted in Preparation of Consolidated Quarterly Financial Statements
Not applicable.

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

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

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

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

These adoptions had no impact on the consolidated quarterly financial statements for the first two quarters of the fiscal period under review.

(Reference) Overseas Sales

(Millions of yen)

	First Two Quarters Ended September 2015	Share of Sales	First Two Quarters Ended September 2014	Share of Sales	Year-on-Year Increase/Decrease		
					Amount	Change	Change in Local Currency Terms
China	62,931	15.3%	59,209	16.2%	3,721	+6.3%	–7.6%
Asia*	32,717	7.9%	27,148	7.4%	5,568	+20.5%	+10.3%
Americas	71,599	17.4%	58,631	16.0%	12,967	+22.1%	+5.8%
Europe	50,968	12.4%	48,133	13.2%	2,834	+5.9%	+7.6%
Overseas Sales	218,216	53.0%	193,123	52.8%	25,092	+13.0%	+2.8%

* Excluding China

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As at March 31, 2015	As at September 30, 2015
ASSETS		
Current Assets:		
Cash and Time Deposits	103,603	123,310
Notes and Accounts Receivable	131,951	114,379
Short-Term Investments in Securities	18,266	18,881
Inventories	106,696	119,546
Deferred Tax Assets	32,240	27,603
Other Current Assets	24,046	29,323
Less: Allowance for Doubtful Accounts	(1,733)	(1,753)
Total Current Assets	415,069	431,289
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and Structures	163,777	163,746
Less: Accumulated Depreciation	(101,389)	(103,143)
Buildings and Structures, Net	62,388	60,603
Machinery, Equipment and Vehicles	86,840	87,761
Less: Accumulated Depreciation	(72,784)	(73,637)
Machinery, Equipment and Vehicles, Net	14,056	14,124
Tools, Furniture and Fixtures	79,683	80,193
Less: Accumulated Depreciation	(54,892)	(56,976)
Tools, Furniture and Fixtures, Net	24,790	23,217
Land	30,256	30,344
Lease Assets	6,678	7,181
Less: Accumulated Depreciation	(2,935)	(3,514)
Leased Assets, Net	3,743	3,667
Construction in Progress	1,752	2,584
Total Property, Plant and Equipment	136,986	134,541
Intangible Assets:		
Goodwill	64,453	62,940
Leased Assets	635	564
Trademarks	58,005	58,938
Other Intangible Assets	44,027	42,233
Total Intangible Assets	167,121	164,677
Investments and Other Assets:		
Investments in Securities	29,234	26,546
Long-Term Prepaid Expenses	12,842	13,398
Deferred Tax Assets	37,960	36,148
Other Investments	24,483	25,108
Less: Allowance for Doubtful Accounts	(62)	(50)
Total Investments and Other Assets	104,458	101,150
Total Fixed Assets	408,567	400,369
Total Assets	823,636	831,658

(Millions of yen)

	As at March 31, 2015	As at September 30, 2015
LIABILITIES		
Current Liabilities:		
Notes and Accounts Payable	34,460	34,383
Electronically Recorded Obligations - Operating	25,980	28,863
Short-Term Debt	27,187	7,302
Commercial Papers	602	3,062
Current Portion of Bonds Payable	40,000	—
Current Portion of Long-Term Debt	5,952	5,945
Lease Obligations	1,873	1,886
Other Payables	35,329	39,647
Accrued Income Taxes	16,210	13,149
Reserve for Sales Returns	15,101	12,362
Accrued Bonuses for Employees	17,012	17,311
Accrued Bonuses for Directors	182	31
Provision for Liabilities and Charges	649	525
Provision for Structural Reforms	10	0
Deferred Tax Liabilities	39	34
Other Current Liabilities	44,788	43,858
Total Current Liabilities	265,381	208,363
Long-Term Liabilities:		
Bonds	—	30,000
Long-Term Debt	28,831	60,897
Lease Obligations	2,450	2,244
Liability for Retirement Benefits	77,704	75,824
Allowance for Losses on Guarantees	350	350
Allowance for Environmental Measures	395	395
Provision for Structural Reforms	1,005	1,002
Deferred Tax Liabilities	33,198	33,306
Other Long-Term Liabilities	4,949	4,433
Total Long-Term Liabilities	148,885	208,454
Total Liabilities	414,267	416,817
NET ASSETS		
Shareholders' Equity:		
Common Stock	64,506	64,506
Capital Surplus	70,258	70,258
Retained Earnings	218,757	218,744
Treasury Stock	(2,214)	(1,740)
Total Shareholders' Equity	351,308	351,768
Accumulated Other Comprehensive Income:		
Unrealized Gains on Available-for-Sale Securities	6,443	6,748
Foreign Currency Translation Adjustments	48,544	51,423
Accumulated Adjustments for Retirement Benefits	(19,435)	(18,847)
Total Accumulated Other Comprehensive Income	35,552	39,324
Stock Acquisition Rights	1,043	859
Non-Controlling Interests	21,465	22,887
Total Net Assets	409,369	414,840
Total Liabilities and Net Assets	823,636	831,658

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

Consolidated Quarterly Statements of Income Cumulative for First Two Quarters

(Millions of yen)

	First Two Quarters Ended September 30, 2014 (April 1, 2014 to September 30, 2014)	First Two Quarters Ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Net Sales	365,678	411,889
Cost of Sales	88,367	99,002
Gross Profit	277,311	312,887
Selling, General and Administrative Expenses	266,378	297,998
Operating Income	10,932	14,888
Other Income		
Interest Income	599	628
Dividend Income	288	338
Equity in Earnings of Affiliates	10	—
Rental Income	495	421
Subsidy Income	5	7
Foreign Exchange Gain	69	—
Other	465	398
Total Other Income	1,935	1,794
Other Expenses		
Interest Expense	686	441
Equity in Losses of Affiliates	—	33
Foreign Exchange Loss	—	333
Other	668	720
Total Other Expenses	1,355	1,529
Ordinary Income	11,512	15,153
Extraordinary Income		
Gain on Transfer of Business	22,397	835
Gain on Sales of Property, Plant and Equipment	796	92
Gain on Sales of Investments in Securities	0	2,341
Total Extraordinary Income	23,194	3,269
Extraordinary Losses		
Impairment Loss	—	3
Structural Reform Expenses	1,662	—
Loss on Liquidation of Subsidiaries and Affiliates	117	—
Loss on Disposal of Property, Plant and Equipment	449	806
Loss on Sales of Investments in Securities	25	0
Loss on Revaluation of Investments in Securities	0	6
Total Extraordinary Losses	2,254	817
Income before Income Taxes	32,451	17,606
Income Taxes – Current	6,787	8,531
Income Tax –Deferred	(465)	4,105
Total Income Taxes	6,321	12,636
Net Income	26,129	4,969
Net Income Attributable to Non-Controlling Interests	1,500	981
Net Income Attributable to Owners of Parent	24,629	3,988

Consolidated Statements of Comprehensive Income
Cumulative for First Two Quarters

(Millions of yen)

	First Two Quarters Ended September30, 2014 (April 1, 2014 to September 30, 2014)	First Two Quarters Ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Net Income	26,129	4,969
Other Comprehensive Income		
Unrealized Gains on Available-for-Sale Securities	321	331
Foreign Currency Translation Adjustments	(13,843)	3,426
Adjustment for Retirement Benefits	1,452	591
Share of Other Comprehensive Income of Entities Accounted for Under the Equity Method	(19)	(27)
Total Other Comprehensive Income (Loss)	(12,089)	4,322
Comprehensive Income	14,040	9,292
(Breakdown)		
Comprehensive Income Attributable to Owners of Parent	13,648	7,761
Comprehensive Income Attributable to Non-Controlling Interests	392	1,531

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Two Quarters Ended September 2014 (April 1, 2014 to September 30, 2014)	First Two Quarters Ended September 2015 (April 1, 2015 to September 30, 2015)
Cash Flows from Operating Activities:		
Income before Income Taxes	32,451	17,606
Depreciation	16,160	17,546
Amortization of Goodwill	2,344	2,530
Impairment Loss	—	3
(Gain) Loss on Disposal of Property, Plant and Equipment	(346)	714
(Gain) Loss on Sales of Investments in Securities	25	(2,341)
(Gain) Loss on Revaluation of Investments in Securities	0	6
Gain on Transfer of Business	(22,397)	(835)
Increase (Decrease) in Allowance for Doubtful Accounts	127	62
Increase (Decrease) in Reserve for Sales Returns	(2,528)	(2,682)
Increase (Decrease) in Accrued Bonuses for Employees	(2,662)	482
Increase (Decrease) in Accrued Bonuses for Directors	(72)	(151)
Increase (Decrease) in Provision for Liabilities and Charges	40	(79)
Increase (Decrease) in Provision for Structural Reforms	(87)	(13)
Increase (Decrease) in Liability for Retirement Benefits	299	897
Interest and Dividend Income	(888)	(967)
Interest Expense	686	441
Equity in (Earnings) Losses of Affiliates	(10)	33
(Increase) Decrease in Notes and Accounts Receivable	21,928	15,879
(Increase) Decrease in Inventories	(15,072)	(13,045)
Increase (Decrease) in Notes and Accounts Payable	(5,216)	11,484
Other	(642)	(792)
Subtotal	24,138	46,781
Interest and Dividends Received	986	1,130
Interest Paid	(685)	(458)
Income Tax Paid	(16,289)	(15,539)
Net Cash Provided by Operating Activities	8,150	31,913

(Millions of yen)

	First Two Quarters Ended September 2014 (April 1, 2014 to September 30, 2014)	First Two Quarters Ended September 2015 (April 1, 2015 to September 30, 2015)
Cash Flows from Investing Activities:		
Transfers to Time Deposits	(12,541)	(14,874)
Proceeds from Maturity of Time Deposits	12,953	14,754
Proceeds from Sale of Short-term Investments in Securities	300	—
Acquisition of Investments in Securities	(710)	(694)
Proceeds from Sales of Investments in Securities	16	5,630
Proceeds from Transfer of Business	29,960	726
Acquisition of Property, Plant and Equipment	(6,240)	(7,285)
Proceeds from Sales of Property, Plant and Equipment	1,498	90
Acquisition of Intangible Assets	(1,625)	(4,097)
Payments of Long-Term Prepaid Expenses	(2,434)	(3,624)
Acquisition of Shares in Subsidiaries Resulting in Change in Scope of Consolidation	—	(221)
Other	277	(120)
Net cash Provided by (Used in) Investing Activities	21,453	(9,716)
Cash Flows from Financing Activities:		
Net Increase (Decrease) in Short-Term Debt	3,137	(17,269)
Proceeds from Long-Term Debt	—	35,001
Repayment of Long-Term Debt	(17,938)	(2,948)
Proceeds from Issuance of Bonds	—	30,000
Redemption of Bonds	—	(40,000)
Repayment of Lease Obligations	(1,114)	(1,124)
Acquisition of Treasury Stock	(3)	(8)
Disposal of Treasury Stock	171	500
Cash Dividends Paid	(4,003)	(3,979)
Cash Dividends Paid to Non-Controlling Interests	(579)	(1,898)
Net Cash Used in Financial Activities	(20,329)	(1,727)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,675)	(391)
Net Change in Cash and Cash Equivalents	6,599	20,078
Cash and Cash Equivalents at Beginning of Term	110,163	100,807
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiary	571	—
Cash and Cash Equivalents at End of Term	117,334	120,886

(4) Notes Concerning Consolidated Quarterly Financial Statements

(Note on Assumptions for Going Concern)
Not applicable.

(Matters related to Consolidated Quarterly Statements of Income)
Gain on Transfer of Business
First two quarters ended September 2015 (April 1, 2015 to September 30, 2015)
Related to the business transfer of the ***AYURA*** brand.

(Note in the Event of Major Changes in Shareholders' Equity)
Not applicable.

(Segment Information)
I First Two Quarters of Fiscal 2014 (April 1–September 30, 2014)

1. Sales and Income/Loss by Reportable Segment

(Millions of yen)

	Japan Business	Global Business	Others (Note 1)	Subtotal	Adjustment (Note 2)	Total Shown in Consolidated Quarterly Financial Statements (Note 3)
Net Sales						
(1) Sales to Outside Customers	157,042	200,883	7,752	365,678	—	365,678
(2) Intersegment Sales or Transfers	4,567	1,391	6,919	12,877	(12,877)	—
Total	161,609	202,275	14,671	378,556	(12,877)	365,678
Segment Income (Loss)	12,610	(3,105)	1,438	10,943	(10)	10,932

Notes: 1. "Others" includes businesses not included in the reportable segments. These include certain cosmetics sales subsidiaries, the frontier science business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment, etc.) and the restaurant business, etc.
2. The Segment Income (Loss) adjustment refers to intersegment transaction eliminations amounting to a negative ¥10 million.
3. 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.

II First Two Quarters of Fiscal 2015 (April 1–September 30, 2015)

1. Sales and Income/Loss by Reportable Segment

(Millions of yen)

	Japan Business	Global Business	Others (Note 1)	Subtotal	Adjustment (Note 2)	Total Shown in Consolidated Quarterly Financial Statements (Note 3)
Net Sales						
(1) Sales to Outside Customers	174,471	225,873	11,544	411,889	—	411,889
(2) Intersegment Sales or Transfers	5,420	1,441	6,498	13,360	(13,360)	—
Total	179,891	227,315	18,042	425,250	(13,360)	411,889
Segment Income (Loss)	18,013	(6,121)	2,949	14,841	46	14,888

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

2. The Segment Income (Loss) adjustment refers to intersegment transaction eliminations amounting to ¥46 million.

3. 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 Segments)
In line with an internal Group reorganization, the former Domestic Cosmetics Business segment has been revised to the Japan Business segment, and reportable segment classifications have been changed accordingly effective from the first quarter of the period under review. Segment information for the corresponding first two quarters of the previous fiscal year has been retroactively adjusted to the post-revision classification method.

(Changes in the Method of Measuring Profits or Losses of Reportable Segments)
In addition, from the first quarter of the period under review, the method of allocating certain expenses has been revised to allow individual segment operating performance to be determined more accurately. Segment information for the corresponding first two quarters of the previous fiscal year has been retroactively adjusted to the post-revision measurement method. As a result, segment income for the first two quarters of the fiscal year ended March 31, 2015, was up ¥276 million in the Japan Business segment and down ¥276 million in the Global Business segment. In the first two quarters of the period under review, these changes had the effect of increasing income by ¥448 million in the Japan Business segment and reducing income by ¥448 million in the Global Business segment.

(Supplementary Information)

Transfer of significant assets and sale of shares in important subsidiaries

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

1. Reason for the transfer
   BPI has developed and distributed JPG fragrance products since 1991 under a license agreement (the License Agreement) for Class 3 products (cosmetics category) according to International Trademark Classification, the term of which is June 2016. Puig became the majority shareholder of the fashion house Jean Paul GAULTIER in 2011 and wanted to develop and sell JPG fragrances on its own. Accordingly, BPI and Puig entered into the Agreement regarding the transfer of IP rights to JPG fragrances.

2. Name of counterparty to the Agreement
   PUIG, S.L.

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

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

5. Signing and closing date
   April 9, 2015 and January 4, 2016 (plan)

6. Transfer price
   IP rights and shares of Noms de Code S.A.S.: €69,500,000
   Extra bonus, which payment will be conditional upon the JPG fragrance's business result in fiscal 2015: Maximum of €20,000,000

7. Effect of the transfer on the Company's financial position, business results, and cash flows
   Items related to the transfer, including gain on sales and compensation for early termination of the License Agreement, are currently being computed.