

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

May 13, 2016



Consolidated Settlement of Accounts for the First Quarter of the Fiscal Year Ending December 31, 2016 [Japanese Standards]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number: 4911)
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Scheduled filing date of quarterly securities report: May 16, 2016

Scheduled start of cash dividend payments: —

Supplementary quarterly materials prepared: Yes (supplementary information will be uploaded to the corporate website on Friday, May 13, 2016)

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

1. Performance for the First Quarter of the Fiscal Year Ending December 31, 2016 (From January 1–March 31, 2016)

* Amounts under one million yen have been rounded down.

(1) Consolidated Operating Results

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

| | Net Sales | Operating Income | Ordinary Income | Quarterly Net Income Attributable to Owners of Parent |
|------------------------------------|------------------|------------------|------------------|---|
| First Quarter Ended March 31, 2016 | 213,264 [—%] | 22,089 [—%] | 21,956 [—%] | 27,302 [—%] |
| First Quarter Ended June 30, 2015 | 202,310 [+20.2%] | 13,046 [+857.6%] | 13,561 [+840.6%] | 3,677 [—%] |

Note: Comprehensive income

First quarter ended March 31, 2016: ¥7,318 million [—%]

First quarter ended June 30, 2015: ¥2,555 million [—%]

| | Quarterly Net Earnings per Share (Yen) | Fully Diluted Quarterly Net Earnings per Share (Yen) |
|------------------------------------|--|--|
| First Quarter Ended March 31, 2016 | 68.40 | 68.31 |
| First Quarter Ended June 30, 2015 | 9.22 | 9.20 |

Shiseido changed its fiscal year-end from March 31, to December 31 from the fiscal year ended December 31, 2015. As a result, the first quarter (January 1, 2016 to March 31, 2016) of the fiscal year ending December 31, 2016 differs from the corresponding first quarter (April 1, 2015 to June 30, 2015) of the fiscal year ended December 31, 2015. On this basis, percentage data for changes between the first quarter of the fiscal year ending December 31, 2016 and the first quarter 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 three-month period from January 1, 2016 to March 31, 2016 and the corresponding period of the previous year, the three-month period from January 1, 2015 to March 31, 2015.

(Millions of yen)

| Net Sales | Operating Income | Ordinary Income | Quarterly Net Income Attributable to Owners of Parent |
|-----------------|------------------|-----------------|---|
| 213,264 [+1.4%] | 22,089 [+75.9%] | 21,956 [+77.9%] | 27,302 [—%] |

Note: Percentage data for changes in quarterly net income attributable to owners of parent between the first quarter of the fiscal year ending December 31, 2016 and the corresponding period of the previous year exceeds 1,000% and accordingly has not been provided.

(2) Consolidated Financial Position

(Millions of yen)

| | Total Assets | Net Assets | Equity Ratio |
|-------------------------|--------------|------------|--------------|
| As at March 31, 2016 | 801,790 | 416,669 | 49.3% |
| As at December 31, 2015 | 808,547 | 413,334 | 48.4% |

[Reference] Equity:

As at March 31, 2016: ¥395,092 million
As at December 31, 2015: ¥391,664 million

2. Cash Dividends

(Yen)

| | Cash Dividends per Share | | | | |
|---|--------------------------|----------------|---------------|----------|-----------|
| | 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 | — | | | | |
| Fiscal Year Ending December 31, 2016 (plan) | | 10.00 | — | 10.00 | 20.00 |

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

3. Projections for the Fiscal Year Ending December 31, 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) |
|--------------------------------------|--------------|------------------|-----------------|---|------------------------------|
| First Half Ending June 30, 2016 | 420,000 [—%] | 16,000 [—%] | 16,000 [—%] | 23,500 [—%] | 58.88 |
| Fiscal Year Ending December 31, 2016 | 872,000 [—%] | 38,000 [—%] | 38,000 [—%] | 34,500 [—%] | 86.44 |

Note: Revisions to the most recently disclosed projections: Yes

Due to the change in the account settlement period, fiscal 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 and the fiscal year ended December 31, 2015 as well as the corresponding period of the previous 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 |
|--------------------------------------|-----------------|------------------|-----------------|---|
| First Half Ending June 30, 2016 | 420,000 [+2.3%] | 16,000 [+6.0%] | 16,000 [+3.3%] | 23,500 [+333.4%] |
| Fiscal Year Ending December 31, 2016 | 872,000 [+1.0%] | 38,000 [-14.3%] | 38,000 [-14.1%] | 34,500 [+17.1%] |

Notes

- (1) Significant changes in subsidiaries during the period (changes in specific subsidiaries due to a change in the scope of consolidation): None
- (2) Adoption of special accounting treatment in preparation of consolidated quarterly financial statements: None
- (3) Changes in accounting policies; changes in accounting estimates; restatements
 - 1) Changes in accounting policies due to the amendment of accounting standards: None
 - 2) Other changes in accounting policies: None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None
- (4) Shares outstanding (common stock) at term-end
 - 1) Number of shares outstanding (including treasury stock)
 - First quarter ended March 31, 2016: 400,000,000
 - Fiscal year ended December 31, 2015: 400,000,000
 - 2) Number of treasury stock outstanding
 - First quarter ended March 31, 2016: 854,932
 - Fiscal year ended December 31, 2015: 899,741
 - 3) Average number of shares over the period
 - First quarter ended March 31, 2016: 399,139,009
 - First quarter ended June 30, 2015: 398,926,651

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 (2) Consolidated Forecasts and Other Forward-Looking Information" on page 7 for information on preconditions underlying the above outlook and other related information.

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

(Billions of yen unless otherwise stated)

| | Net Sales | Operating Income | Ordinary Income | Quarterly Net Income Attributable to Owners of Parent | Quarterly Net Earnings per Share (Yen) | Fully Diluted Quarterly Net Earnings per Share (Yen) |
|---|-----------|------------------|-----------------|---|--|--|
| First Quarter of the Fiscal Year Ending December 31, 2016 | 213.3 | 22.1 | 22.0 | 27.3 | 68.40 | 68.31 |
| (Reference) Corresponding period of the previous year | 210.3 | 12.6 | 12.3 | 2.5 | 6.18 | 6.17 |
| Adjusted percentage increase/decrease | 1.4% | 75.9% | 77.9% | — | — | — |
| Adjusted percentage change in local currency | 4.6% | 84.7% | | | | |
| First Quarter of the Fiscal Year Ended December 31, 2015 | 202.3 | 13.0 | 13.6 | 3.7 | 9.22 | 9.20 |

Notes:

1. The corresponding period for the first quarter of the fiscal year ending December 31, 2016 from January 1, 2016 to March 31, 2016 is the three-month period of the previous year from January 1, 2015 to March 31, 2015. The adjusted percentage increase/decrease data represents year-on-year changes compared with the corresponding period of the previous year.
2. Adjusted percentage increase/decrease data for quarterly net income attributable to owners of parent, quarterly net earnings per share, and fully diluted quarterly net earnings per share between the first quarter of the fiscal year ending December 31, 2016 and the corresponding period of the previous year exceeds 1,000% and accordingly is not provided.

In the first quarter, the three-month period from January 1, 2016 to March 31, 2016, of fiscal 2016, the fiscal year ending December 31, 2016, trends throughout the Japanese economy remained generally firm. Despite recent signs of weakness in certain areas, operating conditions continued to follow a modest recovery path, against the backdrop of an upswing in employment and an improvement in disposable incomes. The overall positive environment also reflected steady trends in consumer spending. Similarly, the domestic cosmetics market exhibited positive trends. In addition to a prolonged period of steady recovery, these positive trends were due to inbound demand on the back of the increase in overseas tourists to Japan, which carried through from the previous year. Meanwhile, in overseas cosmetics markets, the Americas and Europe continued to expand moderately while growth in Asia and China was also generally strong.

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 organi-

zational structure, delegated broad authority and responsibilities to each region, and is strengthening its ability to respond to consumers and markets. In the first quarter of the fiscal year under review, under this global management structure, the Company thoroughly undertook consumer-oriented activities, adopted a policy of selection and focus with respect to brands earmarked for strengthening, and continued to further strengthen marketing investments. Through these means, Shiseido strove to promote sustainable brand growth, undertake a variety of activities including efforts to improve profitability while promoting structural reforms mainly across its overseas operations, and put in place a platform that is capable of steadily realizing sales and profit growth in each region.

As a result, consolidated net sales in the first quarter of the fiscal year ending December 31, 2016 climbed 4.6% compared with the corresponding period of the previous year on a local currency basis as the growth in sales in each of the Japan, China, and Travel Retail businesses offset the loss of *Jean Paul GAULTIER* sales. Despite the impact of movements in foreign currency exchange rates and most notably appreciation in the value of the yen after converting to Japanese yen, consolidated net sales came to ¥213.3 billion, 1.4% higher than the level recorded for the corresponding period of the previous year. From a profit perspective, operating income rose 75.9% year on year, to ¥22.1 billion. In addition 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 a decline in the cost of sales ratio attributable to cost structural reforms, this upswing in operating income was also due to the timing difference of marketing investments. Meanwhile, net income attributable to owners of parent surged ¥24.8 billion compared with the corresponding period of the previous year, to ¥27.3 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 Company's former Kamakura factory recorded as extraordinary income.

The major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements are US\$1:¥115.5, €1:¥127.2, and CNY1:¥17.6 for the first quarter of the fiscal year under review.

[Consolidated Performance]

(Sales)

(Millions of yen)

| Reportable Segment | First Quarter Ended March 31, 2016 | Share of Total | (Reference) Adjusted Three-Month Period Ended March 31, 2015 | Share of Total | Adjusted Year-on-Year Increase/(Decrease) | | |
|------------------------|------------------------------------|----------------|--|----------------|---|--------|--------------------------------|
| | | | | | Amount | Change | Change in local currency terms |
| Japan Business | 104,581 | 49.0% | 100,092 | 47.6% | 4,489 | +4.5% | +4.5% |
| China Business | 31,439 | 14.8% | 29,609 | 14.1% | 1,829 | +6.2% | +14.1% |
| Asia Pacific Business | 12,512 | 5.9% | 12,685 | 6.0% | (172) | -1.4% | +9.1% |
| Americas Business | 37,812 | 17.7% | 38,456 | 18.3% | (644) | -1.7% | +2.3% |
| EMEA Business | 20,758 | 9.7% | 25,247 | 12.0% | (4,488) | -17.8% | -12.7% |
| Travel Retail Business | 6,160 | 2.9% | 4,228 | 2.0% | 1,931 | +45.7% | +50.6% |
| Sales Total | 213,264 | 100.0% | 210,320 | 100.0% | 2,944 | +1.4% | +4.6% |

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

(Income)

| Reportable Segment | | First Quarter Ended March 31, 2016 | Ratio to Net Sales | (Reference) Adjusted Three-Month Period Ended March 31, 2015 | Ratio to Net Sales | Adjusted Year-on-Year Increase/(Decrease) | |
|---|------------------------|------------------------------------|--------------------|--|--------------------|---|---------|
| | | | | | | Amount | Change |
| Operating Income | Japan Business | 18,841 | 16.4% | 13,063 | 11.7% | 5,777 | +44.2% |
| | China Business | 3,690 | 11.7% | 225 | 0.8% | 3,464 | — |
| | Asia Pacific Business | 1,302 | 10.4% | 753 | 5.9% | 548 | +72.9% |
| | Americas Business | (1,018) | -2.5% | (2,196) | -5.3% | 1,178 | — |
| | EMEA Business | (56) | -0.3% | 3,175 | 12.1% | (3,231) | — |
| | Travel Retail Business | 1,667 | 27.1% | 663 | 15.7% | 1,003 | +151.2% |
| | All Regions | 24,427 | 10.8% | 15,685 | 6.9% | 8,742 | +55.7% |
| | Adjustments | (2,338) | — | (3,128) | — | 789 | — |
| Total | | 22,089 | 10.4% | 12,557 | 6.0% | 9,532 | +75.9% |
| Ordinary Income | | 21,956 | 10.3% | 12,345 | 5.9% | 9,611 | +77.9% |
| Quarterly Net Income Attributable to Owners of Parent | | 27,302 | 12.8% | 2,464 | 1.2% | 24,838 | — |

Notes:

1. The Segment Income / Loss adjustment refers to intersegment transaction eliminations amounting to ¥1,470 million and Companywide expenses totaling ¥3,808 million not allocated to specific reportable segments. Companywide expenses mainly comprise expenditure relating to the Company's Administration Division.
2. The ratio of segment profits 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 three-month period ended March 31, 2015 has been restated in line with changes in the method of classifying reportable segments.
4. Adjusted percentage increase/decrease data for segment operating income in the China Business and quarterly net income attributable to owners of parent between the first quarter of the fiscal year ending December 31, 2016 and the corresponding period of the previous year exceeds 1,000% and accordingly is not provided.
5. The EMEA Business includes Europe, the Middle East and African regions.

[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. |
| China Business | Business in the China region generally including the operations of such companies as Shiseido China Co., Ltd. |
| 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. |
| Americas Business | Business in the Americas region generally including the operations of such companies as Shiseido Americas Corporation; Bare Escentuals, Inc. and its subsidiaries. |
| EMEA Business | Business in the European region generally including the Middle East and African regions including the operations of such companies as Shiseido International Europe S.A.; Beauté Prestige International S.A. and its subsidiaries. |
| Travel Retail Business | Operations of overseas duty-free stores generally (excluding Travel Retail operations in the Japan Business (The Ginza Co., Ltd.) and the Beauté Prestige International S.A. and its subsidiaries' Travel Retail operations 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.

Results by reportable segment are presented as follows.

[Japan Business]

In the first quarter of the fiscal year under review, results in the Japan Business were sound. In addition to the renewal of major brands in the prestige and cosmetics category including such brands as *clé de peau BEAUTÉ* and *ANESSA*, as well as signs that marketing investments were steadily having an effect, initiatives to capture expanding inbound demand had a positive effect. Mainly due to such factors, sales in this segment increased 4.5% compared with the corresponding period of the previous year, to ¥104.6 billion. Operating income also climbed 44.2% year on year, to ¥18.8 billion on the back of higher margins in line with the increase in sales, improvements in the product mix, a decline in the cost of sales attributable to cost structural reforms, the timing difference of marketing investments, and other factors.

[China Business]

Amid ongoing steps to promote structural reforms that began from the previous fiscal year, the Shiseido Group reported steady growth in the e-commerce domain as well as sales of such prestige brands as *SHISEIDO*, *clé de peau BEAUTÉ*, and *IPSA*. As a result, sales in this segment climbed 14.1% compared with the corresponding period of the previous year on a local currency basis. After converting into Japanese yen, segment sales grew 6.2% year on year, to ¥31.4 billion. Operating income improved ¥3.5 billion, to ¥3.7 billion. This was mainly due to higher margins in line with the increase in sales, the timing difference of marketing investments, and other factors.

[Asia Pacific Business]

In the Asia Pacific Business, sales of *NARS* and personal care brand products 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, to ¥12.5 billion. After converting to Japanese yen, however, sales declined 1.4% year on year. Operating income improved 72.9% compared with the corresponding period of the previous year, to ¥1.3 billion owing mainly to higher margins in line with the increase in sales and successful efforts to enhance the efficiency of expenses.

[Americas Business]

In the Americas, trends in *bareMinerals* sales were essentially unchanged from the previous year on a local currency basis. On a positive note, the Shiseido Group continued to enjoy growth in prestige brands such as the *SHISEIDO* and *clé de peau BEAUTÉ*. Mainly due to these factors, sales in the Americas Business rose 2.3% compared with the corresponding period of the previous year on a local currency basis, to ¥37.8 billion. After converting to Japanese yen, however, sales declined 1.7% year on year. In the three-month period under review, the Shiseido Group incurred an operating loss of ¥1.0 billion in its Americas Business. This was an improvement of ¥1.2 billion year on year. The improvement in profitability was mainly due to a decline in the cost of sales ratio attributable to cost structural reforms and successful efforts to enhance the efficiency of expenses.

[EMEA Business]

Despite steady sales of *narciso rodriguez* as well as *SHISEIDO* and *clé de peau BEAUTÉ*, results in the EMEA Business were substantially impacted by the loss of *Jean Paul GAULTIER* sales as a result of the expiration of the licensing agreement in 2015. As a result, sales in this segment declined 12.7% compared with the corresponding period of the previous year on a local currency basis, to ¥20.8 billion. This was 17.8% lower year on year after converting to Japanese yen. In the three-month period under review, the Shiseido Group incurred an operating loss of ¥0.1 billion. This was a negative turnaround of ¥3.2 billion compared with the corresponding period of the previous year and mainly reflected lower margins in line with the drop in sales. Meanwhile, sales in the EMEA Business for the first quarter of the fiscal year ending December 31, 2016 increased 6.9% in local currency terms compared with the corresponding period of the previous year after excluding the impact of the *Jean Paul GAULTIER* brands sales.

[Travel Retail Business]

The Shiseido Group actively strengthened marketing investments including the opening of counters and increase of store personnel in the Travel Retail Business. 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 50.6% compared with the corresponding period of the previous year on a local currency basis, to ¥6.2 billion, up 45.7% year on year after converting to Japanese yen. Operating income also climbed 151.2% year on year, to ¥1.7 billion on the back of higher margins in line with the increase in sales.

(2) Consolidated Forecasts and Other Forward-Looking Information

In light of the Company's performance and trends in foreign currency exchange rates in the first quarter under review, Shiseido has revised its consolidated forecasts for the first half and the full fiscal year ending December 31, 2016, previously announced on February 9, 2016, as shown in the tables below.

Revised forecasts are based on the following assumptions regarding major foreign currency exchange rates: US\$1:¥115.5, €1:¥127.2, and CNY1:¥17.6, which are unchanged from the foreign currency exchange rates for the state of income for the first quarter of the fiscal year ending December 31, 2016.

1. First Half of the Fiscal Year Ending December 31, 2016

Net sales after converting to Japanese yen are expected to exceed initial forecasts by ¥3.0 billion. Despite the negative impact of ¥7.5 billion of movements in foreign currency exchange rates and appreciation in the value of the yen, this revised forecast takes into account contributions on a local currency basis mainly from the Japan, China, and Travel Retail businesses, which are estimated to exceed initial forecasts by ¥10.5 billion. Operating income and ordinary income are also anticipated to surpass initial forecasts owing primarily to higher margins in line with the increase in net sales. Net income attributable to owners of parent is projected to exceed initial forecasts. In addition to the increase in operating income, this is due to such factors as the posting of a gain on the sale of fixed assets in the first quarter of the fiscal year ending December 31, 2016.

Revised Forecasts for Consolidated Results for the First Half of the Fiscal Year Ending December 31, 2016

(From January 1, 2016 to June 30, 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) | 417,000 | 11,000 | 11,000 | 13,000 | 32.57 |
| Revised Forecast (B) | 420,000 | 16,000 | 16,000 | 23,500 | 58.88 |
| Change (B-A) | 3,000 | 5,000 | 5,000 | 10,500 | |
| Percentage Change (%) | 0.7 | 45.5 | 45.5 | 80.8 | |
| (Reference) Corresponding Period of the Previous Year | 410,612 | 15,098 | 15,493 | 5,422 | 13.59 |
| Results for the First Half of the Previous Year (First Half of the Fiscal Year Ended December 31, 2015) | 411,889 | 14,888 | 15,153 | 3,988 | 10.00 |

2. Full Fiscal Year Ending December 31, 2016

Previously announced forecasts for net sales remain unchanged. While net sales on a local currency basis are expected to exceed initial forecasts by ¥16.0 billion, this will be offset by the projected ¥16.0 billion negative impact of movements in foreign currency exchange rates and appreciation in the value of the Japanese yen. Previously announced forecasts for operating income and ordinary income are also unchanged. This is because contributions from higher margins in line with the increase in net sales on a local currency basis are anticipated to be offset by the incidence of temporary expenses relating to structural reforms mainly in the Americas Business. Taking into consideration conditions in the first half of the fiscal year ending December 31, 2016, net income attributable to owners of parent is projected to exceed initial forecasts.

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 | 28,000 | 70.16 |
| Revised Forecast (B) | 872,000 | 38,000 | 38,000 | 34,500 | 86.44 |
| Change (B-A) | 0 | 0 | 0 | 6,500 | |
| Percentage Change (%) | 0.0 | 0.0 | 0.0 | 23.2 | |
| (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

Forecasts for consolidated results for the first and half and full fiscal year of the fiscal year ending December 31, 2016 are presented as follows.

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

(From January 1, 2016 to June 30, 2016)

(Billions of yen unless otherwise stated)

| Reportable Segment | Revised Forecasts | (Reference) Corresponding Period of the Previous Year | Percentage Change Compared with the Corresponding Period of the Previous Year | Adjusted Percentage Change in Local Currency |
|------------------------|-------------------|---|---|--|
| Japan Business | 205.5 | 192.3 | +6.9% | +7% |
| China Business | 63.0 | 59.7 | +5.6% | +13% |
| Asia Pacific Business | 25.0 | 25.6 | -2.4% | +7% |
| Americas Business | 76.0 | 76.8 | -1.0% | +4% |
| EMEA Business | 40.0 | 47.7 | -16.2% | -11% |
| Travel Retail Business | 10.5 | 8.5 | +23.7% | +30% |
| Total | 420.0 | 410.6 | +2.3% | +6% |

Consolidated Sales for the Full Fiscal Year of the Fiscal Year Ending December 31, 2016

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

(Billions of yen unless otherwise stated)

| Reportable Segment | Revised Forecasts | Increase/ (Decrease) Compared with Previous Announcement | (Reference) Corresponding Period of the Previous Year | Percentage Change Compared with the Corresponding Period of the Previous Year | (Revised Forecasts) Adjusted Percentage Change in Local Currency | (Previous Announcement) Adjusted Percentage Change in Local Currency |
|------------------------|-------------------|--|---|---|--|--|
| Japan Business | 416.0 | 10.0 | 396.0 | +5.1% | +5% | +3% |
| China Business | 129.0 | (1.5) | 125.7 | +2.6% | +11% | +10% |
| Asia Pacific Business | 51.5 | (4.5) | 52.7 | -2.4% | +7% | +5% |
| Americas Business | 166.5 | (7.5) | 167.5 | -0.6% | +4% | +6% |
| EMEA Business | 86.0 | (1.0) | 104.2 | -17.4% | -13% | -14% |
| Travel Retail Business | 23.0 | 4.5 | 17.2 | +33.8% | +41% | +10% |
| Total | 872.0 | 0.0 | 863.3 | +1.0% | +4% | +3% |

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 March 31, 2016 |
|--|----------------------------|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Time Deposits | 116,771 | 113,700 |
| Notes and Accounts Receivable | 127,201 | 130,527 |
| Short-Term Investments in Securities | 7,685 | 13,949 |
| Inventories | 105,928 | 110,048 |
| Deferred Tax Assets | 28,242 | 29,928 |
| Other Current Assets | 26,608 | 23,833 |
| Less: Allowance for Doubtful Accounts | (1,765) | (1,643) |
| Total Current Assets | 410,673 | 420,345 |
| Fixed Assets: | | |
| Property, Plant and Equipment: | | |
| Buildings and Structures | 162,630 | 160,865 |
| Less: Accumulated Depreciation | (103,837) | (103,694) |
| Buildings and Structures, Net | 58,793 | 57,171 |
| Machinery, Equipment and Vehicles | 86,981 | 85,411 |
| Less: Accumulated Depreciation | (73,076) | (72,155) |
| Machinery, Equipment and Vehicles, Net | 13,905 | 13,255 |
| Tools, Furniture and Fixtures | 77,869 | 75,657 |
| Less: Accumulated Depreciation | (55,758) | (54,850) |
| Tools, Furniture and Fixtures, Net | 22,110 | 20,807 |
| Land | 29,989 | 36,541 |
| Lease Assets | 7,373 | 7,290 |
| Less: Accumulated Depreciation | (3,734) | (3,777) |
| Leased Assets, Net | 3,639 | 3,513 |
| Construction in Progress | 5,843 | 4,738 |
| Total Property, Plant and Equipment | 134,281 | 136,027 |
| Intangible Assets: | | |
| Goodwill | 59,430 | 54,433 |
| Leased Assets | 513 | 456 |
| Trademarks | 60,087 | 56,302 |
| Other Intangible Assets | 41,372 | 38,274 |
| Total Intangible Assets | 161,403 | 149,467 |
| Investments and Other Assets: | | |
| Investments in Securities | 27,434 | 23,667 |
| Long-Term Loans Receivable | 396 | 383 |
| Long-Term Prepaid Expenses | 12,692 | 12,141 |
| Deferred Tax Assets | 36,833 | 35,566 |
| Other Investments | 24,877 | 24,268 |
| Less: Allowance for Doubtful Accounts | (46) | (78) |
| Total Investments and Other Assets | 102,187 | 95,949 |
| Total Fixed Assets | 397,873 | 381,444 |
| Total Assets | 808,547 | 801,790 |

(Millions of yen)

| | As at December 31, 2015 | As at March 31, 2016 |
|---|----------------------------|-------------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Notes and Accounts Payable | 33,102 | 33,062 |
| Electronically Recorded Obligations - Operating | 29,213 | 30,106 |
| Short-Term Debt | 7,167 | 7,596 |
| Commercial Papers | 4,218 | 5,071 |
| Current Portion of Long-Term Debt | 5,739 | 5,736 |
| Lease Obligations | 1,870 | 1,801 |
| Other Payables | 37,090 | 30,658 |
| Accrued Income Taxes | 4,661 | 12,295 |
| Reserve for Sales Returns | 14,799 | 14,096 |
| Accrued Bonuses for Employees | 18,480 | 16,807 |
| Accrued Bonuses for Directors | 55 | 36 |
| Provision for Liabilities and Charges | 1,192 | 599 |
| Deferred Tax Liabilities | 16 | — |
| Other Current Liabilities | 49,176 | 44,935 |
| Total Current Liabilities | 206,784 | 202,804 |
| Long-Term Liabilities: | | |
| Bonds | 30,000 | 30,000 |
| Long-Term Debt | 35,432 | 35,425 |
| Lease Obligations | 2,184 | 2,050 |
| Liability for Retirement Benefits | 83,656 | 81,382 |
| Allowance for Losses on Guarantees | 350 | 350 |
| Allowance for Environmental Measures | 377 | 377 |
| Provision for Structural Reforms | 990 | — |
| Deferred Tax Liabilities | 31,270 | 28,914 |
| Other Long-Term Liabilities | 4,165 | 3,816 |
| Total Long-Term Liabilities | 188,428 | 182,316 |
| Total Liabilities | 395,212 | 385,120 |
| NET ASSETS | | |
| Shareholders' Equity: | | |
| Common Stock | 64,506 | 64,506 |
| Capital Surplus | 70,258 | 70,258 |
| Retained Earnings | 233,933 | 257,232 |
| Treasury Stock | (1,700) | (1,615) |
| Total Shareholders' Equity | 366,999 | 390,381 |
| Accumulated Other Comprehensive Income: | | |
| Unrealized Gains (Losses) on Available-for-Sale Securities | 8,144 | 5,786 |
| Foreign Currency Translation Adjustments | 40,374 | 21,847 |
| Accumulated Adjustments for Retirement Benefits | (23,854) | (22,923) |
| Total Accumulated Other Comprehensive Income | 24,664 | 4,710 |
| Stock Acquisition Rights | 863 | 868 |
| Non-Controlling Interests in Consolidated Subsidiaries | 20,806 | 20,709 |
| Total Net Assets | 413,334 | 416,669 |
| Total Liabilities and Net Assets | 808,547 | 801,790 |

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

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

(Millions of yen)

| | First Quarter Ended June 30, 2015 (April 1, 2015 to June 30, 2015) | First Quarter Ended March 31, 2016 (January 1, 2016 to March 31, 2016) |
|---|---|---|
| Net Sales | 202,310 | 213,264 |
| Cost of Sales | 48,473 | 50,980 |
| Gross Profit | 153,836 | 162,284 |
| Selling, General and Administrative Expenses | 140,790 | 140,195 |
| Operating Income | 13,046 | 22,089 |
| Other Income | | |
| Interest Income | 265 | 205 |
| Dividend Income | 334 | 5 |
| Equity in Earnings of Affiliates | 33 | 50 |
| Rental Income | 230 | 183 |
| Subsidy Income | 2 | 4 |
| Foreign Exchange Gain | 77 | — |
| Other | 200 | 390 |
| Total Other Income | 1,145 | 841 |
| Other Expenses | | |
| Interest Expense | 232 | 199 |
| Foreign Exchange Loss | — | 457 |
| Other | 398 | 316 |
| Total Other Expenses | 630 | 974 |
| Ordinary Income | 13,561 | 21,956 |
| Extraordinary Income | | |
| Gain on Transfer of Business | — | 8,772 |
| Gain on Sales of Property, Plant and Equipment | 15 | 9,037 |
| Gain on Sales of Investments in Securities | 2,340 | — |
| Total Extraordinary Income | 2,355 | 17,809 |
| Extraordinary Losses | | |
| Impairment Loss | 2 | 23 |
| Structural Reform Expenses | — | 206 |
| Loss on Disposal of Property, Plant and Equipment | 369 | 152 |
| Loss on Sales of Investments in Securities | 0 | — |
| Total Extraordinary Losses | 372 | 381 |
| Income before Income Taxes | 15,544 | 39,384 |
| Income Taxes – Current | 1,821 | 12,110 |
| Income Tax –Deferred | 9,148 | (1,018) |
| Total Income Taxes | 10,970 | 11,092 |
| Net Income | 4,574 | 28,292 |
| Quarterly Net Income Attributable to Non-Controlling Interests | 896 | 989 |
| Quarterly Net Income Attributable to Owners of Parent | 3,677 | 27,302 |

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

(Millions of yen)

| | First Quarter Ended June 30, 2015 (April 1, 2015 to June 30, 2015) | First Quarter Ended March 31, 2016 (January 1, 2016 to March 31, 2016) |
|--|---|---|
| Net Income | 4,574 | 28,292 |
| Other Comprehensive Income | | |
| Unrealized Gains (Losses) on Available-for-Sale Securities | 1,818 | (2,365) |
| Foreign Currency Translation Adjustments | (3,560) | (19,528) |
| Adjustment for Retirement Benefits | (228) | 932 |
| Share of Other Comprehensive Income of Entities Accounted for Under the Equity Method | (48) | (12) |
| Total Other Comprehensive Income | (2,018) | (20,973) |
| Comprehensive Income | 2,555 | 7,318 |
| (Breakdown) | | |
| Quarterly Comprehensive Income Attributable to Owners of Parent | 1,529 | 7,349 |
| Quarterly Comprehensive Income (Losses) Attributable to Non-Controlling Interests | 1,026 | (30) |

(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 quarter of the fiscal year ending December 31, 2016 (From January 1, 2016 to March 31, 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 quarter of the fiscal year ending December 31, 2016 (From January 1, 2016 to March 31, 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 quarter of the fiscal year ending December 31, 2016 (From January 1, 2016 to March 31, 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 Quarter of the Fiscal Year Ended December 31, 2015 (From April 1, 2015 to June 30, 2015)

1. Sales and Income/Loss by Reportable Segment

(Millions of yen)

| | Reportable Segment | | | | | | | Adjustments (Note 2) | Total Shown in Consolidated Quarterly 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 | 92,083 | 29,609 | 12,685 | 38,456 | 25,247 | 4,228 | 202,310 | — | 202,310 |
| Intersegment Sales or Transfers | 10,289 | 145 | 55 | 2,754 | 981 | — | 14,226 | (14,226) | — |
| Total | 102,372 | 29,755 | 12,740 | 41,211 | 26,228 | 4,228 | 216,537 | (14,226) | 202,310 |
| Segment Income (Loss) | 14,131 | 169 | 1,077 | (2,269) | 3,129 | 656 | 16,894 | (3,847) | 13,046 |

Notes:

1. The EMEA Business includes Euorpe, the Middle East and African regions.
2. The segment income (loss) adjustment refers to intersegment transaction eliminations amounting to a negative ¥575 million and Companywide expenses totaling ¥3,272 million not allocated to specific reportable segments. Companywide expenses mainly comprise expenditure relating to the Company's Administration Division.
3. Segment income (loss) is adjusted for operating income deccribed in the consolidated quarterly statements of income.

2. Information on impairment loss, goodwill, etc. on fixed assets by reportable segment

(Major Impairment Loss on Fixed Assets)

Not applicable.

(Major Change in Goodwill)

Not applicable.

II. First Quarter of the Fiscal Year Ending December 31, 2016 (From January 1, 2016 to March 31, 2016)

1. Sales and Income/Loss by Reportable Segment

(Millions of yen)

| | Reportable Segment | | | | | | | Adjustments (Note 2) | Total Shown in Consolidated Quarterly 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 | 104,581 | 31,439 | 12,512 | 37,812 | 20,758 | 6,160 | 213,264 | — | 213,264 |
| Intersegment Sales or Transfers | 10,211 | 11 | 54 | 2,708 | 970 | — | 13,956 | (13,956) | — |
| Total | 114,793 | 31,451 | 12,566 | 40,521 | 21,728 | 6,160 | 227,220 | (13,956) | 213,264 |
| Segment Income (Loss) | 18,841 | 3,690 | 1,302 | (1,018) | (56) | 1,667 | 24,427 | (2,338) | 22,089 |

Notes:

1. The EMEA Business includes Europe, the Middle East and African regions.
2. The segment income (loss) adjustment refers to intersegment transaction eliminations amounting to a ¥1,470 million and Companywide expenses totaling ¥3,808 million not allocated to specific reportable segments. Companywide expenses mainly comprise expenditure relating to the Company's Administration Division.
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 Segment)

Effective from the first quarter of the fiscal year under review, 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 three-month period ended March 31, 2015 has been restated in line with changes in the method of classifying reportable segments.