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.

February 9, 2017

Consolidated Settlement of Accounts for the Fiscal Year Ended 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
Tel. +81-3-3572-5111
Annual meeting of shareholders: March 28, 2017 (plan)
Filing date of securities report: March 28, 2017 (plan)
Start of cash dividend payments: March 29, 2017 (plan)
Supplementary materials prepared: Yes (Supplementary information will be uploaded to the corporate website on Thursday, February 9, 2017)
Financial results information meeting held: Yes (for institutional investors, analysts, etc.)

1. Performance for the Fiscal Year Ended December 31, 2016 (From January 1–December 31, 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
Fiscal Year Ended December 31, 2016	850,306 [—%]	36,780 [—%]	37,174 [—%]	32,101 [—%]
Fiscal Year Ended December 31, 2015	763,058 [—%]	37,660 [—%]	37,588 [—%]	23,210 [—%]

Note: Comprehensive income Fiscal Year Ended December 31, 2016: ¥8,978 million [—%]
Fiscal Year Ended December 31, 2015: ¥13,594 million [—%]

	Net Earnings per Share (Yen)	Fully Diluted Net Earnings per Share (Yen)	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
Fiscal Year Ended December 31, 2016	80.41	80.30	8.2%	4.2%	4.3%
Fiscal Year Ended December 31, 2015	58.17	58.08	6.0%	4.6%	4.9%

[Reference] Equity in earnings/losses of affiliates: As at December 31, 2016: ¥260 million
As at December 31, 2015: ¥149 million

Shiseido changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2015. As a result, the fiscal year ended December 31, 2016 (January 1, 2016 to December 31, 2016) differs from the fiscal year ended December 31, 2015 (April 1, 2015 to December 31, 2015). On this basis, percentage data for changes between the fiscal year ended December 31, 2016 and 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 fiscal year ended December 31, 2016 from January 1, 2016 to December 31, 2016 and the previous fiscal year from January 1, 2015 to December 31, 2015.

(Millions of yen)

Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
850,306 [(1.5)%]	36,780 [(17.0)%]	37,174 [(16.0)%]	32,101 [9.0%]

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As at December 31, 2016	946,007	413,870	41.5%	984.13
As at December 31, 2015	808,547	413,334	48.4%	981.37

[Reference] Equity: As at December 31, 2016: ¥392,963 million
As at December 31, 2015: ¥391,664 million

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
Fiscal Year Ended December 31, 2016	59,129	(70,640)	22,378	113,122
Fiscal Year Ended December 31, 2015	60,529	(23,137)	(30,151)	104,926

2. Cash Dividends

	Cash Dividends per Share (Yen)					Total Dividends Paid (Full Year) (Millions of Yen)	Payout Ratio (Consolidated)	Dividends Paid/ Net Assets (Consolidated)
	1Q	2Q	3Q	Year-End	Full Year			
Fiscal Year Ended December 31, 2015	—	10.00	—	10.00	20.00	7,981	34.4%	2.0%
Fiscal Year Ended December 31, 2016	—	10.00	—	10.00	20.00	7,985	24.9%	2.0%
Fiscal Year Ending December 31, 2017 (plan)	—	10.00	—	10.00	20.00		30.7%	

Note: Figures for cash dividends per share (year-end), cash dividends per share (full year), total dividends paid (full year), payout ratio (consolidated), and dividends paid/net assets (consolidated) for the fiscal year ended December 31, 2016 are based on estimated figures as of February 9, 2017, the date of this report's issue.

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

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

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Earnings per Share (Yen)
Fiscal Year Ending December 31, 2017	940,000 [10.5%]	45,500 [23.7%]	45,500 [22.4%]	26,000 [(19.0)%]	65.11

Notes

(1) Significant changes in subsidiaries during the period (changes in specific subsidiaries due to a change in the scope of consolidation): None

(2) 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

(3) Shares outstanding (common stock) at year-end

1) Number of shares outstanding (including treasury stock)
   As at December 31, 2016: 400,000,000
   As at December 31, 2015: 400,000,000
2) Number of treasury stocks outstanding
   As at December 31, 2016: 700,745
   As at December 31, 2015: 899,471
3) Average number of shares over the period
   Fiscal year ended December 31, 2016: 399,227,831
   Fiscal year ended December 31, 2015: 399,026,565

Note: For information on the number of shares used as the basis for calculating consolidated net income per share, please refer to “5. Consolidated Financial Statements (5) Notes Concerning Consolidated Financial Statements (Per-Share Data)” on page 34.

[Reference] Summary of Nonconsolidated Results

Performance in the Fiscal Year Ended December 31, 2016 (January 1–December 31, 2016)
(1) Nonconsolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
Fiscal Year Ended December 31, 2016	202,774	[—]	6,968	[—]	26,468	[—]	37,805	[—]
Fiscal Year Ended December 31, 2015	165,148	[—]	9,515	[—]	35,243	[—]	32,811	[—]

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal Year Ended December 31, 2016	94.70	94.57
Fiscal Year Ended December 31, 2015	82.23	82.10

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

(2) Nonconsolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As at December 31, 2016	620,984	397,318	63.9%	992.99
As at December 31, 2015	580,380	369,128	63.5%	922.74

Reference: Equity at year-end:
Fiscal year ended December 31, 2016: ¥396,500 million
Fiscal year ended December 31, 2015: ¥368,265 million

Implementation status of audit procedures
At the time of disclosure of this report, audit procedures for consolidated 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 and Financial Position (1) Analysis of Operating Results (Outlook for the Fiscal Year Ending December 31, 2017) on page 12 for information on preconditions underlying the above outlook and other related information.

Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

Effective from the previous fiscal year, Shiseido (or "the Company") and its subsidiaries that fall within the Company's scope of consolidation with a March 31 fiscal year-end changed their account settlement dates to December 31. As a result, the fiscal year ended December 31, 2015 covers the nine-month period from April 1 to December 31, 2015 for Shiseido and its subsidiaries that fall within the Company's scope of consolidation with a March 31 fiscal year-end, and the 12-month period from January 1 to December 31, 2015 for subsidiaries that fall within the Company's scope of consolidation with a December 31 fiscal year-end. Taking into account the aforementioned, comparative data between the fiscal year under review and the previous fiscal year is presented based on the corresponding period of the previous fiscal year for reference purposes. (The corresponding periods are from January 1 to December 31, 2016 for the fiscal year under review and from January 1 to December 31, 2015 for the previous fiscal year.)

	Net Sales (Billions of yen)	Operating Income (Billions of yen)	Ordinary Income (Billions of yen)	Net Income Attributable to Owners of Parent (Billions of yen)	Net Earnings per Share (Yen)	Fully Diluted Net Earnings per Share (Yen)
Fiscal Year Ended December 31, 2016	850.3	36.8	37.2	32.1	80.41	80.30
(Reference) Corresponding period of the previous fiscal year	863.3	44.3	44.3	29.5	73.85	73.73
Adjusted percentage increase/(decrease)	(1.5)%	(17.0)%	(16.0)%	9.0%	8.9%	8.9%
Adjusted percentage change increase/(decrease) in local currency	5.2%					
Fiscal Year Ended December 31, 2015	763.1	37.7	37.6	23.2	58.17	58.08

1) Review of Performance in the Fiscal Year Ended December 31, 2016

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 fiscal year under review. The domestic cosmetics market continued to expand on the back of an uptick in business confidence and an increase in the number of overseas tourists. Meanwhile, in overseas cosmetics markets, growth, while differing from country to country, was held to a moderate upswing in Europe generally. In China, Asia and the Americas, growth remained firm.

In the fiscal year ended December 31, 2015, the Shiseido Group (or "the Group") launched its VISION 2020 medium-to-long-term strategy in a bid to ensure that it remains vital for the next 100 years. As a company that is transforming "from a leader in Japan to a winner worldwide," we are shifting all of our activities toward a consumer-oriented focus and working diligently to globally enhance our brand value. We have positioned the three years beginning from fiscal 2015 as a period for rebuilding our business foundation to generate outstanding growth over the next three-year period commencing fiscal 2018. In addition to undertaking aggressive investment activities, we are putting in place the foundation to accelerate growth.

Effective from the fiscal year under review, the Shiseido Group adopted a matrix organization that encompasses five brand categories and six regions. This matrix organization is based on the concept "Think Global, Act Local," which involves tailoring activities to particular regions in response to changes in each country while conducting Group-wide management with a global perspective and promoting marketing, brand and other strategies. Under this matrix, the Company has delegated broad authority and responsibilities to each region, and is strengthening its ability to respond to consumers' needs that differ from market to market. To enhance brand value as the core of our strategies, we bolstered marketing as well as innovation. We also implemented measures to utilize diverse human resources and to help employees lift their skills, while building and strengthening our global organization. Moreover, we ramped up investments in the global prestige category as a part of efforts to further accelerate the pace of growth going forward. In addition to the acquisitions of ***Laura Mercier***, a prestige brand mainly in the makeup category, and ***RéVive***, a prestige skincare brand, in July 2016, we concluded a license agreement with the Italian luxury fashion brand company DOLCE & GABBANA S.r.l. to develop, manufacture and distribute fragrance, makeup and skincare products and commenced sales from October 2016.

As a result, consolidated net sales in the fiscal year ended December 31, 2016 climbed 5.2% compared with the corresponding period of the previous fiscal year on a local currency basis. Together with growth mainly in the prestige categories of each region, this increase in consolidated net sales was largely attributable to additional sales from the acquisition of new brands. Movements in foreign currency exchange rates and most notably appreciation of the yen had a major impact, with consolidated net sales coming to ¥850.3 billion, 1.5% lower than the level recorded for the corresponding period of the previous fiscal year.

From a profit perspective, operating income declined 17.0% year on year, to ¥36.8 billion. Despite the positive contributions from higher margins in line with the increase in net sales, improvements in the product mix through increased sales of prestige brands and the effects of cost structural reforms, this downturn in operating income was mainly due to the one-time costs incurred following the acquisition of new brands and execution of license agreements, structural reform costs associated with Bare Escentuals, Inc. in the U.S. and the greater than expected impact of the strong yen.

Meanwhile, net income attributable to owners of parent climbed 9.0% compared with the corresponding period of the previous fiscal year, to ¥32.1 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.

For the fiscal year under review, the consolidated operating margin was 4.3%. Consolidated ROE was 8.2%.

The major foreign currency rates applicable to income and expense accounting line items in the Company's financial statements are US$1:¥108.9, €1:¥120.4 and CNY1:¥16.4 for the fiscal year ended December 31, 2016.

[Consolidated Performance]

(Sales)

(Millions of yen)

Reportable Segment	Fiscal Year Ended December 31, 2016	Share of Total	(Reference) Fiscal Year Ended December 31, 2015	Share of Total	Adjusted Year-on-Year Increase/(Decrease)		
					Amount	% Change	Change in local currency terms
Japan Business	407,628	48.0%	395,951	45.9%	11,677	2.9%	2.9%
China Business	120,479	14.2%	125,696	14.5%	(5,216)	(4.2)%	11.4%
Asia Pacific Business	49,633	5.8%	52,739	6.1%	(3,106)	(5.9)%	7.0%
Americas Business	162,556	19.1%	167,528	19.4%	(4,972)	(3.0)%	8.0%
EMEA Business	85,215	10.0%	104,178	12.1%	(18,963)	(18.2)%	(8.1)%
Travel Retail Business	24,793	2.9%	17,193	2.0%	7,599	44.2%	60.4%
Sales Total	850,306	100.0%	863,288	100.0%	(12,981)	(1.5)%	5.2%

Note: Sales by reportable segment are sales to consumers.

(Income)

Reportable Segment		Fiscal Year Ended December 31, 2016	Ratio to Net Sales	(Reference) Fiscal Year Ended December 31, 2015	Ratio to Net Sales	Adjusted Year-on-Year Increase/(Decrease)	
						Amount	% Change
Operating Income	Japan Business	57,417	12.6%	54,973	12.6%	2,444	4.4%
	China Business	4,166	3.5%	(476)	(0.4)%	4,642	—
	Asia Pacific Business	1,102	2.2%	405	0.8%	697	171.8%
	Americas Business	(11,813)	(6.8)%	(5,594)	(3.1)%	(6,219)	—
	EMEA Business	(7,224)	(8.1)%	4,597	4.2%	(11,821)	—
	Travel Retail Business	5,470	22.1%	2,411	14.0%	3,058	126.8%
	All Regions	49,118	5.4%	56,317	6.1%	(7,198)	(12.8)%
	Adjustments	(12,338)	—	(11,979)	—	(359)	—
	Total	36,780	4.3%	44,337	5.1%	(7,557)	(17.0)%

Notes:

1. The Operating Income/(Loss) adjustment refers to intersegment transaction eliminations amounting to ¥2,539 million and Companywide expenses totaling ¥(14,877) 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 fiscal year ended December 31, 2016, reportable segment classifications have been changed from the "Japan Business" and "Global Business" segments to the "Japan Business," "China Business," "Asia Pacific Business," "Americas Business," "EMEA Business" and "Travel Retail Business" segments in accordance with changes in the organizational structure of the Shiseido Group. Segment information for the corresponding period of the previous fiscal year has been restated in line with changes in the method of classifying reportable segments.
4. The EMEA Business refers to Europe, the Middle East and African regions.

Results by reportable segment are presented as follows.

[Japan Business]

In the Japan Business, growth was steady in the fiscal year under review. In addition to consumer-oriented brand innovation and the selection and concentration approach toward marketing investment, this steady growth was largely attributable to efforts aimed at strengthening activities to secure the support of tourists visiting Japan and bolster inbound sales at mainly airport duty-free as well as department stores. In the prestige category, results in the ***clé de peau BEAUTÉ*** luxury brand were especially strong. ***SHISEIDO*** also captured a greater share of the market on the back of a significant increase in sales primarily driven by robust results in the ***ULTIMUNE*** power infusing concentrate, which helps to draw out the skin's natural beauty. In the cosmetics category, the mid-priced skincare ***ELIXIR***, makeup ***MAQuillAGE*** and sunscreen ***ANESSA*** brands continued to surpass the levels recorded in the previous fiscal year. Meanwhile, for low-priced products, which are mainly centered on the personal care category, we introduced new products and actively engaged in marketing activities. Despite these endeavors, sales fell below the levels recorded in the previous year owing to the fierce competitive environment.

Accounting for each of the aforementioned factors, sales in the Japan Business increased 2.9% compared with the corresponding period of the previous fiscal year, to ¥407.6 billion. While continued steps were taken to engage in aggressive marketing investment activities, operating income grew 4.4% year on year, to ¥57.4 billion owing mainly to higher margins in line with the increase in net sales, improvements in the product mix and the ongoing effects of cost structural reforms.

[China Business]

In the China Business, sales increased mainly in the prestige and e-commerce categories. Thanks largely to contributions from such prestige brands as ***SHISEIDO, clé de peau BEAUTÉ*** and ***IPSA***, successful efforts were made to overcome the competition in the department store channel and achieve especially high rates of growth. The rate of e-commerce sales growth also outpaced the market mainly due to the positive steps taken to capture increasing demand as the market expands through such measures as marketing collaboration with a major local online site operator. In a bid to address the issue of locally produced mid-priced brands, energies were directed toward rejuvenating sales by adopting a variety of measures including the introduction of new ***AUPRES*** counters and renewal of ***PURE&MILD***. Regrettably, the effects of these endeavors have been limited and sales have stalled.

Taking into consideration the factors mentioned above, sales increased 11.4% compared with the corresponding period of the previous fiscal year on a local currency basis. After converting to Japanese yen, segment sales declined 4.2% year on year, to ¥120.5 billion. From a profit perspective, operating income saw a positive turnaround of ¥4.6 billion compared with the corresponding period of the previous fiscal year, to ¥4.2 billion. Although marketing investments and personnel expenses increased, this positive turnaround was mainly the result of higher margins in line with the increase in sales, improvements in the cost of sales on the back of enhancements in the product mix and other factors.

[Asia Pacific Business]

In the Asia Pacific Business, the regional headquarters located in Singapore commenced full-fledged operations. Activities rooted even more deeply in the communities of each country progressed. In addition to the upswing in sales of such brands as ***SHISEIDO***, ***clé de peau BEAUTÉ*** and ***NARS*** in the prestige category in countries such as Thailand and Vietnam, sales of ***NARS*** and ***SENKA*** in South Korea increased contributing to double-digit percentage growth. We undertook research in unison with the ***SENKA*** brand holder to properly ascertain cosmetics behavior. ***SENKA*** sales were also robust in other countries. This reflected advertisements that resonate in the minds of consumers that differ from country to country and the increase in marketing channels and the number of stores that handle the ***SENKA*** brand.

Accounting for these and other factors, sales in this segment rose 7.0% compared with the corresponding period of the previous fiscal year on a local currency basis. After converting to Japanese yen, however, sales declined 5.9% year on year, to ¥49.6 billion. Operating income improved 171.8% compared with the corresponding period of the previous fiscal year, to ¥1.1 billion owing mainly to higher margins in line with the increase in sales.

[Americas Business]

In the Americas Business, emphasis was placed on the prestige category and on reinforcing marketing investments. Successful steps were also taken to acquire the ***Laura Mercier*** and ***RéVive*** brands in July 2016 in order to strengthen the brand portfolio and secure an increased share of the makeup market, which is exhibiting growth mainly in the United States. Moreover, the head office functions of Bare Escentuals, Inc. were transferred from San Francisco to New York, where the regional headquarters is located. Through this organizational integration, positive steps have been taken to better share prestige marketing knowledge throughout the region and to fully reinforce brands. In a bid to properly address the needs of the e-commerce market, which is exhibiting rapid growth, measures were implemented to strengthen digital marketing.

Based on the above, sales rose 8.0% compared with the corresponding period of the previous fiscal year on a local currency basis. In addition to continued growth in such brands as ***SHISEIDO***, ***NARS*** and ***clé de peau BEAUTÉ***, this result reflects the boost to sales following the acquisition of brands. After converting to Japanese yen, however, sales increased 3.0% year on year, to ¥162.6 billion. The operating loss in this segment came to ¥11.8 billion, a further increase of ¥6.2 billion compared with the corresponding period of the previous fiscal year. Together with the strengthening of marketing investments, this was primarily due to expenses incurred as a result of the structural reform of Bare Escentuals, Inc., one time costs incurred in connection with the acquisition of the aforementioned brands and the recognition of goodwill amortization expenses.

[EMEA Business]

In the EMEA Business, marketing investments were stepped up in order to enhance the values of the ***SHISEIDO***, designer fragrances ***narciso rodriguez*** and ***ISSEY MIYAKE*** as well as other brands. A license agreement in connection with the leading Italian luxury fashion ***Dolce&Gabbana*** brand was also concluded, with the aim of securing an increased share of the fragrance market, which boasts the EMEA region's largest scale. Moreover, the regional headquarters was relocated to the center of Paris for the purpose of promoting the integration of organizations and functions of each country within the region, eliminating duplication in each of the cosmetics and fragrance categories, and developing business in a uniform manner, to enhance both growth potential and profitability.

Despite the steady growth in sales of ***SHISEIDO*** and ***narciso rodriguez***, sales in the EMEA Business were substantially impacted by the loss of ***Jean Paul GAULTIER*** sales. This followed the termination of the licensing agreement at the beginning of the fiscal year under review. Accounting for these factors, sales in this segment declined 8.1% compared with the corresponding period of the previous fiscal year on a local currency basis. Coming in at ¥85.2 billion, sales were 18.2% lower year on year after converting to Japanese yen. In addition to the drop in profit margins associated with the downturn in sales, one-time costs were incurred in connection with the ***Dolce&Gabbana*** license agreement. This led to a negative movement of ¥11.8 billion compared with the corresponding period of the previous fiscal year resulting in an operating loss of ¥7.2 billion. Meanwhile, sales in real terms climbed 9% compared with the corresponding period of the previous fiscal year on a local currency basis after excluding the impact of the termination of the ***Jean Paul GAULTIER*** license and the effect of the acquisition of the ***Dolce&Gabbana*** license.

[Travel Retail Business]

In the Travel Retail Business, active measures are being taken to strengthen operations. This business, which includes the sale of cosmetics through such channels as airport duty-free stores, boasts high profit margins and considerable growth potential. While segment sales account for only a small portion of total sales compared with other competitors worldwide, Travel Retail is considered as a business of the utmost priority for us because of the strengths it provides among brands originating from Japan. In the fiscal year under review, in addition to the opening of new counters, we improved our consumer services at existing sales areas, introduced designated Travel Retail products, and reinforced relationships with major retailers.

As a result, sales per store mainly at major airport duty-free stores throughout Asia including such countries as China, South Korea and Thailand increased. On an overall basis, the Travel Retail Business also reported growth that outstripped the market by a considerable margin. Accounting for these factors, sales in this segment increased 60.4% compared with the corresponding period of the previous fiscal year on a local currency basis. After converting to Japanese yen, sales grew 44.2% year on year, to ¥24.8 billion. Operating income also climbed 126.8% compared with the corresponding period of the previous fiscal year, to ¥5.5 billion on the back of higher margins in line with the increase in sales and other factors.

[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.; domestic TR business in Japan
China Business	Business in the China region generally including the operations of such companies as Shiseido China Co., Ltd. (excluding TR)
Asia Pacific Business	Operations of such companies as Shiseido Asia Pacific Pte. Ltd., business in the Asia and Oceania regions generally excluding Japan and China (excluding TR)
Americas Business	Operations of such companies as Shiseido Americas Corporation, business in the Americas region generally (excluding TR)
EMEA Business	Operations of such companies as Shiseido Europe S.A., business in the EMEA (Europe, the Middle East and Africa) region generally (excluding TR)
Travel Retail Business	Operations of worldwide duty-free stores generally excluding Japan (excluding TR in the fragrance business)

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 ended 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. TR: Travel Retail Business
4. The fragrance business includes such brands as ***Dolce&Gabbana***, ***ISSEY MIYAKE*** and ***narciso rodriguez*** and excludes ***SHISEIDO*** fragrance.

2) Outlook for the Fiscal Year Ending December 31, 2017

(Consolidated Sales) (Billions of yen)

	Fiscal Year Ending December 31, 2017 (Estimate)	Year-on-Year Increase/(Decrease)		Fiscal Year Ended December 31, 2016 (Results)
		% Change	% Change in local currency terms	
Net Sales	940.0	10.5%	11%	850.3
Japan Business	391.0	2.6%	3%	381.2
China Business	132.0	11.8%	14%	118.1
Asia Pacific Business	48.5	6.4%	6%	45.6
Americas Business	164.0	19.3%	19%	137.5
EMEA Business	111.0	31.9%	34%	84.1
Travel Retail Business	32.5	31.0%	30%	24.8
Professional Business	47.0	4.5%	4%	45.0
Other	14.0	0%	0%	14.0

Notes:

1. Effective from the fiscal year ending December 31, 2017, the Company has revised its reportable segment classification method in line with changes to its organizational system. Under this change, plans are in place to reclassify the Company's reportable segments into the "Japan Business," "China Business," "Asia Pacific Business," "Americas Business," "EMEA Business," "Travel Retail Business" and "Professional Business." Meanwhile, operating results data for the fiscal year under review has been rearranged using the simplified method.
2. "Other" refers to the operations of business segments not included in reportable segments and is comprised of manufacturing operations and the activities of the Frontier Science and Restaurant businesses.

(Consolidated Income) (Billions of yen)

	Fiscal Year Ending December 31, 2017 (Estimate)	Ratio to Net Sales	Fiscal Year Ended December 31, 2016 (Results)	Ratio to Net Sales	Year-on-Year Increase/ (Decrease)
Operating Income	45.5	4.8%	36.8	4.3%	23.7%
Ordinary Income	45.5	4.8%	37.2	4.4%	22.4%
Net Income Attributable to Owners of Parent	26.0	2.8%	32.1	3.8%	(19.0)%

	Fiscal Year Ending Dec. 31, 2017 (Estimate)	Fiscal Year Ended December 31, 2016 (Results)
Return on Equity (ROE)	6.5%	8.2%
Net Income per Share (Yen)	65.11	80.41
Payout Ratio (Consolidated)	30.7%	24.9%
Dividends per Share (Yen):	Yen	Yen
Interim	10.00	10.00
Period-End	10.00	(Plan) 10.00

Despite expectations that the global economy as a whole will experience an ongoing modest recovery throughout the fiscal year ending December 31, 2017, future conditions are projected to remain shrouded in uncertainty. In addition to the effects of U.S. trade and financial policies, this uncertainty reflects the potential for political events in countries in Europe and economic conditions in countries in Asia to impact operating conditions.

Under these circumstances, Shiseido will continue to push forward measures aimed at rebuilding its business foundation in a bid to achieve the targets identified under the medium-to-long-term strategy VISION 2020. In specific terms, the Company will strive for high growth by adopting a selection and concentration approach toward the prestige, made in Japan brand, digital/e-commerce and other categories that can be expected to expand in the future. In addition to strictly managing returns by brand with the aim of improving profitability, Shiseido will undertake a variety of measures including efforts to turnaround underperforming brands and to conduct a bold review of businesses and the brand portfolio. In order to strengthen brands through the creation of innovation, Shiseido will actively employ a “center of excellence” framework to cultivate strong brands that can excel on the world stage. “Center of excellence” is a concept under which regions that are at the forefront of categories and have the ability to influence them globally will lead the Group in collecting information, formulating strategy, developing products and other initiatives for shared use in marketing operations worldwide. Japan will be the center of excellence for skincare, the United States for makeup and digital marketing and Europe for fragrance. In addition, the Company will invest in venture companies that are engaged in advanced business activities to gain access to innovative technologies and ideas that are currently outside its grasp and promote open innovation that is capable of developing high-value-added products. In order to implement these initiatives, the Company will nurture and secure global human resources while building a mechanism that allows each and every employee to make the most of their talents and potential.

As a result, consolidated net sales for the fiscal year ending December 31, 2017 are projected to reach ¥940.0 billion. From a profit perspective, operating income is forecast to total ¥45.5 billion on the back of higher profit margins in line with the increase in sales. Ordinary income and net income attributable to owners of parent are anticipated to come in at ¥45.5 billion and ¥26.0 billion, respectively.

3) Outlook for the Fiscal Year Ending December 31, 2017 by Reportable Segment

[Japan Business]

In the Japan Business, every effort will be made to further expand the robust prestige category by bolstering marketing investments and endeavoring to capture inbound demand. Energies will also be directed toward expanding touch points with consumers focusing on new customers in a bid to strengthen brand power in the cosmetics category. In low-priced categories, where issues remain, steps will be taken to thoroughly review strategies. In addition to adhering strictly to a policy of selection and concentration with respect to categories and brands in which the Company maintains considerable strengths, work will be undertaken to promote a turnaround through alliances with a variety of companies and collaboration with retailers. Based on these endeavors, sales in the Japan Business are expected to climb 3% compared with the fiscal year under review, to ¥391.0 billion.

[China Business]

In the China Business, steps will be taken to further strengthen activities in the prestige category in which market share is steadily increasing. Investments will also be increased in the e-commerce category, which is exhibiting rapid market growth. Meanwhile, ***AUPRES*** will undergo a complete renewal in March 2017. The Company will also launch ***ELIXIR*** as a skincare brand that originates from Japan. Such measures are expected to help reinforce the mid-priced cosmetics category, where issues remain. Taking into account the aforementioned factors, sales in the China Business are forecast to total ¥132.0 billion on a local currency basis, up 14% compared with the fiscal year under review.

[Asia Pacific Business]

In the Asia Pacific Business, steps will be taken to strengthen the prestige category by actively investing in sales counters. In addition to rolling out made in Japan products in the cosmetics and personal care categories, work will be undertaken to expand sales through communication that is tailored to consumers by area. As a result, sales in the Asia Pacific Business are anticipated to increase 6% compared with the fiscal year under review, to ¥48.5 billion on a local currency basis.

[Americas Business]

In the Americas Business, rejuvenation of ***bareMinerals*** is considered a priority issue. At the same time, investments will be directed toward further enhancing brand power in the makeup category. This includes the ***Laura Mercier***, ***NARS*** and other brands. Efforts will be made to improve profitability by increasing business efficiency within the region. Accounting for each of the initiatives, sales in the Americas Business are estimated to grow 19% compared with the fiscal year under review, to ¥164.0 billion on a local currency basis.

[EMEA Business]

In the EMEA Business, marketing investments will increase substantially in ***Dolce&Gabbana***. Sales of fragrance and other products commenced in October 2016 after concluding a license agreement in 2016. We plan to transfer production to the Company's factory during the first half of the fiscal year ending December 31, 2017, and profitability of the brand is expected to improve substantially. Investments will also be made on a concentrated basis in selected lines in the ***SHISEIDO*** brand. After promoting organizational integration within the region, efforts will be made to further enhance the platform to increase profitability. Based on these initiatives, sales in the EMEA Business are projected to reach ¥111.0 billion on a local currency basis, up 34% compared with the fiscal year under review.

[Travel Retail Business]

In the Travel Retail Business, activities are distinguished by their exceptional potential for growth. Positioned as a priority business, every effort will be made to actively increase investment. In specific terms, emphasis will be placed on increasing the number of counters at airports in countries throughout the world, focusing on bolstering sales promotions, engaging in marketing activities that are unique to the needs of travelers and developing designated products. As a result, sales in the Travel Retail Business are expected to grow 30% compared with the fiscal year under review, to ¥32.5 billion on a local currency basis.

[Professional Business]

In the Professional Business, work will continue to focus on strengthening the coloring category in a bid to accelerate the pace of growth in China and Asia. Sales in the Professional Business are therefore anticipated to come in at ¥47.0 billion, an increase of 4% compared with the fiscal year under review.

[Other]

In the Frontier Science business, considerable weight will continue to be placed on sales of bio-hyaluronic acid, a raw material for pharmaceuticals and cosmetics, as well as ***2e*** and ***NAVISION*** cosmetics, derived from beauty care skin research, for medical institutions. In the Restaurant business, ongoing steps will be taken to develop menus that address customers' tastes and developing business overseas, which began in Singapore last year. Accounting for these factors, sales are forecast to reach ¥14.0 billion around the same level as the fiscal year under review.

Our outlook for the fiscal year ending December 31, 2017 by reportable segment is based on annual exchange rates for the principal currencies of US$1:¥110.0, €1:¥118.0 and CNY1:¥16.0.

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

Notes:

1. Professional business operations included in each business segment excluding the Travel Retail Business under the Company's previous segment classification structure has been classified as the separate "Professional Business" under a revised segment classification structure effective from the fiscal year ending December 31, 2017.
2. Manufacturing operations, Frontier Science business, Resturant business, etc. included in the "Japan Business" under the Company's previous segment classification structure has been classified as the separate "Other" under a revised segment classification structure effective from the fiscal year ending December 31, 2017.
3. TR: "Travel Retail Business;" PF: "Professional Business"
4. The fragrance business includes such brands as ***Dolce&Gabbana***, ***ISSEY MIYAKE*** and ***narciso rodriguez*** and excludes ***SHISEIDO*** fragrance.

(2) Analysis of Financial Position

As of December 31, 2016, total assets stood at ¥946.0 billion, up ¥137.5 billion compared with the end of the previous fiscal year. In addition to the posting of intangible fixed assets in connection with the acquisition of such brands as ***Laura Mercier*** and the execution of the ***Dolce&Gabbana*** license agreement, total assets were impacted by the acquisition of land and construction of buildings for the Global Innovation Center, deposits relating to the purchase of land for a new factory in Osaka as well as construction costs for a new building at the Kakegawa Factory. Total liabilities climbed ¥136.9 billion, to ¥532.1 billion. Major movements in liabilities reflected long-term payables associated with the execution of the ***Dolce&Gabbana*** license agreement, debt and the issuance of corporate bonds, and the increase in liability for retirement benefits attributable to the drop in interest rates and subsequent decline in the discount rate. Net assets edged up ¥0.5 billion, to ¥413.9 billion. Despite a decrease in foreign currency translation adjustments, the growth in net assets was primarily due to the increase in retained earnings. The equity ratio as of the end of the fiscal year under review was 41.5%, down from 48.4% as of the end of the previous fiscal year.

Net cash provided by operating activities totaled ¥59.1 billion in the fiscal year under review. Net cash used in investing activities, on the other hand, was ¥70.6 billion. Major cash outflows included payments relating to the acquisition of such brands as ***Laura Mercier*** and the execution of the ***Dolce&Gabbana*** license agreement. Net cash provided by financing activities came to ¥22.4 billion. This largely reflects the inflows attributable to the issuance of corporate bonds and the increase in debt. Accounting for each of these activities, cash and cash equivalents as of the end of the fiscal year under review totaled ¥113.1 billion, an increase of ¥8.2 billion from the start of the period.

Consolidated Cash Flows (Summary)

(Billions of yen)

Category	Amount
Cash and cash equivalents at beginning of term	104.9
Net cash provided by operating activities	59.1
Net cash used in investing activities	(70.6)
[Investments in fixed assets]	[(44.8)] *
Net cash used in financing activities	22.4
Effect of exchange rate changes on cash and cash equivalents	(2.7)
Net change in cash and cash equivalents	8.2
Cash and cash equivalents at end of term	113.1

*Capital Expenditures (Billions of yen)

Category	Amount
Acquisition of property, plant, and equipment	(31.4)
Increase in intangibles	(7.3)
Long-term prepaid expenses	(6.1)

(Note) Trademarks are excluded from intangible fixed asset capital expenditures.

As shown in the table below, the equity ratio was in the 41% range based on book value and the 120% range based on market prices. The debt repayment term (3.0 years) is generally regarded as a safe level.

Cash Flow Indexes

	Fiscal Year Ended March 31, 2013	Fiscal Year Ended March 31, 2014	Fiscal Year Ended March 31, 2015	Fiscal Year Ended Dec. 31, 2015	Fiscal Year Ended Dec. 31, 2016
Equity Ratio (%)	40.1	42.2	47.0	48.4	41.5
Equity Ratio Based on Market Price (%)	73.8	90.3	103.3	124.8	124.9
Debt Repayment Term (Years)	4.4	1.8	3.3	1.4	3.0
Interest Coverage Ratio (Times)	22.5	47.5	24.2	71.7	70.5

Notes:
1. Equity ratio: (Net assets –Subscription rights to shares – Minority interests) / Total assets
   Equity ratio based on market price: Market value of total stock / Total assets
   Debt repayment term: Interest-bearing debt / Operating cash flows
   Interest coverage ratio: Operating cash flows / Payment of interest expenses
2. Each index is calculated based on consolidated financial figures.
3. Market value of total stock is calculated by multiplying the closing stock price at the end of the term by the number of shares outstanding at the end of the term (after deduction of treasury stock).
4. Interest-bearing debt refers to all liabilities listed in consolidated balance sheets that incur interest. For the payment of interest, "interest expense" shown in consolidated statements of cash flows is used.

(3) Basic Shareholder Return Policy; Cash Dividends

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means, in addition to generating medium-to-long-term share price gains. To this end, our fundamental policy is to deploy growth-oriented strategic investments to drive increases in earnings and improvements in capital efficiency, which will lead to medium-to-long-term increases in dividends and higher share prices. Our medium-term profit return objective is to achieve a consolidated dividend payout ratio of 40%. To this end, we will maintain dividend payments in a stable and consistent manner. With respect to share buybacks, we will act appropriately while considering free cash flow levels and the market environment.

Based on this underlying policy, the Company plans to increase its year-end dividend to ¥10.00 per share. Combined with the ¥10.00 per share interim dividend, this brings the total annual dividend to ¥20.00 per share. As a result, the consolidated payout ratio for the fiscal year under review will be 24.9%.

In the fiscal year ending December 31, 2017, We intend to pay both interim and fiscal year-end dividends of ¥10.00 per share each, for an annual dividend of ¥20.00 per share.

(4) Business and Other Risks

Business and other risks that could potentially affect the Shiseido Group are described in its most recent Securities Report (filed on March 25, 2016). Since there are no major changes, the "Business and Other Risks" section has been omitted from this report.

(Company Website)
https://www.shiseidogroup.jp/ir/library/syoken/pdf/2015/1512all.pdf (Japanese only)

2. The Shiseido Group

For details about major changes in subsidiaries during the period, please refer to "Basis of Presenting Consolidated Financial Statements" under "5. Consolidated Financial Statements (5) Notes Concerning Consolidated Financial Statements" on page 30.

3. Management Policies

(1) Basic Corporate Policies

Our Mission, Values and Way (MVW) is the Shiseido Group corporate philosophy that every employee of the Shiseido Group shares regardless of their nationality and what affiliate or brand they represent. "Our Mission" defines the Company's underlying calling, which is "to inspire a life of beauty and culture." "Our Values" defines the values that must be held and shared by each and every employee of the Shiseido Group aiming to realize Our Mission. And, "Our Way" defines the actions that must be taken and shared by each and every employee of the Shiseido Group aiming to realize "Our Mission." Guided by this corporate philosophy and the concept "Think Global, Act Local," we will inspire a life of beauty and culture for all consumers in this ever-changing world, and through beauty, we will achieve a sustainable society that makes people happy. In these ways, we will deliver sustained improvements in corporate value.

[Our Mission]

We cultivate relationships with people
We appreciate genuine, meaningful values
We inspire a life of beauty and culture.

[Our Values]

In Heritage, Excellence
In Diversity, Strength
In Innovation, Growth

[Our Way]

All members of Shiseido Group pursue
shared and sustainable growth with all stakeholders.

With Consumers
With Business Partners
With Employees
With Shareholders
With Society and the Earth

(2) Medium-to-Long-Term Strategies and Targets

[Medium-to-Long-Term Strategy VISION 2020]

Underpinned by corporate mission "to inspire a life of beauty and culture," Shiseido has created the medium-to-long-term strategy VISION 2020 with its sights set on fiscal 2020 as a target for building a foundation that will enable the Company to remain vital for the next 100 years. By fiscal 2020, we aim to become a company "filled with energy," "overflowing with youthfulness," "always much talked about," "that the younger generations adores," and "be a multi-cultural company."

To build a solid position and transform "from a leader in Japan to a winner worldwide," Shiseido is working to strengthen marketing and innovation by orienting all activities toward consumers, while deploying diverse human resources and rebuilding its global organization to support these endeavors.

The numerical targets of VISION 2020 entail consolidated net sales of over ¥1 trillion, operating income of over ¥100 billion and ROE of 12% or higher. As for specific strategies, we have positioned the three years from fiscal 2015 to fiscal 2017 as a period for rebuilding our business foundation, as well as the three years from fiscal 2018 to fiscal 2020 as a period for pursuing a new strategy to accelerate growth. Our activities are based on the roadmap below.

[Three-year plan from fiscal 2015 to fiscal 2017]

We have positioned the three years from fiscal 2015 to fiscal 2017 as a period for reconstructing our business foundation. During this period, we are focusing on settling legacy issues by discontinuing unprofitable brands, reorganizing loss-making overseas subsidiaries, optimizing market inventory levels in China, and making organizational reforms in Europe and the U.S. To accelerate future growth, Shiseido will enhance its brands through selection and concentration, invest heavily in marketing and innovation, reform the cost structure, nurture personnel and reform organizations, strengthen its brand portfolio through M&A and licensing agreements, and build a global management structure by enhancing its regional headquarters system.

(3) Issues to Address

[Strengthen brands and aggressively invest in marketing]

We aim to create a number of formidable brands through the innovation of core brands centered on the prestige category while concentrating marketing spending on selected brands. Shiseido will strengthen marketing by investing ¥100 billion over the three-year period through 2017. Aiming to be a beauty company winner worldwide, Shiseido intends to reinforce its brand portfolio when necessary through M&A and alliances.

[Strengthen innovation fields and promote open innovation]

We continue to enhance our R&D organization around the world based on consumer insight, expanding the scale of our nine R&D bases in five countries in order to maximize our R&D capabilities. We have been strengthening collaboration in marketing locally while developing products more in line with local needs.

In the area of basic and foundational research to support future growth, we will strengthen our capabilities in each of the six domains of life science research, material science research, consumer research, beauty equipment, hair regenerative medicine, and information & communications technology (ICT) fields. At the same time, we will work diligently to create new value.

In fiscal 2014, spending on research and development was 1.8% of consolidated net sales, however we aim to expand this to 2.5% by fiscal 2020. In addition to strengthening our R&D bases, we plan to open our Global Innovation Center by the end of 2018, and increase the number of researchers to a total of up to 1,500 worldwide.

Shiseido promotes open innovation to generate new value and markets with a view to creating innovative new products and services related to beauty through the combination of outside technologies and ideas. Our aim is to remain an industry leader while maintaining our global competitive advantages. We plan to obtain new ideas and technologies currently outside our grasp through M&A and investments in venture companies developing cutting-edge businesses.

[Build a growth foundation; restructure to generate investment resources]

We will continue to advance structural reforms that began in fiscal 2014 across all global regions. By fiscal 2017, we will come up with a three-year cumulative total of more than ¥60.0 billion to cover the cost of this initiative, comprising the total of cost of goods sold, marketing costs, inventory and supply chain management costs, back office costs and personnel costs/productivity. The funds for investment freed up by the structural reforms will be allocated to various areas including marketing investments such as sales counters as well as product samples, sales promotions and other direct consumer interface initiatives together with R&D and other investments aimed at expediting revenue growth.

[Sustainability strategy]

Economic activity has expanded on a global scale while the standard of living has risen to an abundant level. Meanwhile, there are concerns that the growing incidence of global-scale social issues including those that relate to the environment, poverty as well as health and hygiene are undermining the sustainability of human civilization.

Shiseido recognizes the critical importance of promoting the sustainable growth of its business by drawing on its inherent strengths and working vigorously to link efforts aimed at solving environmental and social issues to the Company's business expansion.

Taking into consideration the value chain as it relates to our mission "to inspire a life of beauty and culture," as well as the expectations of society, we have identified People, Community and the Planet as the scope of our sustainability activities. In particular, we are moving ahead on the key points of providing each and every consumer with healthy and happy lifestyles, realizing a society where diversity is mutually recognized, and designing and producing sustainable products.

[Environmental initiatives]

Shiseido is promoting initiatives to reduce environmental load in the development of cosmetics products. For example, we developed and deployed a new refillable container that anyone can easily use when we renewed ***la crème n***, the cream for our prestige brand ***clé de peau BEAUTÉ***.

The launch of the refillable container has reduced the amount of plastic used by roughly 73% compared with the original product container. Inner metallization is applied to the outer container to express a deeply brightened skin tone thanks to the polyhedron effect of the container. This innovative container was recognized in August 2016 with the "Accessible Design Packaging Award" [*2] in the "Japan Packaging Contest 2016"[*1].

*1 "The Japan Packaging Contest 2016" (held by the Japan Packaging Institute) is Japan's largest contest for superior packaging designs and packaging technologies. It presents awards in three categories: the Japan Star awards (12 awards), the Packaging Technology awards (6 awards), and the Packaging Department awards (13 awards). The "Accessible Design Packaging Award" is one of the packaging technology awards, and is the second highest award, surpassed only by the Japan Star award.

*2 Award presented for package designs featuring universal design, accessible to the elderly and those with disabilities, and which also improve usability for able-bodied users.

[Contribute to activities that support culture and sports]

Shiseido has continued to create new value for the next generation ever since its foundation to the present day, and this intellectual and emotive pursuit is reflected in its corporate culture. In the initial publication of its corporate culture magazine Hanatsubaki in 1937, Shiseido has focused on the discovery of essential items and concepts that withstand the passage of time and unearthing truly outstanding things. The goal of the Company is to ensure that the magazine is on the recommended list for readers. Reaching out to the younger generation, we updated our website in June 2016 and began to publish a paper version of the magazine on a quarterly basis in November.

Believing sports is a common world language, Shiseido encourages people around the world to lead active and beautiful lifestyles by supporting sports activities that bring feelings of excitement and partnership to people. Since 1979, Shiseido has been a long-running supporter of sports, including the Shiseido Running Club for women's track and field events, as well as co-sponsor of the Tokyo International Women's Marathon, the first women's marathon in the world recognized by the International Association of Athletics Federations. We have also conducted research into proper running posture and training methods, and created sunscreens and skin-brightening products, along with helpful information about how to protect the beauty of skin while engaging in outdoor sports. Shiseido provides this wisdom and information through its "RUN, RUN, BEAUTY" website, which is accessed by a lot of runners to supplement a life of running for pleasure and beauty.

[Further promote diversity]

A monocultural company is clearly at a disadvantage when it comes to competing amid the globalization of business and the diversifying values of consumers. Shiseido promotes diversity in terms of nationality, gender, age and other attributes, and believes having employees with diverse ways of thinking and values will lead to the creation of new value and sustained growth.

One of our core missions is to take a leading role in improving the social standing of women and their empowerment, and we have implemented a variety of measures to help advance women's causes. In January 2017, Shiseido achieved its target for a 30% ratio of women in management positions in Japan. We will continue to support the advancement of women in the workplace, and now target a 40% ratio of women in management positions by 2020.

With regards to support for child-rearing, Shiseido operates its own childcare centers on its business premises. In November 2016, Shiseido signed a basic agreement to establish a joint venture with JP Holdings Inc., which provides comprehensive childcare services. In 2017, we plan to build a childcare center on the premises of our Kakegawa Plant. We are also offering the knowledge we have gained by providing support for child-rearing to other companies interested in setting up their own childcare centers. In these ways, we are helping to address the shortage of childcare centers in Japan, a pressing major social issue.

4. Basic Approach to the Selection of Accounting Standards

The Shiseido Group applies Japanese accounting standards.

We believe that financial statements based on Japanese accounting standards provide appropriate disclosure of the Group's business results, financial position and cash flow status.

With respect to applying International Financial Reporting Standards (IFRS), we are currently undertaking an assessment while monitoring convergence with Japanese standards, revisions of IFRS itself, and the impact of changes in standards as well as the responses to such changes on our operations.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As at December 31, 2015	As at December 31, 2016
ASSETS		
Current Assets:		
Cash and time deposits	116,771	120,126
Notes and accounts receivable	127,201	136,768
Short-term investments in securities	7,685	7,905
Inventories	105,928	115,672
Deferred tax assets	28,242	33,618
Other current assets	26,608	31,589
Less: Allowance for doubtful accounts	(1,765)	(1,933)
Total current assets	410,673	443,748
Fixed Assets:		
Property, Plant and Equipment, at Cost:		
Buildings and structures	162,630	164,817
Less: Accumulated depreciation	(103,837)	(106,338)
Buildings and structures, net	58,793	58,478
Machinery, equipment and vehicles	86,981	86,847
Less: Accumulated depreciation	(73,076)	(71,867)
Machinery, equipment and vehicles, net	13,905	14,980
Tools, furniture and fixtures	77,869	80,371
Less: Accumulated depreciation	(55,758)	(55,969)
Tools, furniture and fixtures, net	22,110	24,402
Land	29,989	36,604
Lease assets	7,373	7,414
Less: Accumulated depreciation	(3,734)	(4,096)
Leased assets, net	3,639	3,317
Construction in progress	5,843	18,411
Total property, plant and equipment	134,281	156,194
Intangible Assets:		
Goodwill	59,430	59,795
Leased assets	513	401
Trademarks	60,087	146,209
Other intangible assets	41,372	39,927
Total intangible assets	161,403	246,333
Investments and Other Assets:		
Investments in securities	27,434	24,899
Long-term loans receivable	396	240
Long-term prepaid expenses	12,692	13,377
Deferred tax assets	36,833	37,371
Other investments	24,877	23,874
Less: Allowance for doubtful accounts	(46)	(33)
Total investments and other assets	102,187	99,729
Total fixed assets	397,873	502,258
Total assets	808,547	946,007

(Millions of yen)

	As at December 31, 2015	As at December 31, 2016
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	33,102	51,080
Electronically recorded obligations - operating	29,213	32,312
Short-term debt	7,167	6,339
Commercial papers	4,218	5,243
Current portion of long-term debt	5,739	3,230
Lease obligations	1,870	1,744
Other payables	37,090	43,453
Accrued income taxes	4,661	5,561
Reserve for sales returns	14,799	12,948
Accrued bonuses for employees	18,480	22,110
Accrued bonuses for directors	55	99
Provision for liabilities and charges	1,192	2,024
Deferred tax liabilities	16	0
Other current liabilities	49,176	60,538
Total current liabilities	206,784	246,687
Long-Term Liabilities:		
Bonds	30,000	40,000
Long-term debt	35,432	62,196
Lease obligations	2,184	1,826
Long-term payables	715	53,135
Liability for retirement benefits	83,656	94,489
Allowance for losses on guarantees	350	350
Allowance for environmental measures	377	376
Provision for structural reforms	990	—
Deferred tax liabilities	31,270	29,818
Other long-term liabilities	3,450	3,257
Total long-term liabilities	188,428	285,449
Total Liabilities	395,212	532,137
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,258	70,846
Retained earnings	233,933	258,005
Treasury stock	(1,700)	(1,325)
Total shareholders' equity	366,999	392,033
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	8,144	7,389
Foreign currency translation adjustments	40,374	26,516
Accumulated adjustments for retirement benefits	(23,854)	(32,975)
Total accumulated other comprehensive income	24,664	930
Stock Acquisition Rights	863	818
Non-Controlling Interests in Consolidated Subsidiaries	20,806	20,087
Total Net Assets	413,334	413,870
Total Liabilities and Net Assets	808,547	946,007

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal Year Ended December 31, 2015 (April 1, 2015 to December 31, 2015)	Fiscal Year Ended December 31, 2016 (January 1, 2016 to December 31, 2016)
Net Sales	763,058	850,306
Cost of Sales	196,009	207,553
Gross profit	567,048	642,753
Selling, General and Administrative Expenses	529,388	605,972
Operating Income	37,660	36,780
Other Income		
Interest income	1,172	771
Dividend income	559	521
Equity in earnings of affiliates	149	260
Rental income	669	776
Subsidy income	730	624
Other	819	1,194
Total other income	4,100	4,149
Other Expenses		
Interest expense	809	814
Foreign exchange loss	1,790	1,270
Other	1,571	1,669
Total other expenses	4,172	3,754
Ordinary Income	37,588	37,174
Extraordinary Gains		
Gain on transfer of business	5,772	8,952
Gain on sales of property, plant and equipment	696	9,132
Gain on sales of investments in securities	2,426	403
Total extraordinary gains	8,894	18,489
Extraordinary Losses		
Impairment loss	153	153
Structural reform expenses	1,485	4,037
Loss of liquidation of subsidiaries and affiliates	812	—
Information security expenses	—	574
Loss on disposal of property, plant and equipment	1,132	1,010
Loss on sales of investments in securities	0	0
Loss on revaluation of investments in securities	6	21
Total extraordinary losses	3,590	5,797
Income before Income Taxes	42,892	49,866
Income Taxes – Current	15,267	17,507
Income Tax –Deferred	2,024	(1,565)
Total Income Taxes	17,292	15,941
Net Income	25,600	33,925
Net Income Attributable to Non-Controlling Interests	2,389	1,823
Net Income Attributable to Owners of Parent	23,210	32,101

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year Ended December 31, 2015 (April 1, 2015 to December 31, 2015)	Fiscal Year Ended December 31, 2016 (January 1, 2016 to December 31, 2016)
Net Income	25,600	33,925
Other Comprehensive Income		
Unrealized gains (losses) on available-for-sale securities	1,690	(813)
Foreign currency translation adjustments	(9,173)	(14,906)
Adjustment for retirement benefits	(4,468)	(9,136)
Share of other comprehensive income of associates accounted for under the equity method	(55)	(90)
Total other comprehensive income (loss)	(12,005)	(24,946)
Comprehensive Income	13,594	8,978
(Breakdown)		
Comprehensive income attributable to owners of parent	12,323	8,367
Comprehensive income attributable to non-controlling interests	1,271	611

(3) Consolidated Statements of Changes in Net Assets
Fiscal Year Ended December 31, 2015 (April 1, 2015 to December 31, 2015)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance at beginning of year	64,506	70,258	218,757	(2,214)	351,308
Changes during year					
Dividend from retained earnings			(7,979)		(7,979)
Net income attributable to owners of parent			23,210		23,210
Acquisition of treasury stock				(10)	(10)
Disposal of treasury stock		0		524	525
Non-controlling interests, capital transactions, others			(55)		(55)
Net changes of items other than shareholders' equity					—
Total changes during year	—	0	15,176	514	15,691
Balance at end of year	64,506	70,258	233,933	(1,700)	366,999

	Accumulated Other Comprehensive Income				Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Accumulated Adjustment for Retirement Benefits	Total Accumulated Other Comprehensive Income			
Balance at beginning of year	6,443	48,544	(19,435)	35,552	1,043	21,465	409,369
Changes during year							
Dividend from retained earnings							(7,979)
Net income attributable to owners of parent							23,210
Acquisition of treasury stock							(10)
Disposal of treasury stock							525
Non-controlling interests, capital transactions, others							(55)
Net changes of items other than shareholders' equity	1,701	(8,170)	(4,418)	(10,887)	(180)	(658)	(11,726)
Total changes during year	1,701	(8,170)	(4,418)	(10,887)	(180)	(658)	3,965
Balance at end of year	8,144	40,374	(23,854)	24,664	863	20,806	413,334

Fiscal Year Ended December 31, 2016 (January 1, 2016 to December 31, 2016)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance at beginning of year	64,506	70,258	233,933	(1,700)	366,999
Changes during year					
Dividend from retained earnings			(7,983)		(7,983)
Net income attributable to owners of parent			32,101		32,101
Acquisition of treasury stock				(6)	(6)
Disposal of treasury stock		11		380	392
Non-controlling interests, capital transactions, others		575	(46)		529
Net changes of items other than shareholders' equity					—
Total changes during year	—	587	24,071	374	25,033
Balance at end of year	64,506	70,846	258,005	(1,325)	392,033

	Accumulated Other Comprehensive Income				Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Accumulated Adjustment for Retirement Benefits	Total Accumulated Other Comprehensive Income			
Balance at beginning of year	8,144	40,374	(23,854)	24,664	863	20,806	413,334
Changes during year							
Dividend from retained earnings							(7,983)
Net income attributable to owners of parent							32,101
Acquisition of treasury stock							(6)
Disposal of treasury stock							392
Non-controlling interests, capital transactions, others							529
Net changes of items other than shareholders' equity	(755)	(13,858)	(9,120)	(23,734)	(44)	(718)	(24,497)
Total changes during year	(755)	(13,858)	(9,120)	(23,734)	(44)	(718)	535
Balance at end of year	7,389	26,516	(32,975)	930	818	20,087	413,870

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year Ended December 31, 2015 (April 1, 2015 to December 31, 2015)	Fiscal Year Ended December 31, 2016 (January 1, 2016 to December 31, 2016)
Cash Flows from Operating Activities:		
Income before income taxes	42,892	49,866
Depreciation	31,761	34,480
Amortization of goodwill	5,172	4,916
Impairment loss	153	153
(Gain) loss on disposal of property, plant and equipment	436	(7,132)
(Gain) loss on sales of investments in securities	(2,426)	(402)
(Gain) loss on revaluation of investments in securities	6	21
Gain on transfer of business	(5,772)	(8,952)
Loss on liquidation of subsidiaries and affiliates	812	—
Increase (decrease) in allowance for doubtful accounts	620	233
Increase (decrease) in reserve for sales returns	(396)	(1,526)
Increase (decrease) in accrued bonuses for employees	1,845	3,917
Increase (decrease) in accrued bonuses for directors	(127)	44
Increase (decrease) in provision for liabilities and charges	621	896
Increase (decrease) in provision for structural reforms	(25)	(990)
Increase (decrease) in liability for retirement benefits	1,562	(2,168)
Increase (decrease) in allowance for environmental measures	(18)	(1)
Interest and dividend income	(1,731)	(1,293)
Interest expense	809	814
Equity in (earnings) losses of affiliates	(149)	(260)
(Increase) decrease in notes and accounts receivable	(1,745)	(10,578)
(Increase) decrease in inventories	(2,846)	(9,500)
Increase (decrease) in notes and accounts payable	7,405	19,058
Other	5,721	3,235
Subtotal	84,579	74,831
Interest and dividends received	1,728	1,552
Interest paid	(843)	(838)
Income tax paid	(24,935)	(16,415)
Net cash provided by operating activities	60,529	59,129

(Millions of yen)

	Fiscal Year Ended December 31, 2015 (April 1, 2015 to December 31, 2015)	Fiscal Year Ended December 31, 2016 (January 1, 2016 to December 31, 2016)
Cash Flows from Investing Activities:		
Transfers to time deposits	(18,312)	(14,207)
Proceeds from maturity of time deposits	17,915	17,641
Acquisition of short-term investments in securities	(89)	(4)
Proceeds from sales of short-term investments in securities	14	—
Acquisition of investments in securities	(1,051)	(430)
Proceeds from sales of investment securities	6,762	650
Proceeds from transfer of business	4,233	10,938
Acquisition of property, plant and equipment	(16,941)	(31,366)
Proceeds from sales of property, plant and equipment	829	8,832
Acquisition of intangible assets	(10,055)	(32,340)
Payments of long-term prepaid expenses	(5,373)	(6,124)
Payments for long-term loans receivable	(140)	—
Acquisition of shares in subsidiaries resulting in change in scope of consolidation	(221)	(24,426)
Sales of shares in subsidiaries resulting in change in scope of consolidation	(141)	—
Other	(566)	197
Net cash provided by (used in) investing activities	(23,137)	(70,640)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term debt	(15,600)	529
Proceeds from long-term debt	35,001	30,000
Repayment of long-term debt	(28,599)	(5,738)
Proceeds from issuance of bonds	30,000	10,000
Redemption of bonds	(40,000)	—
Repayment of lease obligations	(1,686)	(2,187)
Acquisition of treasury stock	(10)	(6)
Disposal of treasury stock	525	392
Cash dividends paid	(7,711)	(8,214)
Cash dividends paid to non-controlling interests	(2,071)	(3,359)
Sales of shares in subsidiaries not resulting in change in scope of consolidation	—	962
Other	—	0
Net cash used in financing activities	(30,151)	22,378
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(3,121)	(2,672)
Net Change in Cash and Cash Equivalents (Decrease)	4,118	8,196
Cash and Cash Equivalents at Beginning of Term	100,807	104,926
Cash and Cash Equivalents at End of Term	104,926	113,122

(5) Notes Concerning Consolidated Financial Statements

(Note on Assumptions for Going Concern)

Not applicable.

(Basis of Presenting Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 90

Apart from the change described below, principal subsidiaries are listed in the Group's most recent Securities Report (submitted March 25, 2016). Since there are no other major changes, the list is omitted from this report. Please refer to the following website for the list of principal subsidiaries.

http://www.shiseidogroup.jp/ir/library/syoken/pdf/2015/1512all.pdf (Japanese only)

[Additions: 1 company]

Gurwitch UK Limited has been included in the scope of consolidation effective from the fiscal year under review following the new acquisition of shares during the fiscal year under review. Gurwitch Products, LLC and GBP UK LLC has been merged with Shiseido Americas Corporation by way of absorption in the fiscal year under review after the acquisition of new shares during the fiscal year under review.

[Exclusions: 2 companies]

Noms de Code S.A.S. was excluded from the scope of consolidation effective from the fiscal year under review following the transfer of shares held.

Bare Escentuals Canada, Inc, was excluded from the scope of consolidation effective from the fiscal year under review following completion of an absorption-type merger with Shiseido (Canada) Inc.

(2) Nonconsolidated subsidiary

Major Company Name: Beauté Prestige International Ltd. (UK)

(Reasons for excluding nonconsolidated subsidiary from the scope of consolidation)

Since the company is small in scale or does not engage in full-scale operations, its combined assets, net sales, net income (the Company's interest share) and retained earnings (the Company's interest share) have a minimal effect on the Company's consolidated financial statements, and it is insignificant in general, it is not included in the scope of consolidation.

2. Matters Concerning Application of the Equity Method

(1) Number of affiliated companies accounted for by the equity method: 3

Major Company Name: Pierre Fabre Japon Co., Ltd.

[Exclusions: 1 company]

Salle de Fete was excluded as an affiliated company accounted for by the equity method effective from the fiscal year under review following the transfer of shares held.

(2) Nonconsolidated subsidiaries that are not accounted for by the equity method

Since nonconsolidated subsidiaries that are not accounted for by the equity method including Beauté Prestige International Ltd. (UK) are small in scale and do not engage in full-scale operations, and net income (the Company's interest share) and retained earnings (the Company's interest share) have a minimal effect on the Company's consolidated financial statements, and are insignificant in general, these companies are excluded from the scope of equity method application.

3. Matters Concerning the Business Term and Other Items of Consolidated Subsidiaries

The accounts settlement dates of consolidated subsidiaries match the consolidated account settlement date.

(Consolidated Statements of Income)

Gain on Transfer of Business

Fiscal year ended December 31, 2016 (January 1, 2016 to December 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

Fiscal year ended December 31, 2016 (January 1, 2016 to December 31, 2016)

The gain on sales of property, plant and equipment mainly reflects the gain on sale of land of the Company's former Kamakura Factory.

Impairment Losses

Fiscal year ended December 31, 2016 (January 1, 2016 to December 31, 2016)

The Company incurred impairment losses on overseas non-current assets.

Use	Type	Location
Unutilized assets	Other intangible fixed assets, etc.	China, etc.

The Shiseido Group pools its business-use assets according to the minimum independent cash-flow-generating unit, based on business classification. Unutilized assets are pooled according to individual property.

As a result, unutilized Group assets that are no longer expected to be used in the future have been written-down to their recoverable value, resulting in a ¥153 million extraordinary loss. The recoverable amount is estimated based on the expected selling price after calculating net sale value.

Structural Reform Expenses

Fiscal year ended December 31, 2016 (January 1, 2016 to December 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.

Information Security Expenses

Fiscal year ended December 31, 2016 (January 1, 2016 to December 31, 2016)

Information security expenses refer to the costs incurred due to illegal access by a third party to the official online shopping website of a consolidated subsidiary. Expenses comprise the costs required to properly identify the causes, apologize to consumers and put in place countermeasures.

(Segment Information)

1. Overview of Reportable Segments

With respect to its reportable segments, the Company is able to obtain delineated financial data from among its structural units. Accordingly, its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance by the Board of Directors.

Shiseido's main business is the production and sale of cosmetics. The Company engages in business activities under a matrix organization encompassing five brand categories (Prestige, Fragrance, Cosmetics, Personal Care and Professional) based on consumer purchasing style and six regions (Japan, China, Asia Pacific, the Americas, EMEA and Travel Retail). This matrix organization give the leader in each region broad authority as well as responsibility for sales and profits. Coupled with this broad authority and responsibility, the leaders in each reach exercise flexible decision-making. In specific terms, the Company's six reportable segments comprise the "Japan Business," "China Business," "Asia Pacific Business," "Americas Business," "EMEA Business" and "Travel Retail Business."

Moreover, and in line with this matrix, the Company has revised the manner in which it allocates assets.

Under the matrix organization, Shiseido does not allocate segment assets.

The Japan Business is mainly comprised of the domestic business by brand category (Prestige, Fragrance, Cosmetics, Personal Care and Professional), the healthcare business (production and sale of health & beauty foods as well as over-the-counter drugs), the frontier science business (the production and sale of such items as cosmetics ingredients, ethical drugs, beauty and medical-use cosmetics and purification and analysis equipment) and the restaurant business, etc.

The China Business covers business in China by brand category (Prestige, Fragrance, Cosmetics, Personal Care and Professional).

The Asia Pacific Business covers business in the Asia and Oceania regions excluding Japan and China by brand category (Prestige, Fragrance, Cosmetics, Personal Care and Professional).

The Americas Business covers business in the Americas region by brand category (Prestige, Fragrance and Professional).

The EMEA Business covers business in Europe, the Middle East and African region by brand category (Prestige and Fragrance).

The Travel Retail Business covers the operation of worldwide duty-free stores excluding Japan by brand category (Prestige and Fragrance).

2. Method of Computing Sales, Income/(Loss), Assets, Liabilities, and Other Items by Reportable Segment

The accounting treatment method for the Group's reported business segments is generally the same as described in the Company's most recent Securities Report (filed on March 25, 2016) and "Basis of Presenting Consolidated Financial Statements." Also, segment income is based on operating income. The prices of inter-segment transactions and transfers are determined by price negotiations based on the Company's submission of preferred prices after taking market conditions into account.

3. Sales, Income/(Loss), Assets, and Other Items by Reportable Segment

Fiscal Year Ended December 31, 2015 (April 1, 2015 to December 31, 2015)

(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	295,722	125,696	52,739	167,528	104,178	17,193	763,058	—	763,058
Intersegment sales or transfers	30,946	271	453	10,763	5,153	—	47,587	(47,587)	—
Total	326,668	125,967	53,192	178,292	109,331	17,193	810,646	(47,587)	763,058
Segment Income/(Loss)	43,288	(79)	1,044	(5,058)	4,913	2,465	46,573	(8,913)	37,660
Other Items									
Depreciation and amortization	9,240	6,714	1,940	10,340	2,354	445	31,035	725	31,761
Amortization of goodwill	106	429	69	4,566	—	—	5,172	—	5,172

Notes:

1. The EMEA Business refers to Europe, the Middle East and African regions.
2. Details of adjustments are as follows:
   (1) Segment income/(loss) adjustments refer to intersegment transaction eliminations amounting to ¥1,775 million and Companywide expenses totaling ¥(10,689) million not allocated to each segment.
   (2) Depreciation and amortization adjustments refer to depreciation and amortization expenses related to Companywide assets and intersegment eliminations. Long-term prepaid expenses are included in depreciation and amortization.
3. Segment income/(loss) is adjusted for operating income described in the consolidated statements of income.
4. The amounts of segment assets and liabilities do not fall within the scope of periodic consideration for the purposes of determining the allocation of management assets or the evaluation of performance. As a result, details of segment asset and liability amounts are not presented.

Fiscal Year Ended December 31, 2016 (January 1, 2016 to December 31, 2016)

(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	407,628	120,479	49,633	162,556	85,215	24,793	850,306	—	850,306
Intersegment sales or transfers	46,404	101	234	9,992	4,256	—	60,989	(60,989)	—
Total	454,033	120,580	49,868	172,548	89,471	24,793	911,296	(60,989)	850,306
Segment Income/(Loss)	57,417	4,166	1,102	(11,813)	(7,224)	5,470	49,118	(12,338)	36,780
Other Items									
Depreciation and amortization	12,646	5,419	1,879	10,050	3,024	536	33,557	922	34,480
Amortization of goodwill	141	385	61	4,327	—	—	4,916	—	4,916

Notes:

1. The EMEA Business refers to Europe, the Middle East and African regions.
2. Details of adjustments are as follows:
   (1) Segment income/(loss) adjustments refer to intersegment transaction eliminations amounting to ¥2,539 million and Companywide expenses totaling ¥(14,877) million not allocated to each segment.
   (2) Depreciation and amortization adjustments refer to depreciation and amortization expenses related to Companywide assets and intersegment eliminations. Long-term prepaid expenses are included in depreciation and amortization.
3. Segment income/(loss) is adjusted for operating income described in the consolidated statements of income.
4. The amounts of segment assets and liabilities do not fall within the scope of periodic consideration for the purposes of determining the allocation of management assets or the evaluation of performance. As a result, details of segment asset and liability amounts are not presented.

4. Items related to Changes in Reportable Segments

(Changes in the Method of Classifying Reportable Segments)

Effective from the fiscal year ended 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 previous fiscal year has been restated in line with changes in the method of classifying reportable segments.

(Per-Share Data)

(Yen)

Fiscal Year Ended December 31, 2015 (April 1, 2015–December 31, 2015)		Fiscal Year Ended December 31, 2016 (January 1, 2016–December 31, 2016)	
Net assets per share	981.37	Net assets per share	984.13
Net income per share	58.17	Net income per share	80.41
Net income per share (fully diluted)	58.08	Net income per share (fully diluted)	80.30

Notes: 1. The basis for calculating net assets per share is shown below.

	As at December 31, 2015	As at December 31, 2016
Total net assets (¥ millions)	413,334	413,870
Amount deducted from total net assets (¥ millions)	21,670	20,906
[Stock acquisition rights (¥ millions)]	(863)	(818)
[Non-controlling interests (¥ millions)]	(20,806)	(20,087)
Net assets at term-end related to common stock (¥ millions)	391,664	392,963
Common stock at term-end used to calculate net assets per share (1,000 shares)	399,100	399,299

2. The basis for calculating net income/(loss) per share and fully diluted net income per share is shown below.

	Fiscal Year Ended December 31, 2015 (April 1, 2015–December 31, 2015)	Fiscal Year Ended December 31, 2016 (January 1, 2016–December 31, 2016)
Net income/(loss) per share		
Net income attributable to owners of parent (¥ millions)	23,210	32,101
Amount not belonging to common stockholders (¥ millions)	—	—
Net income attributable to owners of parent related to common stock (¥ millions)	23,210	32,101
Average shares outstanding (1,000 shares)	399,026	399,227
Net income per share (fully diluted)		
Net income attributable to owners of parent adjustment (¥ millions)	—	—
Increase in common stock (1,000 shares)	629	533
(Stock options made available through new share subscription rights) (1,000 shares)	(629)	(533)
Latent shares not included in fully diluted net income per share calculation due to lack of dilution effect.	—	—

(Important Subsequent Event)

Change in business segment classification

In line with changes to its internal management classification method, the Company has revised its reportable segments that comprised the “Japan Business,” “China Business,” “Asia Pacific Business,” “Americas Business,” “EMEA Business” and “Travel Retail Business” into the “Japan Business,” “China Business,” “Asia Pacific Business,” “Americas Business,” “EMEA Business,” “Travel Retail Business” and “Professional Business” from the fiscal year ending December 31, 2017.

Meanwhile, steps are currently being taken to calculate the amounts of net sales, segment income/(loss) and other items by reportable segment for the fiscal year under review based on this change in reportable segment classification.

6. Other

(1) Top Management Changes

[Directors]

New Candidate

(To be appointed at the 117th Ordinary General Meeting of Shareholders scheduled in late March 2017)

Title	Name
Director	Jun Aoki

Retiring

(To retire upon conclusion of the 117h Ordinary General Meeting of Shareholders scheduled in late March 2017)

Title	Name
Director	Toru Sakai

[Audit & Supervisory Board Members]

New Candidate

(To be determined at the 117th Ordinary General Meeting of Shareholders scheduled in late March 2017)

Title	Name
External Audit & Supervisory Board Member	Hiroshi Ozu

Retiring

(To retire upon conclusion of the 117h Ordinary General Meeting of Shareholders scheduled in late March 2017)

Title	Name
External Audit & Supervisory Board Member	Akio Harada

[Corporate Officers]

Promotion

(Effective January 1, 2017)

Title	Name	Main Responsibilities or Positions
Corporate Executive Officer	Jun Aoki	Chief People Officer, Department Director, Human Resources Department Chief Creative Officer [Advertising and Design, China Business Innovation Project] Chairman, Shiseido Liyuan Cosmetics Co., Ltd.
Corporate Executive Officer	Shigekazu Sugiyama	[Responsible for Japan Region] Representative Director, President, Shiseido Japan Co., Ltd.

Retired

(Effective December 31, 2016)

Title	Name	Main Responsibilities or Positions
Corporate Executive Officer	Toru Sakai	[Responsible for Japan Region] Representative Director, President, Shiseido Japan Co., Ltd.
Corporate Officer	Takahiro Hayashi	Chief Creative Officer [Advertising and Design, Corporate Culture]

[Reference] Top Management Structure after conclusion of the 117th Ordinary General Meeting of Shareholders scheduled in late March 2017 (plan)

[Directors]

Title	Name	Main Responsibilities or Positions
Representative Director President and CEO	Masahiko Uotani	Chairman of the Board of Directors [Japan Region, China Region, Asia Pacific Region, Americas Region, Europe, Middle East and Africa Region, Travel Retail] Direct reporting organizations (Corporate Strategy, Innovation Design Lab.)
Representative Director Executive Vice President	Tsunehiko Iwai	Assisting CEO Chief Technology and Innovation Officer [Legal and Governance, Compliance, Sustainability Strategy, Executive and External Relations, Innovation for Value Creation Project] Direct reporting organizations (Corporate Communications, Corporate Culture, Internal Audit)
Director Corporate Executive Officer	Jun Aoki	Chief People Officer, Department Director, Human Resources Chief Creative Officer [Advertising and Design, China Business Innovation Project] Chairman, Shiseido Liyuan Cosmetics Co., Ltd.
External Director (Independent)	Yoko Ishikura	External Director, Nissin Food Holdings Co., Ltd. External Director, Sojitz Corporation Professor Emeritus, Hitotsubashi University
External Director (Independent)	Shoichiro Iwata	President & CEO, ASKUL Corporation External Director, Minnano Wedding Co., Ltd.
External Director (Independent)	Kanoko Oishi	CEO, Mediva Inc. CEO, Seeds 1 Co., Ltd. External Director, Ezaki Glico Co., Ltd. External Director, Santen Pharmaceutical Co., Ltd. External Director, Suruga Bank Ltd.
External Director (Independent)	Tatsuo Uemura	Professor, School of Law, Waseda University

Notes: 1. Representative directors are scheduled to be decided at the Board of Directors meeting held following the 117th Ordinary General Meeting of Shareholders.

2. Independent: Yoko Ishikura, Shoichiro Iwata, Kanoko Oishi and Tatsuo Uemura are designated as independent directors under Article 436-2 of the Securities Regulations of the Tokyo Stock Exchange, and are expected to be redesignated as independent directors following their election at the Ordinary General Meeting of Shareholders.

[Audit & Supervisory Board Members]

Title	Name	Main Responsibilities or Positions
Audit & Supervisory Board Member (Full-time)	Yoshinori Nishimura	—
Audit & Supervisory Board Member (Full-time)	Kyoko Okada	—
Audit & Supervisory Board Member (External) (Independent)	Nobuo Otsuka	Chairman, Keiseikai Hospital Group

Audit & Supervisory Board Member (External) (Independent)	Hiroshi Ozu	External Audit & Supervisory Board Member, Mitsui & Co., Ltd. External Audit & Supervisory Board Member, Toyota Motor Corporation Representative Director of Shimizu Scholarship Foundation, general incorporated foundations
Audit & Supervisory Board Member (External) (Independent)	Eiko Tsujiyama	Professor, Faculty of Commerce, Waseda University External Director, ORIX Corporation External Corporate Auditor, Lawson, Inc. External Audit & Supervisory Board Member, NTT DoCoMo, Inc.

Note: Independent: Nobuo Otsuka, and Eiko Tsujiyama are designated as independent directors under Article 436-2 of Securities Regulations of the Tokyo Stock Exchange. Hiroshi Ozu is expected to be designated as an independent director following his appointment at the Ordinary General Meeting of Shareholders.

[Corporate Officers Not Serving Concurrently as Directors]

Title	Name	Main Responsibilities or Positions
Corporate Executive Officer	Yoichi Shimatani	Chief Research and Development Officer [R&D Administration, Cosmetics R&D, Cosmetics Value Development, Intellectual Property, Basic Research, Life Science Research, Quality Assessment)
Corporate Executive Officer	Shigekazu Sugiyama	[Responsible for Japan Region] Representative Director, President, Shiseido Japan Co., Ltd.
Corporate Officer	Jean-Philippe Charrier	[Responsible for Asia Pacific Region] President, Shiseido Asia Pacific Pte. Ltd.
Corporate Officer	Kentaro Fujiwara	[Responsible for China Region] Chairman and President, Shiseido China Co., Ltd.
Corporate Officer	Katharina Höhne	Senior Vice President, Global Professional Business Department Director, Regional Business Steering
Corporate Officer	Masaya Hosaka	Chief Technical Strategy Officer Chief Quality Officer [Technical Strategy, Regulatory Strategy, Quality Management, Frontier Science Business]
Corporate Officer	Mitsuru Kameyama	Chief Information Officer Global ICT*
Corporate Officer	Yasushi Kushida	Chief Supply Chain Officer [SCM*, Production, Technology and Engineering, Purchasing, Kakegawa Factory, Osaka Factory, Kuki Factory] Chairman, Shanghai Zotos Citic Cosmetics Co., Ltd.
Corporate Officer	Yoshiaki Okabe	Brand Director, SHISEIDO Brand Unit, Global Prestige Brands
Corporate Officer	Yoshihiro Shiojima	Chief Legal and Governance Officer [Compliance, Sustainability Strategy, Executive and External Relations]
Corporate Officer	Mikiko Soejima	Chief Beauty Officer [Beauty Creation] Chief Beauty Officer of Shiseido Japan Co., Ltd. [BC* Representative, Beauty Consultation Planning, Consumer Information]
Corporate Officer	Norio Tadakawa	Chief Finance Officer (CFO) [Finance, Financial Management, Investor Relations, Business Development]
Corporate Officer	Mari Tamura	Senior Vice President, Global Prestige Brands

*ICT: Information and Communication Technology
*SCM: Supply Chain Management
*BC: Beauty Consultant