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

August 9, 2017

Consolidated Settlement of Accounts for the First Half of the Fiscal Year Ending December 31, 2017

[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
Filing date of quarterly securities report: August 10, 2017
Start of cash dividend payments: September 5, 2017
Supplementary quarterly materials prepared:Yes
Quarterly financial results information meeting held: Yes (for institutional investors, analysts, etc.)

1. Performance for the First Half of the Fiscal Year Ending December 31, 2017 (From January 1–June 30, 2017)

* Amounts under one million yen have been rounded down.

(1) Consolidated Operating Results

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

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
First Half Ended June 30, 2017	472,109 [14.5%]	34,671 [73.9%]	34,197 [86.5%]	18,805 [(23.2)%]
First Half Ended June 30, 2016	412,279 [—%]	19,942 [—%]	18,337 [—%]	24,496 [—%]

Note: Comprehensive income
First Half ended June 30, 2017: ¥18,388 million [—%]
First Half ended June 30, 2016: ¥(27,321) million [—%]

	Net Earnings per Share (Yen)	Fully Diluted Net Earnings per Share (Yen)
First Half Ended June 30, 2017	47.08	47.02
First Half Ended June 30, 2016	61.37	61.28

Shiseido changed its fiscal year-end from March 31, to December 31 from the fiscal year ended December 31, 2015. As a result, the first half (January 1, 2016 to June 30, 2016) of the fiscal year ended December 31, 2016 differs from the corresponding first half (April 1, 2015 to September 30, 2015) of the fiscal year ended December 31, 2015. On this basis, percentage data for changes between the first half of the fiscal year ended December 31, 2016 and the first half of the fiscal year ended December 31, 2015 have not been provided.

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As at June 30, 2017	956,617	427,036	42.5%
As at December 31, 2016	934,590	413,870	42.0%

[Reference] Equity: As at June 30, 2017: ¥406,651 million
As at December 31, 2016: ¥392,963 million

Note: Effective from the first quarter of the fiscal year ending December 31, 2017, the Company has made certain changes to its presentation method. Deferred tax assets and deferred tax liabilities data for the fiscal year ended December 31, 2016 has been restated in line with the aforementioned changes.

2. Cash Dividends

	Cash Dividends per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Full Year
Fiscal Year Ended December 31, 2016	—	10.00	—	10.00	20.00
Fiscal Year Ending December 31, 2017	—	12.50			
Fiscal Year Ending December 31, 2017 (plan)			—	12.50	25.00

Note: Revision to the most recent dividend forecast: Yes

3. Forecast 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	965,000 [13.5%]	56,000 [52.3%]	55,000 [47.9%]	32,500 [1.2%]	81.37

Note: Revision to the most recently disclosed forecast: Yes

Notes

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

(2) Adoption of special accounting treatment in preparation of consolidated quarterly financial statements: None

(3) Changes in accounting policies; changes in accounting estimates; restatements
- 1) Changes in accounting policies due to amendments of accounting standards: None
- 2) Other changes in accounting policies: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(4) Shares outstanding (common stock) at term-end
- 1) Number of shares outstanding (including treasury stock)
  - As at June 30, 2017: 400,000,000
  - As at December 31, 2016: 400,000,000
- 2) Number of treasury stocks outstanding
  - As at June 30, 2017: 501,866
  - As at December 31, 2016: 700,745
- 3) Average number of shares over the period
  - First Half ended June 30, 2017: 399,410,497
  - First Half ended June 30, 2016: 399,176,256

Implementation status of quarterly review procedures
This Consolidated Settlement of Accounts for the First Half of the Fiscal Year Ending December 31, 2017 is not subject to quarterly review procedures.

Appropriate use of business forecast; other special items
In this report, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Analysis of Operating Results (3) Consolidated Forecast and Other Forward-Looking Information" on page 11 for information on preconditions underlying the above outlook and other related information.

Contents

1. Analysis of Operating Results

(1) Consolidated Performance

(Billions of yen unless otherwise stated)

	Net Sales	Operating Income	Ordinary Income	Quarterly Net Income Attributable to Owners of Parent	Quarterly Net Earnings per Share (Yen)	Fully Diluted Quarterly Net Earnings per Share (Yen)
First Half of the Fiscal Year Ending December 31, 2017	472.1	34.7	34.2	18.8	47.08	47.02
First Half of the Fiscal Year Ended December 31, 2016	412.3	19.9	18.3	24.5	61.37	61.28
Percentage Change Increase/(Decrease)	14.5%	73.9%	86.5%	(23.2)%	(23.3)%	(23.3)%
Percentage Change Increase/(Decrease) in Local Currency	15.0%					

In the first six months of the fiscal year ending December 31, 2017, economic conditions in Japan continued along a moderate recovery path. This included signs of a positive turnaround in consumer spending against the backdrop of improvements in the employment and salary income environments. The domestic cosmetics market was also firm thanks to a similar ongoing recovery trend and inbound demand that is being supported by the continued increase in overseas tourists to Japan. Meanwhile, in overseas cosmetics markets, growth in Europe, which varied from country to country, remained weak. While growth slowed in the Americas, China and Asia continued to expand steadily.

Under these circumstances, Shiseido (or “the Company”) is working to realize its medium-to-long-term strategy, VISION 2020, of becoming “a global winner with our heritage.” Based on a “Think Global, Act Local” concept, the Company is also shifting all of its activities toward a consumer-oriented focus while working to enhance its brand value.

The Company positions fiscal 2017 as the final year for rebuilding the business foundation under its current three-year plan. In specific terms, Shiseido is looking to accelerate sales growth, further reinforce investments in areas where substantial results can be expected and has also commenced measures to address brand and other category issues where concerns remain regarding growth potential and profitability. Moreover, the Company has made a start to push forward a variety of initiatives with the aim of improving profitability, including strictly managing profits by business and brand, dramatically reorganizing mainstay businesses and the brand portfolio and cutting products that contribute little to sales and income.

In the first half of the fiscal year ending December 31, 2017, sales growth accelerated compared with the first quarter climbing 15.0% year on year on a local currency basis. In the prestige category, where Shiseido has continued to strengthen strategic investments, results remain strong globally. The Japan, China and Travel Retail businesses, where the Company actively undertook borderless marketing with a focus mainly on Chinese consumers, continued to drive growth. Furthermore, with contributions from newly added brands, sales increased across all business segments. After converting to Japanese yen, consolidated net sales came to ¥472.1 billion, 14.5% higher than the previous year.

Operating income rose 73.9% year on year, to ¥34.7 billion. Despite the strengthening of investments in connection with new brands, this increase in operating income was largely due to improvements in the profitability of existing businesses mainly in the Japan, China and Travel Retail segments, reform of the cost structure and reduction in the cost of sales ratio. Meanwhile, net income attributable to owners of parent decreased 23.2% compared with the corresponding period of the previous year, to ¥18.8 billion. The principal factors were the absence of the gain on transfer of intellectual property rights as well as the gain on sales of land at the Company’s former factory site recorded as extraordinary income in the previous year. Other factors included the impact of voluntary recalls of certain products during the period under review posted as an extraordinary loss.

The major foreign currency exchange rates applicable to income and expense accounting line items in the Company’s financial statements are US$1:¥112.4, €1:¥121.6, and CNY1:¥16.4 for the first half of the fiscal year under review.

[Consolidated Performance]

(Sales) (Millions of yen)

Classification	First Half Ended June 30, 2017	Share of Total	First Half Ended June 30, 2016	Share of Total	Year-on-Year Increase/(Decrease)		
					Amount	Change	Change in Local Currency Terms
Japan Business	208,585	44.2%	189,665	46.0%	18,920	10.0%	10.0%
China Business	68,658	14.5%	60,396	14.7%	8,261	13.7%	17.4%
Asia Pacific Business	25,810	5.5%	22,404	5.4%	3,406	15.2%	10.3%
Americas Business	62,109	13.2%	55,234	13.4%	6,875	12.4%	12.0%
EMEA Business	53,823	11.4%	43,237	10.5%	10,585	24.5%	27.1%
Travel Retail Business	23,126	4.9%	12,023	2.9%	11,103	92.4%	91.8%
Professional Business	23,199	4.9%	22,226	5.4%	972	4.4%	4.0%
Other	6,795	1.4%	7,091	1.7%	(295)	(4.2)%	(4.2)%
Sales Total	472,109	100.0%	412,279	100.0%	59,829	14.5%	15.0%

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

(Income) (Millions of yen)

Classification		First Half Ended June 30, 2017	Ratio to Net Sales	First Half Ended June 30, 2016	Ratio to Net Sales	Year-on-Year Increase/(Decrease)	
						Amount	Change
Operating Income/(Loss)	Japan Business	40,638	18.1%	25,231	12.6%	15,407	61.1%
	China Business	5,007	7.3%	2,218	3.7%	2,788	125.7%
	Asia Pacific Business	2,285	8.6%	12	0.1%	2,272	—
	Americas Business	(9,025)	(13.0)%	(4,705)	(7.9)%	(4,320)	—
	EMEA Business	(3,190)	(5.6)%	(2,281)	(5.0)%	(908)	—
	Travel Retail Business	7,544	32.5%	2,854	23.7%	4,689	164.3%
	Professional Business	1,169	5.0%	146	0.7%	1,022	697.0%
	Other	(5,236)	(11.7)%	(4,576)	(16.8)%	(659)	—
	Sub Total	39,192	7.3%	18,900	4.2%	20,292	107.4%
	Adjustments	(4,521)	—	1,042	—	(5,563)	—
	Total	34,671	7.3%	19,942	4.8%	14,728	73.9%
Ordinary Income		34,197	7.2%	18,337	4.4%	15,860	86.5%
Quarterly Net Income Attributable to Owners of Parent		18,805	4.0%	24,496	5.9%	(5,690)	(23.2)%

Notes:

1. The ratio of operating income/(loss) to net sales includes intersegment transactions.
2. Effective from the fiscal year ending December 31, 2017, the Company has revised its reportable segment classification method in line with the Group's internal financial management structure. As a result, reportable segment classifications have been changed to the "Japan Business" "China Business" "Asia Pacific Business" "Americas Business" "EMEA Business" "Travel Retail Business" and "Professional Business" segments.
3. "Other" includes head office administration departments, manufacturing operations as well as the activities of the Frontier Science business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment), the Restaurant business, etc.
4. The total amount of operating income/(loss) adjustment refers to intersegment transaction eliminations.
5. Effective from the fiscal year ending December 31, 2017, ***bareMinerals***, ***NARS*** etc. in the United Kingdom included in the "Americas Business" under the Company's previous segment classification have been included in the "EMEA Business." This reflects the change in the Company's management structure in line with our matrix organization approach.
6. Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the "EMEA Business" under the Company's previous segment classification has been included in the "Americas Business" in line with the aforementioned change in the Company's management structure.
7. Segment information for the previous period has been restated in line with changes in the method of classifying reportable segments.
8. Year-on-year percentage increase/(decrease) data for segment operating income in the Asia Pacific Business exceeds 1,000% and accordingly is not provided.

Results by reportable segment are presented as follows.

[Japan Business]

In the Japan Business, mid- and high-priced brands continue to perform well. At the same time, ***ELIXIR SUPERIEUR Enriched Wrinkle Cream S***, which helps improve wrinkles, has become a major hit. Shiseido also captured expanding inbound demand on the back of efforts to engage in proactive borderless marketing focusing on Chinese consumers. For these and other factors, sales growth accelerated after entering the second quarter compared with the first quarter. In specific terms, sales in this segment increased 10.0% year on year, to ¥208.6 billion. Operating income climbed 61.1% year on year, to ¥40.6 billion. In addition to higher margins in line with the increase in sales, this also reflected such factors as the favorable turnaround in the product mix owing to the upswing in prestige brand sales and the effects of cost structure reform.

[China Business]

In the China Business, such prestige brands as ***SHISEIDO***, ***clé de peau BEAUTÉ,*** and ***IPSA*** maintained high growth. Driven by e-commerce sales, personal care brands also increased substantially. Owing to these and other factors, sales in this segment climbed 17.4% compared with the corresponding period of the previous year on a local currency basis. After converting into Japanese yen, segment sales grew 13.7% year on year, to ¥68.7 billion. Operating income surged 125.7% year on year, to ¥5.0 billion. While steps were taken to engage vigorously in marketing investments, this improvement in operating income was mainly due to higher margins in line with the increase in sales.

[Asia Pacific Business]

In the Asia Pacific Business, such prestige brands as ***clé de peau BEAUTÉ*** and ***NARS*** grew substantially. A contribution was also made by personal care brands, which are mainly comprised of ***SENKA***, where marketing geared to local consumer needs and life styles which vary depending on the country has been strengthened. Accounting for these and other factors, sales in this segment rose 10.3% compared with the corresponding period of the previous year on a local currency basis. After converting to Japanese yen, sales increased 15.2% year on year, to ¥25.8 billion. Operating income grew ¥2.3 billion compared with the corresponding period of the previous year, to ¥2.3 billion owing largely to the increase in prestige brand sales which contributed to a favorable turnaround in the product mix.

[Americas Business]

In the Americas Business, sales increased 12.0% compared with the previous year on a local currency basis. After converting to Japanese yen, sales grew 12.4% year on year, to ¥62.1 billion. While sales of ***bareMinerals***, where the Company is looking to rebuild the brand, declined year on year owing to such factors as the closure of major department stores and increasingly fierce competition among specialty stores, ***Laura Mercier***, which was acquired during the previous year, contributed to results. The operating loss in this segment increased ¥4.3 billion compared with the corresponding period of the previous year, to ¥9.0 billion. In addition to the downturn in sales in existing businesses, this largely reflected advance investments in ***Laura Mercier*** and digital marketing.

[EMEA Business]

In the EMEA Business, results were boosted by growth in sales of existing brands, driven by the ***narciso rodriguez*** fragrance brand, as well as contributions from ***Dolce&Gabbana*** sales following conclusion of the license agreement in the previous period. As a result, sales in the EMEA Business increased 27.1% compared with the previous year on a local currency basis. After converting to Japanese yen, sales climbed 24.5% year on year, to ¥53.8 billion. The operating loss came to ¥3.2 billion, up ¥0.9 billion compared with the previous year. This was largely due to the strengthening of marketing investments.

[Travel Retail Business]

In the Travel Retail Business, sales per store increased owing to the effects of proactive marketing investments for strengthening advertising at airports and other efforts. Accordingly, sales at major airport duty-free shops in Asia including China, South Korea and Thailand significantly surpassed the levels recorded in the previous year. As a result, sales in this segment surged 91.8% compared with the previous year on a local currency basis. After converting to Japanese yen, sales climbed 92.4% year on year, to ¥23.1 billion. Operating income also grew 164.3% year on year, to ¥7.5 billion on the back of such factors as higher margins in line with the increase in sales and improvements in productivity per store.

[Professional Business]

In the Professional Business, sales increased 4.0% compared with the previous year on a local currency basis. After converting to Japanese yen, sales climbed 4.4% year on year, to ¥23.2 billion. This was largely due to the strong performance by Zotos International, Inc., which focuses mainly on the Americas. Operating income also grew ¥1.0 billion year on year, to ¥1.2 billion owing mainly to higher margins in line with the increase in sales.

[Reference Information]

Details of the principal business domains and companies of each reportable segment are presented as follows.

<table>
<tr><th colspan="2">Classification</th><th>Principal Business Domains and Companies</th></tr>
<tr><td rowspan="7">Reportable Segment</td><td>Japan Business</td><td>Business in the Japan region generally (excluding PF) including the operations of such companies as Shiseido Japan Co., Ltd., domestic TR business in Japan</td></tr>
<tr><td>China Business</td><td>Business in the China region generally including the operations of such companies as Shiseido China Co., Ltd. (excluding TR and PF)</td></tr>
<tr><td>Asia Pacific Business</td><td>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)</td></tr>
<tr><td>Americas Business</td><td>Operations of such companies as Shiseido Americas Corporation, business in the Americas region generally (excluding TR and PF)</td></tr>
<tr><td>EMEA Business</td><td>Operations of such companies as Shiseido Europe S.A., business in the EMEA (Europe, the Middle East and Africa) region generally (excluding TR)</td></tr>
<tr><td>Travel Retail Business</td><td>Operations of worldwide duty-free shops generally excluding Japan
(excluding TR in the Fragrance business)</td></tr>
<tr><td>Professional Business</td><td>Global Professional Business generally</td></tr>
<tr><td colspan="2">Other</td><td>Manufacturing operations, Frontier Science business, Restaurant business, etc.</td></tr>
</table>

Notes:
1. Professional business operations included in each business segment excluding the EMEA and Travel Retail businesses under the Company’s previous segment classification have been recorded as the separate “Professional Business” effective from the fiscal year ending December 31, 2017 in order to match the Company’s business management structure.
2. Manufacturing operations, Frontier Science business, Restaurant business, etc. included in the “Japan Business” under the Company’s previous segment classification have been included in the separate “Other” effective from the fiscal year ending December 31, 2017 in order to match the Company’s business management structure.
3. Effective from the fiscal year ending December 31, 2017, ***bareMinerals***, ***NARS*** etc. in the United Kingdom included in the “Americas Business” under the Company’s previous segment classification have been included in the “EMEA Business.” This reflects the change in the Company’s management structure in line with our matrix organization approach.
4. Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the “EMEA Business” under the Company’s previous segment classification has been included in the “Americas Business” in line with the aforementioned change in the Company’s management structure.
5. The fragrance business includes such brands as ***Dolce&Gabbana***, ***ISSEY MIYAKE*** and ***narciso rodriguez*** and excludes ***SHISEIDO*** fragrance.
6. PF: “Professional Business;” TR: “Travel Retail Business”

(2) Consolidated Financial Position

(a) Assets, Liabilities and Net Assets

As of June 30, 2017, total assets stood at ¥956.6 billion, up ¥22.0 billion compared with the end of the previous fiscal year, owing primarily to the increase in inventories. Total liabilities climbed ¥8.9 billion, to ¥529.6 billion. This was largely due to the increase in borrowings in line with capital investments for fixed assets. Net assets grew ¥13.2 billion, to ¥427.0 billion. While foreign currency translation adjustments declined, this mainly reflected the increase in retained earnings. The equity ratio as of the end of the first half of the fiscal year under review was 42.5%, up from 42.0% as of the end of the previous fiscal year.

(b) Cash Flows

Net cash provided by operating activities totaled ¥33.1 billion in the first half of the fiscal year ending December 31, 2017. Net cash used in investing activities was ¥34.5 billion. The main cash outflow was for investment in the Global Innovation Center, which is currently under construction. Net cash provided by financing activities amounted to ¥2.5 billion. While the Company posted cash dividends paid, this was more than offset by cash inflows including the increase in debt.

As a result of these activities, cash and cash equivalents as of June 30, 2017 stood at ¥114.0 billion, an increase of ¥0.9 billion compared with the beginning of the fiscal year under review.

(3) Consolidated Forecast and Other Forward-Looking Information

Taking into consideration the Company's consolidated results for the first half, Shiseido has decided to revise its consolidated forecast for the full fiscal year ending December 31, 2017 previously announced on February 9, 2017. Brief details are presented as follows. Assumptions regarding the major average foreign currency exchange rates for the full fiscal year are US$1:¥111.2, €1:¥119.8, and CNY1:¥16.2.

In light of the Company's results for the first half and the aforementioned revision to its consolidated forecast, Shiseido has decided to increase its interim dividend to ¥12.50 per share, up ¥2.50 from the previous forecast of ¥10.00. The Company has also decided to increase its year-end dividend forecast to ¥12.50, up ¥2.50. As a result, Shiseido plans to pay a full-year dividend of ¥25.00 per share, up ¥5.00.

Revised Forecast for Consolidated Results for the Fiscal Year Ending December 31, 2017

(From January 1, 2017 to December 31, 2017)

(Millions of yen unless otherwise stated)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Earnings per Share (Yen)
Previous Forecast (A)	940,000	45,500	45,500	26,000	65.11
Revised Forecast (B)	965,000	56,000	55,000	32,500	81.37
Change (B-A)	25,000	10,500	9,500	6,500	
Percentage Change	2.7%	23.1%	20.9%	25.0%	
Results for the Previous Period (The Fiscal Year Ended December 31, 2016)	850,306	36,780	37,174	32,101	80.41

[Reference Information] Consolidated Net Sales Forecast by Reportable Segment

Consolidated results forecast for the fiscal year ending December 31, 2017 by reportable segment is presented as follows.

(Billions of yen unless otherwise stated)

Classification	Revised Forecast (A)	Percentage Change (A/B-1)	Percentage Change in Local Currency	Previous Forecast		(Reference) Results for the Previous Period	
				Before Reclassification	After Reclassification	Before Reclassification	After Reclassification (B)
Japan Business	409.0	7.3%	7%	391.0	391.0	381.2	381.2
China Business	135.5	14.7%	15%	132.0	132.0	118.1	118.1
Asia Pacific Business	51.5	13.0%	10%	48.5	48.5	45.6	45.6
Americas Business	148.0	16.1%	14%	164.0	151.5	137.5	127.5
EMEA Business	119.5	26.9%	27%	111.0	123.5	84.1	94.1
Travel Retail Business	40.5	63.2%	60%	32.5	32.5	24.8	24.8
Professional Business	47.0	4.6%	4%	47.0	47.0	45.0	44.9
Other	14.0	0%	0%	14.0	14.0	14.0	14.0
Total	965.0	13.5%	13%	940.0	940.0	850.3	850.3

(Note) Effective from the fiscal year ending December 31, 2017, Shiseido has changed the management structure of certain business operations in line with the matrix organization approach. As a result, such brands as ***bareMinerals*** and ***NARS*** in the U.K., which were recorded in the Americas Business, have been transferred to the EMEA Business and the Fragrance business in Latin America, which was recorded in the EMEA Business, has been transferred to the Americas Business. Figures for previously announced forecast as well as results for the previous period are presented both before reclassification (February announcement) and after reclassification.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As at December 31, 2016	As at June 30, 2017
ASSETS		
Current Assets:		
Cash and time deposits	120,126	113,880
Notes and accounts receivable	136,768	141,241
Short-term investments in securities	7,905	17,011
Inventories	115,672	130,781
Deferred tax assets	21,773	19,178
Other current assets	31,589	33,495
Less: Allowance for doubtful accounts	(1,933)	(1,733)
Total current assets	431,903	453,854
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	164,817	165,713
Less: Accumulated depreciation	(106,338)	(107,981)
Buildings and structures, net	58,478	57,731
Machinery, equipment and vehicles	86,847	88,552
Less: Accumulated depreciation	(71,867)	(72,310)
Machinery, equipment and vehicles, net	14,980	16,242
Tools, furniture and fixtures	80,371	80,443
Less: Accumulated depreciation	(55,969)	(57,109)
Tools, furniture and fixtures, net	24,402	23,334
Land	36,604	36,490
Leased assets	7,414	7,765
Less: Accumulated depreciation	(4,096)	(4,277)
Leased assets, net	3,317	3,488
Construction in progress	18,411	22,525
Total property, plant and equipment	156,194	159,813
Intangible Assets:		
Goodwill	59,795	59,101
Leased assets	401	309
Trademarks	146,209	144,997
Other intangible assets	39,927	37,345
Total intangible assets	246,333	241,754
Investments and Other Assets:		
Investments in securities	24,899	26,111
Long-term loans receivable	240	190
Long-term prepaid expenses	13,377	13,352
Deferred tax assets	37,800	37,387
Other investments	23,874	24,206
Less: Allowance for doubtful accounts	(33)	(54)
Total investments and other assets	100,158	101,194
Total Fixed Assets	502,687	502,762
Total Assets	934,590	956,617

(Millions of yen)

	As at December 31, 2016	As at June 30, 2017
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	51,080	40,618
Electronically recorded obligations - operating	32,312	37,406
Short-term debt	6,339	6,851
Commercial papers	5,243	6,720
Current portion of long-term debt	3,230	730
Lease obligations	1,744	2,103
Other payables	43,453	50,588
Accrued income taxes	5,561	11,374
Reserve for sales returns	12,948	13,224
Accrued bonuses for employees	22,110	12,187
Accrued bonuses for directors	99	48
Provision for liabilities and charges	2,024	1,976
Other current liabilities	60,539	61,043
Total current liabilities	246,687	244,874
Long-Term Liabilities:		
Bonds	40,000	40,000
Long-term debt	62,196	71,730
Lease obligations	1,826	1,557
Long-term payables	53,135	57,979
Liability for retirement benefits	94,489	93,447
Allowance for losses on guarantees	350	350
Allowance for environmental measures	376	294
Deferred tax liabilities	18,402	16,256
Other long-term liabilities	3,257	3,090
Total long-term liabilities	274,033	284,706
Total Liabilities	520,720	529,580
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,846	70,905
Retained earnings	258,005	272,701
Treasury stock	(1,325)	(948)
Total shareholders' equity	392,033	407,164
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	7,389	8,332
Foreign currency translation adjustments	26,516	20,504
Accumulated adjustments for retirement benefits	(32,975)	(29,350)
Total accumulated other comprehensive income	930	(513)
Stock Acquisition Rights	818	802
Non-Controlling Interests in Consolidated Subsidiaries	20,087	19,582
Total Net Assets	413,870	427,036
Total Liabilities and Net Assets	934,590	956,617

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

Consolidated Quarterly Statements of Income
Cumulative for the First Half

(Millions of yen)

	First Half Ended June 30, 2016 (January 1, 2016 to June 30, 2016)	First Half Ended June 30, 2017 (January 1, 2017 to June 30, 2017)
Net Sales	412,279	472,109
Cost of Sales	98,599	108,417
Gross Profit	313,680	363,692
Selling, General and Administrative Expenses	293,737	329,021
Operating Income	19,942	34,671
Other Income		
Interest income	408	395
Dividend income	275	294
Equity in earnings of affiliates	18	65
Rental income	379	370
Subsidy income	104	12
Other	662	717
Total other income	1,848	1,855
Other Expenses		
Interest expense	401	417
Foreign exchange loss	1,853	706
Other interest on debt	—	663
Other	1,199	541
Total other expenses	3,453	2,330
Ordinary Income	18,337	34,197
Extraordinary Income		
Gain on sales of property, plant and equipment	9,040	252
Gain on sales of investments in securities	0	299
Gain on transfer of business	9,075	—
Total extraordinary gains	18,116	551
Extraordinary Losses		
Loss on disposal of property, plant and equipment	416	633
Impairment loss	161	—
Loss on sales of investments in securities	—	6
Loss on revaluation of investments in securities	21	—
Voluntary product recall-related expenses	—	2,538
Structural reform expenses	774	719
Loss of liquidation of subsidiaries and affiliates	—	136
Temporary expenses associated with reforms to human resource systems	—	130
Total extraordinary losses	1,374	4,166
Quarterly Income before Income Taxes	35,079	30,582
Income Taxes – Current	10,374	10,873
Income Taxes – Deferred	(672)	(163)
Total Income Taxes	9,702	10,709
Quarterly Net Income	25,377	19,872
Quarterly Net Income Attributable to Non-Controlling Interests	881	1,067
Quarterly Net Income Attributable to Owners of Parent	24,496	18,805

Consolidated Quarterly Statements of Comprehensive Income
Cumulative for the First Half

(Millions of yen)

	First Half Ended June 30, 2016 (January 1, 2016 to June 30, 2016)	First Half Ended June 30, 2017 (January 1, 2017 to June 30, 2017)
Quarterly Net Income	25,377	19,872
Other Comprehensive Income		
Unrealized gains (losses) on available-for-sale securities	(3,340)	891
Foreign currency translation adjustments	(51,338)	(5,955)
Adjustment for retirement benefits	2,035	3,616
Share of other comprehensive income of associates accounted for under the equity method	(54)	(36)
Total other comprehensive income (loss)	(52,698)	(1,484)
Quarterly Comprehensive Income (Loss)	(27,321)	18,388
(Breakdown)		
Quarterly comprehensive income (loss) attributable to owners of parent	(25,296)	17,361
Quarterly comprehensive income (loss) attributable to non-controlling interests	(2,024)	1,027

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half Ended June 30, 2016 (January 1, 2016 to June 30, 2016)	First Half Ended June 30, 2017 (January 1, 2017 to June 30, 2017)
Cash Flows from Operating Activities:		
Income before income taxes	35,079	30,582
Depreciation	16,655	19,191
Amortization of goodwill	2,356	2,721
Impairment loss	161	—
(Gain) loss on disposal of property, plant and equipment	(7,630)	381
(Gain) loss on sales of investments in securities	(0)	(292)
(Gain) loss on revaluation of investments in securities	21	—
Gain on transfer of business	(9,075)	—
Increase (decrease) in allowance for doubtful accounts	(5)	(168)
Increase (decrease) in reserve for sales returns	(1,102)	363
Increase (decrease) in accrued bonuses for employees	(6,032)	(9,725)
Increase (decrease) in accrued bonuses for directors	(5)	(51)
Increase (decrease) in provision for liabilities and charges	(647)	(128)
Increase (decrease) in provision for structural reforms	(990)	—
Increase (decrease) in liability for retirement benefits	360	3,927
Increase (decrease) in allowance for environmental measures	—	(81)
Interest and dividend income	(683)	(690)
Interest expense	401	417
Other interest on debt	—	663
Equity in (earnings) losses of affiliates	(18)	(65)
(Increase) decrease in notes and accounts receivable	10,884	(4,297)
(Increase) decrease in inventories	(10,437)	(15,897)
Increase (decrease) in notes and accounts payable	5,852	11,552
Other	(1,837)	(352)
Subtotal	33,308	38,051
Interest and dividends received	1,005	865
Interest paid	(423)	(420)
Other interest on other debt	—	(1,003)
Income tax paid	(8,168)	(4,349)
Net cash provided by operating activities	25,721	33,143

(Millions of yen)

	First Half Ended June 30, 2016 (January 1, 2016 to June 30, 2016)	First Half Ended June 30, 2017 (January 1, 2017 to June 30, 2017)
Cash Flows from Investing Activities:		
Transfers to time deposits	(10,523)	(14,478)
Proceeds from maturity of time deposits	13,293	12,368
Acquisition of short-term investments in securities	(3)	—
Acquisition of investments in securities	(413)	(3)
Proceeds from sales of investments in securities	9	373
Proceeds from transfer of business	11,132	—
Acquisition of property, plant and equipment	(16,359)	(20,959)
Proceeds from sales of property, plant and equipment	8,661	425
Acquisition of intangible assets	(4,017)	(4,404)
Payments of long-term prepaid expenses	(2,835)	(2,993)
Acquisition of shares in subsidiaries resulting in change in scope of consolidation	—	(4,715)
Other	75	(134)
Net cash used in investing activities	(980)	(34,521)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term debt	18,621	2,228
Proceeds from long-term debt	—	10,000
Repayment of long-term debt	(2,870)	(2,867)
Repayment of lease obligations	(1,123)	(551)
Repayments of long-term accounts payable	—	(658)
Acquisition of treasury stock	(3)	(6)
Disposal of treasury stock	288	443
Cash dividends paid	(4,230)	(3,993)
Cash dividends paid to non-controlling interests	(3,186)	(2,160)
Other	—	49
Net cash provided by financing activities	7,495	2,482
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(8,453)	(243)
Net Change in Cash and Cash Equivalents	23,783	861
Cash and Cash Equivalents at Beginning of Term	104,926	113,122
Decrease in Cash and Cash Equivalents Resulting from Exclusion of Subsidiaries from Consolidation	—	(0)
Cash and Cash Equivalents at End of Term	128,709	113,983

(4) Notes Concerning Consolidated Quarterly Financial Statements

(Note on Assumptions for Going Concern)

Not applicable.

(Consolidated Quarterly Statements of Income)

Voluntary Product Recall-Related Expenses

First half of the fiscal year ending December 31, 2017 (From January 1, 2017 to June 30, 2017)

Expenses reflect voluntary recalls of certain products that do not meet the Company’s quality standards.

Structural Reform Expenses

First half of the fiscal year ending December 31, 2017 (From January 1, 2017 to June 30, 2017)

Structural reform expenses mainly reflect early retirement premiums included in temporary expenses incurred as a result of ongoing structural reforms across all global regions.

Loss on Liquidation of Subsidiaries and Affiliates

First half of the fiscal year ending December 31, 2017 (From January 1, 2017 to June 30, 2017)

The loss on liquidation of subsidiaries and affiliates reflects the loss on liquidation of a subsidiary in India.

Temporary Expenses Associated with Reforms to Human Resource Systems

First half of the fiscal year ending December 31, 2017 (From January 1, 2017 to June 30, 2017)

Temporary expenses associated with the reorganization of the human resource systems of certain employees working at factories.

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

Not applicable.

(Adoption of Special Accounting Treatment in Preparation of Consolidated Quarterly Financial Statements)

Not applicable.

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

Not applicable.

(Segment Information and Others)

I. First Half of the Fiscal Year Ended December 31, 2016 (From January 1, 2016 to June 30, 2016)

1. Sales and Income/(Loss) by Reportable Segment

(Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business
Net Sales						
Sales to Outside Customers	189,665	60,396	22,404	55,234	43,237	12,023
Intersegment Sales or Transfers	9,878	82	64	4,627	2,194	0
Total	199,543	60,479	22,468	59,862	45,432	12,023
Segment Income/(Loss)	25,231	2,218	12	(4,705)	(2,281)	2,854

	Reportable Segment	Other (Note 2)	Total	Adjustments (Note 3)	Total Shown in Consolidated Quarterly Financial Statements (Note 4)
	Professional Business				
Net Sales					
Sales to Outside Customers	22,226	7,091	412,279	—	412,279
Intersegment Sales or Transfers	193	20,078	37,119	(37,119)	—
Total	22,419	27,169	449,398	(37,119)	412,279
Segment Income/(Loss)	146	(4,576)	18,900	1,042	19,942

Notes:
1. The EMEA Business includes the Middle East and African regions.
2. "Other" includes head office administration departments, manufacturing operations as well as the activities of the Frontier Science business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment), the Restaurant business, etc.
3. Segment income/(loss) adjustment refers to intersegment transaction eliminations.
4. Segment income/(loss) is adjusted for operating income described in the consolidated quarterly statements of income.

2. Information on Impairment Loss, Goodwill, etc. on Fixed Assets by Reportable Segment

(Major Impairment Loss on Fixed Assets)

Not applicable.

(Major Change in Goodwill)

Not applicable.

II. First Half of the Fiscal Year Ending December 31, 2017 (From January 1, 2017 to June 30, 2017)

1. Sales and Income/(Loss) by Reportable Segment

(Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business
Net Sales						
Sales to Outside Customers	208,585	68,658	25,810	62,109	53,823	23,126
Intersegment Sales or Transfers	16,431	70	782	7,454	3,515	62
Total	225,017	68,729	26,593	69,564	57,338	23,189
Segment Income/(Loss)	40,638	5,007	2,285	(9,025)	(3,190)	7,544

	Reportable Segment	Other (Note 2)	Total	Adjustments (Note 3)	Total Shown in Consolidated Quarterly Financial Statements (Note 4)
	Professional Business				
Net Sales					
Sales to Outside Customers	23,199	6,795	472,109	—	472,109
Intersegment Sales or Transfers	202	37,941	66,461	(66,461)	—
Total	23,402	44,736	538,571	(66,461)	472,109
Segment Income/(Loss)	1,169	(5,236)	39,192	(4,521)	34,671

Notes:
1. The EMEA Business includes the Middle East and African regions.
2. “Other” includes head office administration departments, manufacturing operations as well as the activities of the Frontier Science business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment), the Restaurant business, etc.
3. Segment income/(loss) adjustment refers to intersegment transaction eliminations.
4. Segment income/(loss) is adjusted for operating income described in the consolidated quarterly statements of income.

2. Information on Impairment Loss, Goodwill, etc. on Fixed Assets by Reportable Segment

(Major Impairment Loss on Fixed Assets)

Not applicable.

(Major Change in Goodwill)

Not applicable.

3. Items Related to Changes in Reportable Segments

(Changes in the Method of Classifying Reportable Segment)

The Company has revised its reportable segment classification method in line with the Group’s internal financial management structure. As a result, the “Japan Business” “China Business” “Asia Pacific Business” “Americas Business” “EMEA Business” and “Travel Retail Business” reportable segments have been changed to the “Japan Business” “China Business” “Asia Pacific Business” “Americas Business” “EMEA Business” “Travel Retail Business” and “Professional Business” segments effective from the first quarter of the fiscal year ending December 31, 2017.

In line with this change, manufacturing operations, Frontier Science business, Restaurant business, etc. included in the “Japan Business” have been included in the “Other” segment.

According to the change in the Company's management structure in line with our matrix organization approach, ***bareMinerals***, ***NARS*** etc. in the United Kingdom included in the "Americas Business" have been included in the "EMEA Business." The Fragrance business in Latin America included in the "EMEA Business" has been included in the "Americas Business."

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