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 8, 2019

Consolidated Settlement of Accounts for the Fiscal Year Ended December 31, 2018 [Japanese Standards]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number 4911)
URL: https://www.shiseidogroup.com/
Representative: Masahiko Uotani, Representative Director, President and CEO
Contact: Harumoto Kitagawa, Vice President, Investor Relations Department
Tel. +81-3-3572-5111
Annual meeting of shareholders: March 26, 2019 (plan)
Filing date of securities report: March 26, 2019 (plan)
Start of cash dividend payments: March 27, 2019 (plan)
Supplementary materials prepared: Yes
Financial results information meeting held: Yes (For institutional investors, analysts, etc.)

1. Performance for the Fiscal Year Ended December 31, 2018 (From January 1 to December 31, 2018)

* 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 Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent	
Fiscal Year Ended December 31, 2018	1,094,825	[8.9%]	108,350	[34.7%]	109,489	[36.3%]	61,403	[169.9%]
Fiscal Year Ended December 31, 2017	1,005,062	[18.2%]	80,437	[118.7%]	80,327	[116.1%]	22,749	[(29.1)%]

Note: Comprehensive income
Fiscal Year ended December 31, 2018: ¥43,775 million [3.1%]
Fiscal Year ended December 31, 2017: ¥42,456 million [372.9%]

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)	Return on Equity	Ordinary Profit/ Total Assets	Operating Profit/ Net Sales
Fiscal Year Ended December 31, 2018	153.74	153.56	14.1%	11.2%	9.9%
Fiscal Year Ended December 31, 2017	56.95	56.87	5.6%	8.5%	8.0%

[Reference] Equity in earnings/(losses) of affiliates: As of December 31, 2018: ¥301 million
As of December 31, 2017: ¥284 million

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of December 31, 2018	1,009,618	468,462	44.4%	1,123.19
As of December 31, 2017	949,425	445,872	44.6%	1,059.84

[Reference] Equity: As of December 31, 2018: ¥448,580 million
As of December 31, 2017: ¥423,447 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, 2018	92,577	(103,112)	(29,722)	111,767
Fiscal Year Ended December 31, 2017	95,392	(1,061)	(53,117)	156,834

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, 2017	—	12.50	—	15.00	27.50	10,986	48.3%	2.7%
Fiscal Year Ended December 31, 2018	—	20.00	—	25.00	45.00	17,970	29.3%	4.1%
Fiscal Year Ending December 31, 2019 (Forecast)	—	30.00	—	30.00	60.00		31.7%	

3. Forecast for the Fiscal Year Ending December 31, 2019 (From January 1 to December 31, 2019)

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

	Net Sales	Operating Profit	Ordinary Profit	Net Profit Attributable to Owners of Parent	Net Profit per Share (Yen)
Fiscal Year Ending December 31, 2019	1,172,000 [7.0%]	120,000 [10.8%]	120,000 [9.6%]	75,500 [23.0%]	189.04

Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries causing 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: Yes
  2) Other changes in accounting policies: None
  3) Changes in accounting estimates: None
  4) Restatements: None

Group subsidiaries that have adopted IFRS standards have implemented IFRS 15, Revenue from Contracts with Customers, from the first quarter of the fiscal year ending December 31, 2018. See "3. Consolidated Financial Statements and Notes (5) Notes Concerning Consolidated Financial Statements (Changes in Accounting Policies)" on page 21 for further details.

(3) Shares outstanding (common stock) at term-end
  1) Number of shares outstanding (including treasury stock)
    As of December 31, 2018: 400,000,000
    As of December 31, 2017: 400,000,000
  2) Number of treasury stocks outstanding
    As of December 31, 2018: 618,049
    As of December 31, 2017: 460,033
  3) Average number of shares over the period
    Fiscal year ended December 31, 2018: 399,409,125
    Fiscal year ended December 31, 2017: 399,466,940

[Reference] Summary of Nonconsolidated Results

Performance in the Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)

(1) Nonconsolidated Operating Results

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
Fiscal Year Ended December 31, 2018	270,789	[22.9%]	19,930	[152.8%]	42,163	[77.3%]	37,613	[—%]
Fiscal Year Ended December 31, 2017	220,407	[8.7%]	7,883	[13.1%]	23,778	[(10.2)%]	(55,232)	[—%]

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)
Fiscal Year Ended December 31, 2018	94.17	94.06
Fiscal Year Ended December 31, 2017	(138.26)	—

"Fully Diluted Net Profit per Share" for the fiscal year ended December 31, 2017 is not presented because of a net loss per share, even though there are dilutive shares.

(2) Nonconsolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As of December 31, 2018	674,102	352,688	52.2%	880.70
As of December 31, 2017	582,589	334,665	57.3%	835.44

[Reference] Equity at year-end:
Fiscal year ended December 31, 2018: ¥351,736 million
Fiscal year ended December 31, 2017: ¥333,791 million

This report is not subject to auditing by a certified public accountant or audit firm.

Appropriate use of business forecasts; other special items

In addition to historical facts, the contents of this report contain 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 and Financial Position (1) Analysis of Consolidated Performance 2) Earnings Forecasts for Next Fiscal Year" on page 9 for information on the assumptions underlying the above earnings forecasts and the use of the earnings forecasts.

Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of Consolidated Performance

(Millions of yen unless otherwise stated)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit (Loss) Attributable to Owners of Parent	Net Profit per Share (Yen)
Fiscal Year Ended December 31, 2018	1,094,825	108,350	109,489	61,403	153.74
Fiscal Year Ended December 31, 2017	1,005,062	80,437	80,327	22,749	56.95
% of Change	8.9%	34.7%	36.3%	169.9%	170.0%
% Change in Local Currency	8.8%				

1) Review of Performance in the Fiscal Year Ended December 31, 2018

In the fiscal year ended December 31, 2018, economic conditions in Japan continued along a path of moderate recovery. This included signs of a positive turnaround in consumer spending underpinned by improvement in employment and income gains. The domestic cosmetics market was firm despite the occurrence of a typhoon and earthquake, thanks to a similar ongoing trend of recovery and inbound demand supported by the continued increase in overseas tourists to Japan. Meanwhile, in overseas cosmetics markets, Europe remained weak with varied performance from country to country. Growth slowed in the Americas, while China and the rest of Asia continued to expand steadily.

In the fiscal year ended December 31, 2015, the Shiseido Group (hereinafter, “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. We are shifting all of our activities toward a consumer-oriented focus and working to globally enhance our brand value to gain a competitive advantage as a global beauty company originating from Japan.

The period under review is the first fiscal year in the final three-year period that represents Phase 2 of VISION 2020, and we implemented a new strategy to accelerate growth. We worked on digitalization, developing new businesses, and generating new value through innovation as we continued substantial marketing investment focused on prestige brands. Cross-border marketing was implemented strategically in all regions in Asia, mainly to Chinese consumers, treating Japan, China, and Travel Retail (airport duty-free stores, and other such channels) as a single market. We also actively invested in human resources out of recognition that our human resources, which generate all value, constitute the source of our growth.

As a result, net sales, operating profit, ordinary profit, and net profit attributable to owners of parent all reached record highs in the fiscal year under review. Net sales increased 8.8% year on year on a local currency basis. The prestige brands in which the company has increased strategic investment drove overall results. This represents organic growth of 14% year on year excluding the impact of the sale of Zotos International, Inc. (hereafter, “Zotos”) and other factors. When converted into Japanese yen, consolidated net sales reached ¥1,094.8 billion, 8.9% higher than the previous year.

Operating profit rose 34.7% year on year to ¥108.4 billion. This was mainly due to an increase in the operating margin accompanying the growth in sales and improvement in the cost structure due to strong performance of highly profitable prestige brands, among other factors.

Net profit attributable to owners of parent surged to ¥61.4 billion, an increase of 169.9% year on year. An extraordinary loss was recognized last fiscal year for an impairment loss on intangible assets and other assets of Bare Escentuals, Inc. in the U.S.

After achieving our VISION 2020 goal of more than ¥1 trillion in net sales last year, three years ahead of plan, this year we achieved our goal of more than ¥100 billion in operating profit two years early.

For the fiscal year under review, the consolidated operating margin was 9.9%. Consolidated return on equity was 14.1%, and consolidated ROIC (return on invested capital) was 13.1%. The major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements are US$1:¥110.4, €1:¥130.4, and CNY1:¥16.7 for the year.

[Consolidated Performance]

(Millions of yen)

Classification		Fiscal Year Ended December 31, 2018	% of Total	Fiscal Year Ended December 31, 2017	% of Total	Year-on-Year Increase/(Decrease)		
						Amount	% Change	Change in Local Currency
Net Sales	Japan Business	454,558	41.6%	417,074	41.4%	37,483	9.0%	9.0%
	China Business	190,799	17.4%	144,266	14.4%	46,533	32.3%	32.3%
	Asia Pacific Business	68,120	6.2%	59,819	6.0%	8,301	13.9%	13.1%
	Americas Business	131,733	12.0%	134,130	13.3%	(2,397)	(1.8)%	(0.4)%
	EMEA Business	113,164	10.3%	108,517	10.8%	4,646	4.3%	1.4%
	Travel Retail Business	87,621	8.0%	65,028	6.5%	22,592	34.7%	35.4%
	Professional Business	20,324	1.9%	47,959	4.8%	(27,635)	(57.6)%	(57.7)%
	Other	28,503	2.6%	28,265	2.8%	237	0.8%	0.8%
	Subtotal	1,094,825	100.0%	1,005,062	100.0%	89,762	8.9%	8.8%
	Adjustments	—	—	—	—	—	—	—
	Total	1,094,825	100.0%	1,005,062	100.0%	89,762	8.9%	8.8%

(Millions of yen)

Classification		Intersegment sales or sales including internal transfers between accounts	
		Fiscal Year Ended December 31, 2018	Fiscal Year Ended December 31, 2017
Net Sales	Japan Business	487,155	445,708
	China Business	191,267	144,572
	Asia Pacific Business	70,409	61,290
	Americas Business	169,096	153,131
	EMEA Business	125,020	117,671
	Travel Retail Business	87,838	65,377
	Professional Business	20,742	48,359
	Other	135,712	105,342
	Subtotal	1,287,242	1,141,453
	Adjustments	(192,417)	(136,390)
	Total	1,094,825	1,005,062

(Millions of yen)

Classification		Fiscal Year Ended December 31, 2018	% of Total	Fiscal Year Ended December 31, 2017	Ratio to Net Sales	Year-on-Year Increase/(Decrease)	
						Amount	% Change
Operating Profit (Loss)	Japan Business	91,430	18.8%	78,207	17.5%	13,223	16.9%
	China Business	24,514	12.8%	11,329	7.8%	13,185	116.4%
	Asia Pacific Business	7,808	11.1%	7,183	11.7%	624	8.7%
	Americas Business	(14,775)	(8.7)%	(11,768)	(7.7)%	(3,007)	—
	EMEA Business	(7,988)	(6.4)%	(5,822)	(4.9)%	(2,165)	—
	Travel Retail Business	17,606	20.0%	15,046	23.0%	2,560	17.0%
	Professional Business	817	3.9%	2,958	6.1%	(2,140)	(72.4)%
	Other	(6,029)	(4.4)%	(7,979)	(7.6)%	1,949	—
	Subtotal	113,384	8.8%	89,154	7.8%	24,230	27.2%
	Adjustments	(5,034)	—	(8,716)	—	3,682	—
	Total	108,350	9.9%	80,437	8.0%	27,912	34.7%

Notes:

1. The Group has revised its reportable segment classification method in line with its internal management structure, effective from the fiscal year ending December 31, 2018. The fragrance business in the Asia Pacific region, which was previously included in the EMEA Business, is now included in the Asia Pacific Business. The travel retail fragrance business, which was previously included in the EMEA Business, is now included in the Travel Retail Business. ***NAVISION*** and ***2e***, which were previously included in the Other segment, are now included in the Japan Business. Some of ***NARS***, ***bareMinerals***, and ***LAURA MERCIER*** product distribution operations conducted by distributors in each region, which were previously included in the Americas Business, are now included in the Asia Pacific Business, EMEA Business, and Travel Retail Business. The segment information for the previous consolidated fiscal year has been restated in line with the new method of classification.
2. From the third quarter of the current consolidated fiscal year, the results of IPSA Co., Ltd., which were previously included in the Japan Business, are now included in the Other segment. The segment information for the current and previous consolidated fiscal years has been restated in line with the new method of classification.
3. The Other segment includes head office administration departments, IPSA Co., Ltd., and manufacturing operations, as well as the activities of the Frontier Science business (cosmetic raw materials and pharmaceuticals), the Restaurant business, etc.
4. The ratio of operating profit (loss) to net sales shows operating profit as a percentage of total sales including intersegment sales, or sales including internal transfers between accounts.
5. The operating profit (loss) adjustment amount is mainly the elimination of transactions between segments.

Results by reportable segment are provided below.

[Japan Business]
In the Japan Business, brands in the mid- to high-price range, which benefitted from increased investment in marketing, continued to perform well as sales to Japanese consumers expanded. We also secured steady inbound demand from overseas visitors to Japan by strengthening cross-border marketing throughout Asia. This caused growth to outstrip market growth substantially.

We continued to focus on sustainable growth in skincare, base makeup, and sun care, the three skin-related categories which distinguish our company from its competitors. ***ULTIMUNE*** and makeup product renewals in the ***SHISEIDO***, combined with stronger marketing to young consumers, boosted sales substantially. The ***ELIXIR*** wrinkle-reducing cream introduced last fiscal year helped reach new consumers, and expanded growth in sales of lotions and emulsions led to strong overall growth for the brand.

The factors mentioned above led to a 9.0% increase in sales in the Japan Business compared with the previous fiscal year, to ¥454.6 billion. Operating profit rose 16.9% year on year to ¥91.4 billion. This growth resulted from higher margins accompanying the growth in sales, improvement in the cost structure, and strengthened investment in marketing.

[China Business]
In the China Business, the strong performance of prestige brands such as ***SHISEIDO***, ***Clé de Peau Beauté***, ***IPSA*** and ***NARS*** continued. Sales of the "Made in Japan" cosmetics brands ***ELIXIR*** and ***ANESSA*** increased substantially. E-commerce sales recorded strong growth from the roll-out of digital marketing and stronger collaboration with major local Chinese online platforms, in addition to an aggressive launch schedule for products in the prestige and cosmetics categories. We pursued initiatives aimed at improving the profitability of local cosmetic brands in China through greater investment in ***AUPRES*** in Tier 3 and 4 cities with high potential, as well as strengthening the self-service sales channel for ***Za*** and ***PURE&MILD***, which have been restructured since last year.

The factors mentioned above resulted in sales growth of 32.3% year on year on a local currency basis, and an increase of 32.3% year on year to ¥190.8 billion when converted into yen. Operating profit climbed 116.4% year on year to ¥24.5 billion. In addition to higher margins accompanying the increase in sales, this growth also reflected such factors as greater efficiency in marketing investment.

[Asia Pacific Business]
In the Asia Pacific Business, strong growth in sales was recorded in the prestige brands ***SHISEIDO***, ***Clé de Peau Beauté***, and ***NARS***, mainly in South Korea and Thailand. Sales in Southeast Asia were strong due to the expanded launch of free-standing stores of ***NARS***. We enhanced marketing tailored to the differing preferences and lifestyles of consumers in each country and region in the cosmetics and personal care categories, and achieved sales growth in ***SENKA*** and ***ANESSA***, which were launched as products exclusively for Asia.

The above factors resulted in sales growth of 13.1% year on year on a local currency basis, and 13.9% year on year to ¥68.1 billion when converted into yen. Operating profit rose 8.7% year on year to ¥7.8 billion, boosted by higher margins accompanying the growth in sales and other factors.

[Americas Business]
In the Americas Business, growth continued in prestige brands such as ***SHISEIDO***, ***NARS***, and ***LAURA MERCIER*** as we invested actively in the areas of makeup and digital marketing. The fragrance brand ***Dolce&Gabbana*** also performed well. We launched the "THE POWER OF GOOD," a new marketing concept for ***bareMinerals*** based on a new brand strategy in an effort to rejuvenate the brand. Although sales declined in step with the scheduled closure of unprofitable boutiques, we achieved the initial plan for the period in both sales and profit. We also acquired the Second Skin technology and its related business and assets from Olivo Laboratories, which has advanced technology in artificial skin generation, in January 2018. This acquisition was aimed at creating new value.

The above factors resulted in a sales decline of 0.4% year on year on a local currency basis, organic sales growth of 4% excluding the impact of business transfer and other factors, and a sales decline of 1.8% year on year to ¥131.7 billion when converted into yen. The operating loss increased by ¥3 billion yen over the previous year to ¥14.8 billion. Broken down by function, the Americas Business consists of the commercial business in the Americas, the global-scale development as makeup brand-holder function, and possession of the Center of Excellence* function that serves as the value creation base for makeup, digital, and technology. The Americas Business also assumes the cost of strategic investment in these global functions. The commercial business had an operating margin in the mid single digits, however, it is now absorbing the cost of the brand holder function, which has not yet become profitable. Structural reforms of ***bareMinerals*** have been undertaken to improve profitability.

[EMEA Business]

In the EMEA Business, sales of ***Dolce&Gabbana*** were strong, benefitting from the increased investment in marketing aimed at sustained expansion in growth potential, while sales of other fragrance brands declined compared to the previous year. ***SHISEIDO*** skincare products performed well, expanding market share, and ***NARS*** sales also continued to grow. Progress was also made on optimizing the organization, which was integrated in the European region, to improve profitability.

Sales rose 1.4% year on year on a local currency basis. Organic growth was 5% year on year excluding the impact of a business transfer and other factors, and sales rose 4.3% year on year to ¥113.2 billion when converted into yen. The operating loss increased by ¥2.2 billion compared to the previous year, to ¥8 billion. Broken down by function, the EMEA Business consists of the commercial business in EMEA, the fragrance brand holder function, and possession of the Center of Excellence function in fragrance. The EMEA Business also assumes the cost of strategic investment in these global functions. The commercial business had an operating margin in the high single digits, however, it is now absorbing the cost of the brand-holder function, which has not yet become profitable. Profitability will be improved in the future through growth in sales.

[Travel Retail Business]

The Travel Retail Business (sales of cosmetics and fragrances through airport duty-free stores) saw an expansion in the market with the increase in travelers, mainly in Asia. We are working actively to strengthen it as one of our most important businesses to further reinforce Shiseido's position in the global prestige market because we recognize the significant potential for further growth of this business.

During the fiscal year under review, we actively engaged in promotions and advertising in airports around the world. This resulted in continued high growth in sales of ***SHISEIDO***, ***Clé de Peau Beauté***, ***NARS***, and ***ANESSA***, mainly in South Korea, China, Thailand, and other countries in Asia. To accelerate growth, we introduced new brands, worked to our retail excellence capabilities, and strengthened relationships with major operators.

These efforts resulted in sales growth of 35.4% year on year on a local currency basis. Organic growth was 40% year on year excluding the impact of a business transfer and other factors, and sales grew 34.7% year on year to ¥87.6 billion when converted into yen. Operating profit surged 17.0% year on year to ¥17.6 billion, due to higher margins accompanying growth in sales and other factors.

[Professional Business]

In the Professional Business, we sell professional products such as hair care, hair styling products, hair color, and hair-perming products to hair salons, and also operate directly-owned beauty salons in Japan and Thailand. During the fiscal year under review we worked to strengthen products and marketing with the intent of accelerating growth in China and the rest of Asia. Last fiscal year, we sold all shares and related assets of our subsidiary, Zotos, which operated a global hair care business aimed at salons, to Henkel AG & Co. KGaA of Germany as part of a global business and brand portfolio restructuring.

These efforts resulted in a sales decline of 57.7% year on year on a local currency basis due to the sale mentioned above, organic growth of 1% year on year excluding the impact of a business transfer and other factors, and a 57.6% year on year decline in sales to ¥20.3 billion when converted into yen. Operating profit declined 72.4% year on year to ¥800 million, as a result of the decline in margins accompanying the decrease in sales.

* "Center of Excellence" (COE) refers to Shiseido's global system for strategy formulation and product development in each category. Under this system, the region that is most advanced in each category on a global basis is designated as the Center of Excellence and leads strategy formulation and product development for that category. Japan is the COE for skincare, the Americas is the COE for makeup and digital, and EMEA is the COE for fragrances.

2) Earnings Forecasts for Next Fiscal Year

Consolidated Net Sales (Millions of yen)

Classification	Fiscal Year Ending December 31, 2019 (Forecast)	For Reference Fiscal Year Ended December 31, 2018 (After recombination)	% Change (After recombination)	Change in Local Currency (After recombination)	Fiscal Year Ended December 31, 2018 (Before recombination)
Net Sales	1,172,000	1,094,825	7.0%	9%	1,094,825
Japan Business	480,000	454,535	5.6%	6%	454,558
China Business	217,000	190,799	13.7%	18%	190,799
Asia Pacific Business	74,000	68,120	8.6%	11%	68,120
Americas Business	135,500	131,733	2.9%	4%	131,733
EMEA Business	113,500	113,164	0.3%	5%	113,164
Travel Retail Business	102,500	87,621	17.0%	19%	87,621
Professional Business	14,500	14,145	2.5%	4%	20,324
Other	35,000	34,704	0.9%	1%	28,503

Note. The Group has revised its reportable segment classification method in line with changes in its internal management structure from fiscal year ending December 31, 2019. Shiseido Beauty Salon Co., Ltd., which was previously included in "Professional Business," is now included in "Other." Shiseido Astech Co., Ltd. and Hanatsubaki Factory Co., Ltd., which were previously included in "Japan Business," are now included in "Other." The simple method has been used to recombine the results for fiscal year ended December 31, 2018.

Consolidated Profit (Millions of yen)

Classification	Fiscal Year Ending December 31, 2019 (Forecast)	Ratio to Net Sales	Fiscal Year Ended December 31, 2018 (Results)	Ratio to Net Sales	% Change
Operating Profit	120,000	10.2%	108,350	9.9%	10.8%
Ordinary Profit	120,000	10.2%	109,489	10.0%	9.6%
Quarterly Net Profit Attributable to Owners of Parent	75,500	6.4%	61,403	5.6%	23.0%

(Yen)

Classification	Fiscal Year Ending December 31, 2019 (Forecast)	Fiscal Year Ended December 31, 2018 (Results)
ROE (Return on Equity)	15.9%	14.1%
Net Profit per Share	189.04	153.74
DOE (Dividends on Equity)	5.1%	4.1%
Dividends per share		
Interim	30.00	20.00
Year-end	30.00	(plan) 25.00

The global economy is expected to see a gradual overall trend of recovery during the next fiscal year. However, this may be affected by U.S. trade and fiscal policy, economic conditions in China and Asia, fluctuation in foreign exchange rates, and other factors, and an uncertain environment will likely persist.

Amid these conditions, the Shiseido Group will strive to “Be a Global Winner with Our Heritage” as stated in VISION 2020, our medium- to long-term strategy, and will strengthen investment aimed at sustainable growth. To be specific, we will continue bold investment in marketing of key brands and work to accelerate innovation and create new value. We will also increase investment aimed at building the supply chain to respond to the increasing demand for cosmetics in Japan and overseas and capture greater growth potential.

As a result of the initiatives described above, we forecast consolidated net sales of ¥1,172 billion. We forecast operating profit of ¥120 billion due to higher margins accompanying the growth in sales, and ordinary profit of ¥120 billion. Net profit attributable to owners of parent is forecast at ¥75.5 billion.

We have based the formulation plans for the above forecasts for next fiscal year on the following main exchange rate assumptions for the full year: US$1/¥110, €1/¥125, and CNY1:¥16.

Please see the presentation materials disclosed on our corporate website for further details:
https://www.shiseidogroup.jp/ir/library/tanshin/

(2) Analysis of Financial Position

Total assets were ¥1,009.6 billion yen, an increase of ¥60.2 billion over the end of the previous consolidated fiscal year. This was mainly due to an increase in property, plant and equipment accompanying the construction of the Global Innovation Center and the Nasu Factory. Total liabilities were ¥541.2 billion, an increase of ¥37.6 billion. This resulted mainly from an increase in other payables related to construction of the Nasu Factory. Net assets were ¥468.5 billion, an increase of ¥22.6 billion, due mainly to the increase in retained earnings.

The D/E ratio was 0.17 times. This reflects the ratio interest-bearing debt to equity.

Net cash provided by operating activities during the current consolidated fiscal year was ¥92.6 billion. Net cash used in investing activities was ¥103.1 billion, mainly due to investment in the Global Innovation Center and the Nasu Factory. Net cash used in financing activities was ¥29.7 billion. This was mainly the result of the payment of dividends and redemption of debt. As a result of the above factors, the balance of cash and cash equivalents as of the end of the current consolidated fiscal year stood at ¥111.8 billion, ¥45.1 billion less than the end of the previous consolidated fiscal year.

Consolidated Cash Flows (Summary)

(Billions of yen)

Category	Amount
Cash and cash equivalents at beginning of term	156.8
Net cash provided by operating activities	92.6
Net cash used in investing activities	(103.1)
[Investments in fixed assets]	(105.8)*
Net cash used in financing activities	(29.7)
Effect of exchange rate changes on cash and cash equivalents	(4.8)
Net change in cash and cash equivalents	(45.1)
Cash and cash equivalents at end of term	111.8

*Capital Expenditures (Billions of yen)

Category	Amount
Acquisition of property, plant, and equipment	(80.6)
Increase in intangibles	(17.1)
Long-term prepaid expenses	(8.1)

(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 give highest priority to strategic investments aimed at sustainable growth 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. We focus on consolidated performance and free cash flow in determining dividends, and have set a dividend on equity ratio (DOE) of 2.5% or higher as one indicator that reflects our capital policy to ensure stable and consistent growth in shareholder return over the long-term. Our policy with respect to share-buybacks is to remain flexible and base such decisions on the market environment.

Based on this policy, we plan to declare a year-end dividend of ¥25 per share. Combined with the interim dividend of ¥20 per share, this will result in total dividends for the fiscal year of ¥45 per share. This will put DOE of 4.1% for the fiscal year.

For next fiscal year, we forecast interim and year-end dividends of ¥30 per share, for total dividends of ¥60 per share. This will result in DOE (Dividends on Equity) of 5.1%.

2. Basic Approach to the Selection of Accounting Standards

The 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.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
ASSETS		
Current Assets:		
Cash and time deposits	166,698	125,891
Notes and accounts receivable	162,058	166,491
Short-term investments in securities	7,781	–
Inventories	129,954	149,788
Deferred tax assets	25,467	29,690
Other current assets	36,012	42,811
Less: Allowance for doubtful accounts	(1,727)	(1,989)
Total current assets	526,245	512,684
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	162,538	191,335
Less: Accumulated depreciation	(104,382)	(103,727)
Buildings and structures, net	58,156	87,607
Machinery, equipment and vehicles	81,175	84,055
Less: Accumulated depreciation	(63,367)	(61,867)
Machinery, equipment and vehicles, net	17,808	22,188
Tools, furniture and fixtures	81,783	81,024
Less: Accumulated depreciation	(56,520)	(51,968)
Tools, furniture and fixtures, net	25,262	29,055
Land	36,971	49,795
Leased assets	7,244	8,231
Less: Accumulated depreciation	(3,957)	(3,630)
Leased assets, net	3,286	4,601
Construction in progress	17,196	41,937
Total property, plant and equipment	158,681	235,185
Intangible Assets:		
Goodwill	12,166	12,610
Leased assets	247	233
Trademarks	121,347	111,001
Other intangible assets	34,825	41,561
Total intangible assets	168,586	165,406
Investments and Other Assets:		
Investments in securities	26,280	23,026
Long-term loans receivable	90	–
Long-term prepaid expenses	13,991	15,363
Deferred tax assets	30,658	30,001
Other investments	25,131	28,016
Less: Allowance for doubtful accounts	(241)	(66)
Total investments and other assets	95,910	96,341
Total Fixed Assets	423,179	496,933
Total Assets	949,425	1,009,618

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	49,140	56,870
Electronically recorded obligations - operating	37,892	45,422
Short-term debt	8,540	2,725
Current portion of long-term debt	731	730
Current portion of corporate bonds scheduled for redemption	–	10,000
Lease obligations	1,391	1,746
Other payables	59,903	73,836
Accrued income taxes	25,032	20,129
Reserve for sales returns	14,012	10,795
Refund liabilities	–	4,741
Accrued bonuses for employees	25,019	30,782
Accrued bonuses for directors	119	211
Provision for liabilities and charges	2,005	471
Provision for loss on business withdrawal	–	3,204
Other current liabilities	67,590	78,272
Total current liabilities	291,379	339,940
Long-Term Liabilities:		
Bonds	40,000	30,000
Long-term debt	28,835	28,105
Lease obligations	1,966	2,469
Long-term payables	59,255	54,639
Liability for retirement benefits	73,745	76,877
Allowance for losses on guarantees	350	350
Allowance for environmental measures	260	144
Deferred tax liabilities	3,762	3,316
Other long-term liabilities	3,998	5,312
Total long-term liabilities	212,173	201,215
Total Liabilities	503,552	541,156
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,808	70,748
Retained earnings	271,681	319,001
Treasury stock	(874)	(2,829)
Total shareholders' equity	406,121	451,427
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	8,664	4,992
Foreign currency translation adjustments	28,726	15,645
Accumulated adjustments for retirement benefits	(20,064)	(23,484)
Total accumulated other comprehensive income	17,326	(2,846)
Stock Acquisition Rights	874	952
Non-Controlling Interests in Consolidated Subsidiaries	21,550	18,929
Total Net Assets	445,872	468,462
Total Liabilities and Net Assets	949,425	1,009,618

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal Year Ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)
Net Sales	1,005,062	1,094,825
Cost of Sales	231,327	231,928
Gross Profit	773,735	862,896
Selling, General and Administrative Expenses	693,298	754,545
Operating Profit	80,437	108,350
Other Income		
Interest income	882	1,227
Dividend income	557	490
Equity in earnings of affiliates	284	301
Rental income	743	734
Subsidy income	10	2,783
Other	1,069	1,575
Total other income	3,547	7,113
Other Expenses		
Interest expense	991	769
Foreign exchange loss	216	2,900
Other interest on debt	1,382	1,392
Other	1,068	910
Total other expenses	3,658	5,974
Ordinary Profit	80,327	109,489
Extraordinary Gains		
Gain on sales of property, plant and equipment	1,168	2,853
Gain on sales of investments in securities	1,173	2,739
Gain on transfer of business	36,787	48
Gain on sales of shares in subsidiaries and affiliates	211	—
Total extraordinary gains	39,341	5,641
Extraordinary Losses		
Loss on disposal of property, plant and equipment	2,181	1,698
Impairment loss	70,922	—
Loss on sales of investments in securities	27	—
Loss on business withdrawal	–	4,446
Structural reform expenses	4,479	3,739
Loss on liquidation of subsidiaries and affiliates	136	936
Voluntary product recall-related expenses	3,233	—
Temporary expenses associated with reforms to human resource systems	130	—
Total extraordinary losses	81,112	10,821
Profit before Income Taxes	38,555	104,310
Income Taxes – Current	29,416	41,249
Income Taxes – Deferred	(16,215)	(1,844)
Total Income Taxes	13,200	39,405
Net Profit	25,355	64,905
Net Profit Attributable to Non-Controlling Interests	2,606	3,501
Net Profit Attributable to Owners of Parent	22,749	61,403

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year Ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)
Net Profit	25,355	64,905
Other Comprehensive Income		
Unrealized gains (losses) on available-for-sale securities	1,166	(3,600)
Foreign currency translation adjustments	3,073	(14,151)
Adjustment for retirement benefits	12,890	(3,373)
Share of other comprehensive income of associates accounted for under the equity method	(30)	(4)
Total other comprehensive income (loss)	17,100	(21,129)
Comprehensive Income	42,456	43,775
(Breakdown)		
Comprehensive income attributable to owners of parent	39,145	41,230
Comprehensive income attributable to non-controlling interests	3,310	2,544

(3) Consolidated Statements of Changes in Net Assets

Fiscal Year Ended December 31, 2017 (January 1 to December 31, 2017)

(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	70,846	258,005	(1,325)	392,033
Changes during year					
Dividend from retained earnings			(8,986)		(8,986)
Net profit attributable to owners of parent			22,749		22,749
Acquisition of treasury stock				(17)	(17)
Disposal of treasury stock		43		468	511
Non-controlling interests, capital transactions, others		(81)	(87)		(168)
Net changes of items other than shareholders' equity					—
Total changes during year	—	(37)	13,675	450	14,088
Balance at end of year	64,506	70,808	271,681	(874)	406,121

	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	7,389	26,516	(32,975)	930	818	20,087	413,870
Changes during year							
Dividend from retained earnings							(8,986)
Net profit attributable to owners of parent							22,749
Acquisition of treasury stock							(17)
Disposal of treasury stock							511
Non-controlling interests, capital transactions, others							(168)
Net changes of items other than shareholders' equity	1,275	2,210	12,910	16,395	55	1,462	17,913
Total changes during year	1,275	2,210	12,910	16,395	55	1,462	32,002
Balance at end of year	8,664	28,726	(20,064)	17,326	874	21,550	445,872

Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)

(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	70,808	271,681	(874)	406,121
Changes during year					
Dividend from retained earnings			(13,979)		(13,979)
Net profit attributable to owners of parent			61,403		61,403
Acquisition of treasury stock				(2,431)	(2,431)
Disposal of treasury stock		(55)	(165)	476	255
Non-controlling interests, capital transactions, others		(4)	61		57
Net changes of items other than shareholders' equity					—
Total changes during year	—	(60)	47,319	(1,954)	45,305
Balance at end of year	64,506	70,748	319,001	(2,829)	451,427

	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	8,664	28,726	(20,064)	17,326	874	21,550	445,872
Changes during year							
Dividend from retained earnings							(13,979)
Net profit attributable to owners of parent							61,403
Acquisition of treasury stock							(2,431)
Disposal of treasury stock							255
Non-controlling interests, capital transactions, others							57
Net changes of items other than shareholders' equity	(3,672)	(13,081)	(3,419)	(20,172)	78	(2,621)	(22,715)
Total changes during year	(3,672)	(13,081)	(3,419)	(20,172)	78	(2,621)	22,589
Balance at end of year	4,992	15,645	(23,484)	(2,846)	952	18,929	468,462

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year Ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)
Cash Flows from Operating Activities:		
Profit before income taxes	38,555	104,310
Depreciation and amortization	39,614	41,994
Amortization of goodwill	4,235	1,851
Impairment loss	70,922	—
(Gain) Loss on disposal of property, plant and equipment	1,013	(1,155)
(Gain) Loss on sales of investments in securities	(1,146)	(2,739)
Gain on transfer of business	(36,787)	(48)
(Gain) Loss on the sale of shares in subsidiaries and affiliates	(211)	—
Increase (Decrease) in allowance for doubtful accounts	17	176
Increase (Decrease) in reserve for sales returns	934	(2,977)
Increase (Decrease) in refund liabilities	—	4,860
Increase (Decrease) in accrued bonuses for employees	3,207	6,190
Increase (Decrease) in accrued bonuses for directors	19	91
Increase (Decrease) in provision for liabilities and charges	(207)	(1,453)
Increase (Decrease) in liability for retirement benefits	(2,472)	(1,991)
Increase (Decrease) in allowance for environmental measures	(115)	(116)
Increase (Decrease) in provision for loss on business withdrawal	—	3,204
Interest and dividend income	(1,439)	(1,718)
Interest expense	991	769
Other interest on debt	1,382	1,392
Equity in (earnings) losses of affiliates	(284)	(301)
(Increase) Decrease in notes and accounts receivable	(25,447)	(10,659)
(Increase) Decrease in inventories	(13,287)	(24,291)
Increase (Decrease) in notes and accounts payable	22,082	13,916
Other	4,916	4,939
Subtotal	106,494	136,245
Interest and dividends received	1,516	1,867
Interest paid	(984)	(795)
Interest paid on other debt	(1,736)	(1,392)
Income tax paid	(9,898)	(43,347)
Net cash provided by operating activities	95,392	92,577

(Millions of yen)

	Fiscal Year Ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)
Cash Flows from Investing Activities:		
Transfers to time deposits	(17,439)	(20,999)
Proceeds from maturity of time deposits	15,148	21,750
Acquisition of short-term investments in securities	(3)	—
Acquisition of investments in securities	(4)	(1,694)
Proceeds from sales of investment securities	1,922	4,664
Proceeds from transfer of business	53,549	606
Payments for acquisition of business	—	(2,250)
Acquisition of property, plant and equipment	(36,015)	(80,596)
Proceeds from sales of property, plant and equipment	1,703	4,352
Acquisition of intangible assets	(8,618)	(17,084)
Payments of long-term prepaid expenses	(6,581)	(8,108)
Payments for lease and guarantee deposits	(697)	(4,016)
Payment for acquisition of shares in a subsidiary resulting in a change in the scope of consolidation	(5,226)	–
Proceeds from sale of shares in a subsidiary resulting in a change in the scope of consolidation	500	–
Other	702	(264)
Net cash used in investing activities	(1,061)	(103,112)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term debt and commercial papers	(3,170)	(5,140)
Proceeds from long-term debt	10,000	–
Repayment of long-term debt	(45,762)	(730)
Repayment of lease obligations	(2,125)	(2,116)
Acquisition of treasury stock	(17)	(2,431)
Disposal of treasury stock	511	255
Cash dividends paid	(8,977)	(13,940)
Cash dividends paid to non-controlling interests	(2,390)	(4,112)
Repayment of long-term accounts payable	(1,145)	(1,478)
Other	(39)	(27)
Net cash used in financing activities	(53,117)	(29,722)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2,498	(4,809)
Net Change in Cash and Cash Equivalents (Decrease)	43,711	(45,066)
Cash and Cash Equivalents at Beginning of Term	113,122	156,834
Cash and Cash Equivalents at End of Term	156,834	111,767

(5) Notes Concerning Consolidated Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Consolidated Statements of Income)

Gain on Transfer of Business

Fiscal year ended December 31, 2018 (From January 1 to December 31, 2018)

Net proceeds from the sale of shares in Zotos International, Inc.

Loss on Business Withdrawal

Fiscal year ended December 31, 2018 (From January 1 to December 31, 2018)

Expenses related to discontinuation of some brands and withdrawal from the commercial cosmetics sales business and other businesses.

Structural Reform Expenses

Fiscal year ended December 31, 2018 (From January 1 to December 31, 2018)

Structural reform expenses mainly reflect the closure of ***bareMinerals*** boutiques operated by Bare Escentuals Beauty, Inc. and 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

Fiscal year ended December 31, 2018 (From January 1 to December 31, 2018)

Loss on liquidation of subsidiaries in China and Oceania.

(Changes in Accounting Policies)

Group subsidiaries that have adopted IFRS standards have implemented IFRS 15, Revenue from Contracts with Customers, from the first quarter of the current consolidated fiscal year.

Payments to some customers were previously recognized as selling, general and administrative expenses, but are deducted from net sales from the first quarter of the current consolidated fiscal year.

The impact of these changes on the profit and loss for the fiscal year ended December 31, 2018 is minor.

Moreover, the method of presentation in the Consolidated Balance Sheets has changed with the application of this standard.

As a result, the reserve for sales returns has decreased by ¥4,741 million and refund liabilities has increased by ¥4,741 million in the Consolidated Balance Sheets for the fiscal year ended December 31, 2018 compared to the figures under the previous accounting standard.

Please note that the method of recognition adopted in applying this standard is to recognize the cumulative impact on the initial date of application as a transitional measure.

(Segment Information, etc.)

1. Overview of Reportable Segments

With respect to its reportable segments, the Company is able to obtain delineated financial data from its structural units through co-administration. 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 based on consumer purchasing style (Prestige, Fragrance, Cosmetics, Personal Care and Professional) and six regions (Japan, China, Asia Pacific, the Americas, EMEA and Travel Retail). This matrix organization gives the leader in each region broad authority as well as responsibility for sales and profits to ensure flexible decision-making. In specific terms, the Company's seven reportable segments, which mainly refer to regions, are the "Japan Business," "China Business," "Asia Pacific Business," "Americas Business," "EMEA Business," "Travel Retail Business" and "Professional Business."

The Japan Business is mainly comprised of the domestic business by brand category (Prestige, Fragrance, Cosmetics and Personal Care, etc.) and the healthcare business (sale of health & beauty foods as well as over-the-counter drugs).

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

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

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

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

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

The Professional Business encompasses the sale of hair and beauty salon products in Japan, China, and the rest of Asia.

Other includes head office administration departments, IPSA Co., Ltd., the manufacturing business, the frontier science business (cosmetic raw materials and medical-use drugs), and the restaurant business.

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

The accounting treatment method for the Company's reported business segments is generally the same as described in "Basis of Presenting Consolidated Financial Statements" of the Company's most recent Securities Report (filed on March 27, 2018). Segment profit is based on operating profit. Pricing on intersegment transactions and transfers is determined based on market conditions.

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

Fiscal Year Ended December 31, 2018 (From January 1 to December 31, 2018)

(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	454,558	190,799	68,120	131,733	113,164	87,621
Intersegment Sales or Transfers	32,596	467	2,289	37,362	11,856	216
Total	487,155	191,267	70,409	169,096	125,020	87,838
Segment Profit/(Loss)	91,430	24,514	7,808	(14,775)	(7,988)	17,606
Other Items						
Depreciation and Amortization	6,958	3,728	2,071	10,020	8,107	448
Amortization of Goodwill	141	373	60	1,275	—	—

	Reportable Segment	Other (Note 2)	Total	Adjustments (Note 3)	Total Shown in Consolidated Financial Statements (Note 4)
	Professional Business				
Net Sales					
Sales to Outside Customers	20,324	28,503	1,094,825	—	1,094,825
Intersegment Sales or Transfers	418	107,209	192,417	(192,417)	—
Total	20,742	135,712	1,287,242	(192,417)	1,094,825
Segment Profit/(Loss)	817	(6,029)	113,384	(5,034)	108,350
Other Items					
Depreciation and Amortization	74	10,584	41,994	—	41,994
Amortization of Goodwill	—	—	1,851	—	1,851

Notes:

1. The EMEA Business includes the Middle East and African regions.
2. “Other” includes head office administration departments, IPSA Co., Ltd., manufacturing operations and the activities of the Frontier Science business (cosmetic raw materials and medical-use drugs), as well as the Restaurant business, etc.
3. Segment profit/(loss) adjustment is mainly intersegment transaction eliminations.
4. Segment profit/(loss) is adjusted for operating profit described in the consolidated statements of income.
5. Assets and liabilities by segment are not provided because they are not subject to reallocation and appraisal of management resources on a periodic basis.

(Material Impairment Loss on Fixed Assets and Material Changes in Goodwill)

Not applicable.

4. Items Related to Changes in Reportable Segments

(Changes in the Method of Classifying Reportable Segments)

The Company has revised its reportable segment classification method in line with the Group’s internal financial management structure. The results of IPSA Co., Ltd., which were previously included in the Japan Business, are now included in the Other segment. The fragrance business in the Asia Pacific region, which was previously included in the EMEA Business, is now included in the Asia Pacific Business. The travel retail fragrance business, which was previously included in the EMEA Business, is now included in the

Travel Retail Business. ***NAVISION*** and ***2e***, which were previously included in the Other segment, are now included in the Japan Business.

We have also made some revisions to the categories used to monitor business performance. The business of some distributors for ***NARS***, ***bareMinerals***, and ***LAURA MERCIER*** in each region, which were previously included in the Americas Business, are now included in the Asia Pacific Business, the EMEA Business, or the Travel Retail Business.

(Per-Share Data)

(Yen)

Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)	
Net assets per share	1,123.19
Net profit per share	153.74
Net profit per share (fully diluted)	153.56

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

	As of December 31, 2018
Total net assets (millions of yen)	468,462
Amount deducted from total net assets (millions of yen)	19,881
[Stock acquisition rights (millions of yen)]	(952)
[Non-controlling interests (millions of yen)]	(18,929)
Net assets at term-end related to common stock (millions of yen)	448,580
Common stock at term-end used to calculate net assets per share (1,000 shares)	399,381

2. The basis for calculating net profit per share and fully diluted net profit per share is shown below.

	Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)
Net profit per share	
Net profit attributable to owners of parent (millions of yen)	61,403
Amount not belonging to common stockholders (millions of yen)	—
Net profit attributable to owners of parent related to common stock (millions of yen)	61,403
Average shares outstanding (1,000 shares)	399,409
Net profit per share (fully diluted)	
Net profit attributable to owners of parent adjustment (millions of yen)	—
Increase in common stock (1,000 shares)	465
(Stock options made available through new share subscription rights) (1,000 shares)	(465)
Latent shares not included in fully diluted net profit per share calculation due to lack of dilution effect	—

(Important Subsequent Events)

Not applicable.