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.

November 9, 2017

Consolidated Settlement of Accounts for the First Nine Months 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: November 13, 2017
Start of cash dividend payments: —
Supplementary quarterly materials prepared: Yes
Quarterly financial results information meeting held: Yes (Conference call for institutional investors, analysts, etc.)

1. Performance for the First Nine Months of the Fiscal Year Ending December 31, 2017 (From January 1–September 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 Nine Months Ended September 30, 2017	731,201 [17.4%]	70,654 [82.4%]	70,370 [84.2%]	(16,958) [—%]
First Nine Months Ended September 30, 2016	622,728 [—%]	38,737 [—%]	38,203 [—%]	37,175 [—%]

Note: Comprehensive income
First Nine Months ended September 30, 2017: ¥(8,907) million [—%]
First Nine Months ended September 30, 2016: ¥(17,989) million [—%]

	Net Earnings per Share (Yen)	Fully Diluted Net Earnings per Share (Yen)
First Nine Months Ended September 30, 2017	(42.45)	—
First Nine Months Ended September 30, 2016	93.12	93.00

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

Fully Diluted Net Earnings per Share is not listed for the first nine months of the fiscal year ending December 31, 2017 because, although there is share dilution, a net loss was recorded for the period under review.

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As at September 30, 2017	934,736	394,668	39.9%
As at December 31, 2016	934,590	413,870	42.0%

[Reference] Equity: As at September 30, 2017 ¥372,887 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: None

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	985,000 [15.8%]	65,000 [76.7%]	64,000 [72.2%]	5,000 [(84.4)%]	12.52

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 September 30, 2017: 400,000,000
    As at December 31, 2016: 400,000,000
  2) Number of treasury stocks outstanding
    As at September 30, 2017: 477,331
    As at December 31, 2016: 700,745
  3) Average number of shares over the period
    First Nine Months ended September 30, 2017: 399,445,426
    First Nine Months ended September 30, 2016: 399,207,799

Implementation status of quarterly review procedures
This Consolidated Settlement of Accounts for the First Nine Months 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 (2) Consolidated Forecast and Other Forward-Looking Information" on page 8 for information on preconditions underlying the above outlook and other related information.

Contents

1. Analysis of Operating Results

(1) Consolidated Performance

(Billions of yen unless otherwise stated)

	Net Sales	Operating Income	Ordinary Income	Net Income (Loss) Attributable to Owners of Parent	Net Earnings per Share (Yen)	Fully Diluted Net Earnings per Share (Yen)
First Nine Months of the Fiscal Year Ending December 31, 2017	731.2	70.7	70.4	(17.0)	(42.45)	—
First Nine Months of the Fiscal Year Ended December 31, 2016	622.7	38.7	38.2	37.2	93.12	93.00
% of Change	17.4%	82.4%	84.2%	—	—	—
% Change in Local Currency	15.8%					

In the first nine months of the fiscal year ending December 31, 2017 (January 1 to September 30, 2017), 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 also firm 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, growth in Europe remained weak with varied performance from country to country. While growth slowed in the Americas, China and the rest of 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 launched initiatives to address brand and other category issues where concerns remain regarding growth potential and profitability amid the steady improvement in earning power in existing businesses. The Company has also begun 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.

Sales growth accelerated during the first nine months of the fiscal year ending December 31, 2017, rising 15.8% year on year on a local currency basis. In the prestige category, where Shiseido has continued to strengthen strategic investments, results remain strong globally. Each of 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, in Japan strong growth in sales was seen for the mainstay brand ***ELIXIR***, mostly due to the launch of an innovative wrinkle-improving product. The addition of sales from new brands, mainly in Europe and the U.S., together with strong sales in existing businesses led to sales growth in all business segments. Consolidated net sales increased 17.4% year on year to ¥731.2 billion, after conversion into yen.

Operating income rose 82.4% year on year to ¥70.7 billion. This was mainly due to an increase in the operating margin accompanying the growth in sales, improved efficiency in marketing investment in the prestige category, and benefits derived from cost structure reform, despite strengthening of investment in new brands. Meanwhile, the Company recorded an ¥17.0 billion net loss attributable to owners of parent, owing to the recognition of a ¥70.7 billion impairment loss on intangible and other assets of Bare Escentuals, Inc. (hereinafter, Bare Escentuals).

The major foreign currency exchange rates applied to income and expense accounting line items in the Company’s financial statements for the first nine months of the fiscal year under review are JPY111.9/USD, JPY124.6/EUR, and JPY16.5/CNY.

[Consolidated Performance]

(Millions of yen)

Classification		First Nine Months Ended September 30, 2017	% of Total	First Nine Months Ended September 30, 2016	% of Total	Year-on-Year Increase/(Decrease)		
						Amount	% Change	% Change in Local Currency
Net Sales	Japan Business	320,492	43.8%	286,662	46.1%	33,829	11.8%	11.8%
	China Business	105,353	14.4%	86,855	13.9%	18,497	21.3%	20.8%
	Asia Pacific Business	40,858	5.6%	34,026	5.5%	6,831	20.1%	12.7%
	Americas Business	98,357	13.5%	89,859	14.4%	8,498	9.5%	6.2%
	EMEA Business	87,255	11.9%	64,753	10.4%	22,501	34.8%	31.1%
	Travel Retail Business	33,834	4.6%	18,338	2.9%	15,495	84.5%	79.2%
	Professional Business	34,810	4.8%	32,355	5.2%	2,455	7.6%	5.4%
	Other	10,240	1.4%	9,876	1.6%	363	3.7%	3.7%
	Total	731,201	100.0%	622,728	100.0%	108,473	17.4%	15.8%

Note: Sales by reportable segment are sales to outside customers.

(Millions of yen)

Classification		First Nine Months Ended September 30, 2017	Ratio to Net Sales	First Nine Months Ended September 30, 2016	Ratio to Net Sales	Year-on-Year Increase/(Decrease)	
						Amount	% Change
Operating Income (Loss)	Japan Business	67,867	19.7%	44,079	14.6%	23,788	54.0%
	China Business	11,151	10.6%	3,964	4.6%	7,187	181.3%
	Asia Pacific Business	5,411	12.9%	1,734	5.1%	3,677	212.1%
	Americas Business	(11,391)	(10.4%)	(7,207)	(7.5%)	(4,183)	—
	EMEA Business	(1,159)	(1.2%)	(2,577)	(3.8%)	1,417	—
	Travel Retail Business	10,441	30.8%	4,595	25.1%	5,846	127.2%
	Professional Business	2,029	5.8%	188	0.6%	1,840	973.8%
	Other	(7,898)	(11.7%)	(7,171)	(17.1%)	(726)	—
	Subtotal	76,452	9.2%	37,604	5.5%	38,847	103.3%
	Adjustments	(5,798)	—	1,132	—	(6,930)	—
	Total	70,654	9.7%	38,737	6.2%	31,917	82.4%
Ordinary Income		70,370	9.6%	38,203	6.1%	32,167	84.2%
Quarterly Net Income (Loss) Attributable to Owners of Parent		(16,958)	(2.3%)	37,175	6.0%	(54,133)	—

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, which were 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.

Results by reportable segment are presented as follows.

[Japan Business]

In the Japan business, mid- and high-priced brands continue to perform well. **"ELIXIR SUPERIEUR Enriched Wrinkle Cream S"**, which helps improve wrinkles, has also become a major hit. Shiseido also captured steadily expanding inbound demand stemming from proactive borderless marketing efforts focusing on Chinese consumers. These and other factors accelerated sales growth, resulting in 11.8% year-on-year growth in sales to ¥320.5 billion. Operating income grew 54.0% year on year to ¥67.9 billion. In addition to higher margins accompanying the increase in sales, this also reflected such factors as greater efficiency in marketing investment and the beneficial effects of cost structure reform.

[China Business]

In the China Business, sales rose 20.8% year on year on a local currency basis, and reached ¥105.4 billion, an increase of 21.3% year on year, after conversion into yen. This increase resulted from sustained high growth in prestige brands such as ***SHISEIDO, clé de peau BEAUTÉ,*** and ***IPSA***. Operating income grew 181.3% year on year to ¥11.2 billion. In addition to higher margins accompanying the increase in sales, this also reflected such factors as greater efficiency in marketing investment.

[Asia Pacific Business]

In the Asia Pacific business, growth in sales was strong for the ***clé de peau BEAUTÉ, NARS,*** and other prestige brands. Personal care brands, which are mainly comprised of ***SENKA***, also contributed to the sales growth owing to better gearing toward the differing lifestyles and preferences of consumers in each country. Sales rose 12.7% year on year on a local currency basis, and 20.1% year on year to ¥40.9 billion when converted into yen. Operating income surged 212.1% year on year to ¥5.4 billion, owing to an improvement in the product mix achieved through growth in sales of prestige brands.

[Americas Business]

In the Americas business, the Company is working to rebuild its ***bareMinerals*** brand. However, sales of the brand declined year on year owing mainly to such factors as the closure of major department stores and stiffer competition among specialty stores. Despite this, the addition of the ***Laura Mercier*** brand acquired last fiscal year contributed to 6.2% year-on-year growth in sales on a local currency basis. When converted into yen, this translates into 9.5% year-on-year growth to ¥98.4 billion. The operating loss increased by ¥4.2 billion year on year to ¥11.4 billion. This was caused by up-front investment in digital marketing, in addition to the impact from the decline in sales in existing businesses.

[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 last fiscal year. As a result, sales rose 31.1% year on year on a local currency basis, and when converted into yen, rose 34.8% year on year to ¥87.3 billion. Despite the increased investment in marketing, the increase in the operating margin accompanying the growth in sales contributed to a ¥1.4 billion reduction in the operating loss, shrinking it to ¥1.2 billion.

[Travel Retail Business]

In the Travel Retail business, sales per airport duty-free store grew owing to the effects of proactive investment in increased advertising and promotion at airports and other types of marketing. Sales in Asia, including China, South Korea, and Thailand, far outstripped last year. This resulted in a 79.2% year-on-year increase in sales on a local currency basis, and when converted into yen, sales grew 84.5% year on year to ¥33.8 billion. Operating income jumped 127.2% year on year to ¥10.4 billion on the back of such factors as improvement in productivity per store, in addition to a higher operating margin which accompanied the growth in sales.

[Professional Business]

In the Professional business, strong performance in the China region resulted in 5.4% year-on-year growth in sales on a local currency basis, and when converted into yen, sales grew 7.6% year on year to ¥34.8 billion. Operating income surged to ¥2.0 billion, a 973.8% year-on-year growth, owing to improvement in the operating margin which accompanied the growth in sales.

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

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

Notes:
1. Professional business operations, which were 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" segment effective from the fiscal year ending December 31, 2017 in order to match the Company's business management structure.
2. Manufacturing operations, the Frontier Science business, Restaurant business, etc., which were included in the "Japan Business" under the Company's previous segment classification, have been included in the separate "Other" segment 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, which were 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, which was 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 the ***SHISEIDO*** fragrance.
6. PF: "Professional Business"
   TR: "Travel Retail Business"

(2) Consolidated Forecast and Other Forward-Looking Information

The consolidated forecast for the fiscal year ending December 31, 2017 has changed from the forecast announced on November 1, 2017.

The Company has found that the amount of impairment loss on goodwill associated with Bare Escentuals, which was announced in the “Notice of Revision of the Consolidated Financial Result Forecast for the Fiscal Year Ending December 31, 2017 and Posting of Extraordinary Income and Extraordinary Loss” on November 1, 2017, had been calculated without reflecting the impact of deferred tax liability reversals accompanying the impairment of trademarks, customer-related intangible assets, etc. in the book value of the net assets following the impairment loss on assets other than goodwill. Therefore, upon reflecting such impact, the amount of the impairment loss on intangible assets (goodwill, etc.) and other assets has been revised from ¥65.5 billion to ¥70.7 billion. As a result, the Company has revised the forecast of net income attributable to owners of parent.

We expect consolidated net sales and operating income to reach record highs, reflecting strong business results. Existing businesses are steadily regaining earning power and cash flow is in excellent shape. The forecast for net income attributable to owners of parent is ¥5.0 billion. This reflects the anticipated recognition of extraordinary income from a gain on transferring the shares of its consolidated subsidiary, Zotos International, Inc. and related business assets. In addition to the factors mentioned above, it also reflects an extraordinary loss from recognition of an impairment loss on assets such as the goodwill, etc. associated with Bare Escentuals.

The major foreign currency exchange rates applicable to income and expense accounting line items in the Company’s financial statements are JPY111.9/USD, JPY124.6/EUR, and JPY16.5/CNY.

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

(Billions of yen unless otherwise stated)

Classification	Forecast disclosed November 9, 2017	Forecast disclosed November 1, 2017	Forecast disclosed August 9, 2017	(Reference) Previous Fiscal Year Results
Net sales	985.0	985.0	965.0	850.3
Operating Income	65.0	65.0	56.0	36.8
Ordinary Income	64.0	64.0	55.0	37.2
Net Income Attributable to Owners of Parent	5.0	10.0	32.5	32.1

[Information for Reference] Sales Forecast by Reportable Segment

The consolidated sales forecast for the full year by reportable segment is as follows:

(Billions of yen unless otherwise stated)

Classification		Revised Forecast (disclosed November 9, 2017) (A)	% Change (A/B-1)	% Change in Local Currency	Previous Forecast disclosed August 9, 2017	(Reference) Previous Fiscal Year Results (B)
Net Sales	Japan Business	423.0	11.0%	11%	409.0	381.2
	China Business	139.0	17.7%	17%	135.5	118.1
	Asia Pacific Business	53.0	16.2%	10%	51.5	45.6
	Americas Business	143.0	12.2%	9%	148.0	127.5
	EMEA Business	123.0	30.7%	26%	119.5	94.1
	Travel Retail Business	42.5	71.3%	66%	40.5	24.8
	Professional Business	47.5	5.7%	4%	47.0	44.9
	Other	14.0	0%	0%	14.0	14.0
	Total	985.0	15.8%	14%	965.0	850.3

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As at December 31, 2016	As at September 30, 2017
ASSETS		
Current Assets:		
Cash and time deposits	120,126	126,344
Notes and accounts receivable	136,768	167,810
Short-term investments in securities	7,905	17,720
Inventories	115,672	136,877
Deferred tax assets	21,773	23,036
Other current assets	31,589	32,185
Less: Allowance for doubtful accounts	(1,933)	(2,082)
Total current assets	431,903	501,892
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	164,817	164,851
Less: Accumulated depreciation	(106,338)	(108,611)
Buildings and structures, net	58,478	56,239
Machinery, equipment and vehicles	86,847	89,489
Less: Accumulated depreciation	(71,867)	(72,891)
Machinery, equipment and vehicles, net	14,980	16,598
Tools, furniture and fixtures	80,371	82,215
Less: Accumulated depreciation	(55,969)	(58,669)
Tools, furniture and fixtures, net	24,402	23,545
Land	36,604	36,332
Leases assets	7,414	7,255
Less: Accumulated depreciation	(4,096)	(3,842)
Leased assets, net	3,317	3,413
Construction in progress	18,411	24,789
Total property, plant and equipment	156,194	160,919
Intangible Assets:		
Goodwill	59,795	13,885
Leased assets	401	289
Trademarks	146,209	123,573
Other intangible assets	39,927	33,817
Total intangible assets	246,333	171,566
Investments and Other Assets:		
Investments in securities	24,899	26,537
Long-term loans receivable	240	198
Long-term prepaid expenses	13,377	13,881
Deferred tax assets	37,800	35,372
Other investments	23,874	24,428
Less: Allowance for doubtful accounts	(33)	(59)
Total investments and other assets	100,158	100,358
Total Fixed Assets	502,687	432,844
Total Assets	934,590	934,736

(Millions of yen)

	As at December 31, 2016	As at September 30, 2017
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	51,080	44,077
Electronically recorded obligations - operating	32,312	35,778
Short-term debt	6,339	11,213
Commercial papers	5,243	7,328
Current portion of long-term debt	3,230	730
Lease obligations	1,744	1,487
Other payables	43,453	45,915
Accrued income taxes	5,561	19,276
Reserve for sales returns	12,948	12,993
Accrued bonuses for employees	22,110	24,312
Accrued bonuses for directors	99	89
Provision for liabilities and charges	2,024	2,104
Other current liabilities	60,539	59,432
Total current liabilities	246,687	264,741
Long-Term Liabilities:		
Bonds	40,000	40,000
Long-term debt	62,196	71,723
Lease obligations	1,826	2,078
Long-term payables	53,135	59,652
Liability for retirement benefits	94,489	92,911
Allowance for losses on guarantees	350	350
Allowance for environmental measures	376	263
Deferred tax liabilities	18,402	5,562
Other long-term liabilities	3,257	2,784
Total long-term liabilities	274,033	275,326
Total Liabilities	520,720	540,068
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,846	70,899
Retained earnings	258,005	231,969
Treasury stock	(1,325)	(903)
Total shareholders' equity	392,033	366,473
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	7,389	8,443
Foreign currency translation adjustments	26,516	25,639
Accumulated adjustments for retirement benefits	(32,975)	(27,668)
Total accumulated other comprehensive income	930	6,414
Stock Acquisition Rights	818	844
Non-Controlling Interests in Consolidated Subsidiaries	20,087	20,935
Total Net Assets	413,870	394,668
Total Liabilities and Net Assets	934,590	934,736

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

Consolidated Quarterly Statements of Income
Cumulative for the First Nine Months

(Millions of yen)

	First Nine Months Ended September 30, 2016 (January 1, 2016 to September 30, 2016)	First Nine Months Ended September 30, 2017 (January 1, 2017 to September 30, 2017)
Net Sales	622,728	731,201
Cost of Sales	150,629	168,398
Gross Profit	472,098	562,803
Selling, General and Administrative Expenses	433,361	492,148
Operating Income	38,737	70,654
Other Income		
Interest income	553	587
Dividend income	285	306
Equity in earnings of affiliates	171	238
Rental income	575	542
Subsidy income	559	10
Other	866	869
Total other income	3,011	2,555
Other Expenses		
Interest expense	589	664
Foreign exchange loss	2,028	426
Other interest on debt	—	1,019
Other	926	728
Total other expenses	3,545	2,839
Ordinary Income	38,203	70,370
Extraordinary Income		
Gain on sales of property, plant and equipment	9,041	940
Gain on sales of investments in securities	24	299
Gain on sales of shares of subsidiaries and affiliates	—	211
Gain on transfer of business	8,884	—
Total extraordinary gains	17,951	1,451
Extraordinary Losses		
Loss on disposal of property, plant and equipment	557	895
Impairment loss	156	70,710
Loss on sales of investments in securities	—	6
Loss on revaluation of investments in securities	21	—
Voluntary product recall-related expenses	—	3,264
Structural reform expenses	1,355	1,030
Loss on liquidation of subsidiaries and affiliates	—	136
Temporary expenses associated with reforms to human resource systems	—	130
Total extraordinary losses	2,091	76,174
Quarterly Income (Loss) before Income Taxes	54,063	(4,353)
Income Taxes – Current	19,082	23,745
Income Taxes – Deferred	(3,470)	(13,446)
Total Income Taxes	15,612	10,298
Quarterly Net Income (Loss)	38,451	(14,652)
Quarterly Net Income Attributable to Non-Controlling Interests	1,275	2,306
Quarterly Net Income (Loss) Attributable to Owners of Parent	37,175	(16,958)

Consolidated Quarterly Statements of Comprehensive Income
Cumulative for the First Nine Months

(Millions of yen)

	First Nine Months Ended September 30, 2016 (January 1, 2016 to September 30, 2016)	First Nine Months Ended September 30, 2017 (January 1, 2017 to September 30, 2017)
Quarterly Net Income (Loss)	38,451	(14,652)
Other Comprehensive Income		
Unrealized gains (losses) on available-for-sale securities	(3,288)	938
Foreign currency translation adjustments	(56,451)	(460)
Adjustment for retirement benefits	3,355	5,301
Share of other comprehensive income of associates accounted for under the equity method	(57)	(34)
Total other comprehensive income	(56,440)	5,744
Quarterly Comprehensive Income	(17,989)	(8,907)
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	(16,158)	(11,474)
Quarterly comprehensive income attributable to non-controlling interests	(1,831)	2,566

(3) Notes Concerning Consolidated Quarterly Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Consolidated Quarterly Statements of Income)

Gain on Sale of Shares of Subsidiaries and Affiliates

First nine months of the fiscal year ending December 31, 2017 (from January 1, 2017 to September 30, 2017)
Gain on the transfer of shares held in KINARI Inc.

Impairment Loss

First nine months of the fiscal year ending December 31, 2017 (from January 1, 2017 to September 30, 2017)
An impairment loss was recognized on fixed assets of an overseas subsidiary.

Purpose	Type	Location
Assets for business use	Goodwill, trademarks, other intangible assets, and buildings and structures, etc.	U.S.

The Company generally groups assets for business use based on business segment by the minimum amount of independent cash flow generated or by individual property for idle assets.

As a result, the goodwill, etc. recorded at the time Bare Escentuals, Inc. was acquired in the Americas business, which are considered among the assets for business use, was written down to fair value after an impairment test based on U.S. accounting standards was performed, after consideration of all facts, including the fact that sales were trending below the plan. This impairment loss was recorded as an extraordinary loss. The breakdown is shown below:

Primarily, fair value was determined by the income approach, and a discount rate of 10% was used.

Goodwill	¥43,095 million
Trademarks	¥23,656 million
Customer-related intangible assets	¥2,412 million
Buildings and structures, etc.	¥1,544 million
Total	¥70,710 million

Voluntary Product Recall-Related Expenses

First nine months of the fiscal year ending December 31, 2017 (from January 1, 2017 to September 30, 2017)
The expenses reflect voluntary recalls of products that do not meet the Company’s quality standards.

Structural Reform Expenses

First nine months of the fiscal year ending December 31, 2017 (from January 1, 2017 to September 30, 2017)
The 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 nine months of the fiscal year ending December 31, 2017 (from January 1, 2017 to September 30, 2017)
The loss reflects a loss on the liquidation of a subsidiary in India.

Temporary Expenses Associated with Reforms to Human Resource Systems

First nine months of the fiscal year ending December 31, 2017 (from January 1, 2017 to September 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 Nine Months of the Fiscal Year Ended December 31, 2016 (From January 1, 2016 to September 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	286,662	86,855	34,026	89,859	64,753	18,338
Intersegment Sales or Transfers	14,497	129	86	6,552	3,439	1
Total	301,160	86,985	34,113	96,411	68,192	18,340
Segment Income/(Loss)	44,079	3,964	1,734	(7,207)	(2,577)	4,595

	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	32,355	9,876	622,728	-	622,728
Intersegment Sales or Transfers	285	32,001	56,994	(56,994)	-
Total	32,641	41,877	679,722	(56,994)	622,728
Segment Income/(Loss)	188	(7,171)	37,604	1,132	38,737

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 Nine Months of the Fiscal Year Ending December 31, 2017
(From January 1, 2017 to September 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	320,492	105,353	40,858	98,357	87,255	33,834
Intersegment Sales or Transfers	23,181	116	1,173	11,155	6,993	93
Total	343,673	105,469	42,032	109,512	94,248	33,927
Segment Income/(Loss)	67,867	11,151	5,411	(11,391)	(1,159)	10,441

	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	34,810	10,240	731,201	-	731,201
Intersegment Sales or Transfers	292	57,469	100,475	(100,475)	-
Total	35,103	67,709	831,676	(100,475)	731,201
Segment Income/(Loss)	2,029	(7,898)	76,452	(5,798)	70,654

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

An impairment loss of ¥70,710 million is recognized in the Americas Business. Please refer to "2. Consolidated Quarterly Financial Statements (3) Notes Concerning Consolidated Quarterly Financial Statements (Consolidated Quarterly Statements of Income)" on page 14 for details.

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 nine months of the previous fiscal year has been restated in line with changes in the method of classifying reportable segments.

(Material Subsequent Events)

Sale of Shares, etc. in a Significant Subsidiary

The Company concluded an agreement on transferring the shares of its consolidated subsidiary, Zotos International, Inc., which globally operates a professional hair care business (hereinafter, Zotos), and related business assets to Henkel AG & Co. KGaA (hereinafter, Henkel) on October 26, 2017.

1. ***Reason for the Transfer:***

   The Company has been promoting a selection and concentration strategy in order to enhance its brand portfolio across the globe and drive growth under its mid- to long-term business strategy VISION 2020, with which the Company aims to "Be a Global Winner with Our Heritage." The Company's Professional business plays an important role in its beauty portfolio, and it plans to concentrate and boost its investment in the professional market in Asia.

   While pursuing the selection and concentration strategy, the Company conducted a thorough review with Henkel regarding the transfer of Zotos, which is based in North America and generates the majority of its sales from the North American market. As a result, it arrived at the conclusion that transferring Zotos to Henkel would be the best option for Zotos and the Company, and thus, decided to sign the transfer agreement.

2. ***Name of the Transferee:***

   Henkel AG & Co. KGaA

3. ***Timing of the Transfer:***

   December 2017 (Plan)

4. ***Subsidiary Name and Business Description, and Nature of Transactions with the Company:***

(1)	Name:	Zotos International Inc.
(2)	Business Description:	Manufacturing and distribution of professional hair care, hair color and styling products
(3)	Transactional Relationship with the Company:	Purchase and sale of hair care products, etc.

5. ***Number of Shares Transferred, Transfer Price, Gain (Loss) on Transfer, and Equity Interest after Transfer:***

(1)	Number of shares transferred:	2,000 shares
(2)	Transfer price:	USD 485 million
(3)	Impact of transfer:	The Company anticipates recording an extraordinary gain of ¥36 billion on the transfer in the fourth quarter financial statements for fiscal year ending December 31, 2017. Please note that projected amount may change upon confirmation of the book value of assets subject to transfer.
(4)	Equity interest after transfer:	–%

6. ***Other Special Provisions, etc.:***

   Not applicable.