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.

Consolidated Settlement of Accounts for the First 2 Quarters Ended September 30, 2013
[Japanese Standards]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number: 4911)
URL: http://group.shiseido.com/
Representative: Shinzo Maeda, Representative Director, Chairman of the Board, President, & CEO
Contact: Hirofumi Takakura, Head of Investor Relations Department
Tel. +81-3-3572-5111

Filing of quarterly financial report: November 12, 2013
Start of cash dividend payments: December 5, 2013
Supplementary quarterly materials prepared: Yes (Supplemental Information will be uploaded to the corporate website on Thursday, October 31, 2013.)
Quarterly results information meeting held: Yes (for institutional investors, analysts, etc.)

1. Performance for the First 2 Quarters of the Fiscal Year Ending March 31, 2014 (From April 1–September 30, 2013)

* Amounts under one million yen have been rounded down.

(1) Consolidated Operating Results

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

	Net Sales	Operating Income	Ordinary Income	Net Income
First 2 Quarters Ended September 30, 2013	360,504 [+8.1%]	20,391 [+144.4%]	21,021 [+151.7%]	5,377 [+7.1%]
First 2 Quarters Ended September 30, 2012	333,631 [–0.8%]	8,342 [–61.2%]	8,350 [–61.7%]	5,020 [–44.8%]

Note: Comprehensive income
First 2 quarters ended September 30, 2013: ¥43,579 million [+373.5%]
First 2 quarters ended September 30, 2012: ¥9,202 million [–30.2%]

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
First 2 Quarters Ended September 30, 2013	13.51	13.49
First 2 Quarters Ended September 30, 2012	12.62	12.60

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)
First 2 Quarters Ended September 30, 2013	755,459	336,695	42.0
Fiscal Year Ended March 31, 2013	715,593	303,153	40.1

[Reference] Equity:
First 2 quarters ended September 30, 2013: ¥317,359 million
Fiscal year ended March 31, 2013: ¥287,069 million

The Company has applied International Accounting Standard No. 19, "Employee Benefits" (amended June 16, 2011), to certain consolidated subsidiaries. This has resulted in a change in recognition of changes in the Company's net defined benefit liabilities and has been applied retrospectively to the consolidated financial statements for fiscal 2012, ended March 31, 2013. For more details, refer to "(3) Changes in Accounting Policies; Changes in Accounting Estimates; Restatements" under "2. Summary (Note) Information" on page 8 of this document.

2. Cash Dividends

	Cash Dividends per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Full Year
Fiscal Year Ended March 31, 2013	—	25.00	—	25.00	50.00
Fiscal Year Ending March 31, 2014	—	10.00			
Fiscal Year Ending March 31, 2014 (plan)			—	10.00	20.00

Note: Revision to dividend forecast during period: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2014 (From April 1, 2013–March 31, 2014)

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

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
Fiscal Year Ending March 31, 2014	740,000 [+9.2%]	40,000 [+53.6%]	41,000 [+44.3%]	15,000 [—]	37.66

Note: Revision to consolidated earnings forecast during period: Yes

4. Note

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

(2) Special accounting treatment adopted: None

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

(4) Shares outstanding (common stock) at term-end

1. Number of shares outstanding (including treasury stock)
   First 2 quarters ended September 30, 2013: 400,000,000
   Fiscal year ended March 31, 2013: 400,000,000
2. Number of treasury shares outstanding
   First 2 quarters ended September 30, 2013: 1,729,869
   Fiscal year ended March 31, 2013: 1,960,234
3. Average shares outstanding over period (cumulative; consolidated)
   First 2 quarters ended September 30, 2013: 398,152,020
   First 2 quarters ended September 30, 2012: 397,997,714

Implementation status of quarterly review procedures

At the time of disclosure of this report, review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

Appropriate use of business forecasts; other special items

In this document, 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. (3) Consolidated Forecasts and Other Forward-Looking Information" on page 7 for information on preconditions underlying the above outlook and other related information.

Contents

1. Analysis of Operating Results ····· 5

(1) Consolidated Performance ····· 5
(2) Consolidated Financial Position ····· 7
(3) Consolidated Forecasts and Other Forward-Looking Information ····· 7

2. Summary (Note) Information ····· 8

(1) Significant Changes in Major Subsidiaries ····· 8
(2) Special Accounting Treatment Adopted in Preparation of Consolidated Quarterly Financial Statements ····· 8
(3) Changes in Accounting Policies; Changes in Accounting Estimates; Restatements ····· 8

3. Major Items Related to Going Concern Assumption ····· 9

(Reference) Overseas Sales ····· 9

4. Consolidated Quarterly Financial Statements ····· 10

(1) Consolidated Quarterly Balance Sheets ····· 10
(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income ····· 12
(3) Consolidated Quarterly Statements of Cash Flows ····· 14
(4) Notes Concerning Consolidated Quarterly Financial Statements
(Note on for Going Concern Assumption) ····· 15
(Consolidated Quarterly Statements of Income) ····· 15
(Note in the Event of Major Changes in Shareholders' Equity) ····· 15
(Segment Information) ····· 16

1. Analysis of Operating Results

(1) Consolidated Performance

Review of Performance in the First 2 Quarters Ended September 30, 2013

In the two-quarter period under review (six-month period from April 1 to September 30, 2013), economic sentiment in Japan was characterized by moderate recovery as government economic measures led to a correction of the strengthening yen, recovery in stock prices, and an improved employment situation. The domestic cosmetics market also showed indications of a turnaround. Overseas, the Americas and Asia continued posting moderate economic growth, but conditions weakened in Europe. Similarly, cosmetics markets in the Americas and Asia enjoyed sustained growth, while the market tended to contract in Europe. (For overseas subsidiaries, the "first two quarters" refers to the period from January 1 to June 30, 2013.)

In this environment, the Shiseido Group posted consolidated net sales of ¥360.5 billion, up 8.1% from the previous corresponding period. Domestic sales declined 2.5%, to ¥181.9 billion, as the Group sought to limit shipments with the aim of reducing store-level inventories. This was despite a recovery in over-the-counter sales, which exceeded previous-year levels. On a local-currency basis, overseas sales edged up 0.5% year-on-year. After translation into yen, overseas sales climbed 21.5%, to ¥178.6 billion, due to the yen's depreciation. As will be explained in the "Results by Reportable Segment" section of this report, in the period under review the Group made provision for operating expenses associated with collection of store-level inventories of low-ranking products. Nevertheless, operating income jumped 144.4%, to ¥20.4 billion, owing to several factors. These included efforts to enhance the efficiency of selling, general and administrative (SG&A) expenses aimed at boosting profitability, as well as the shift of certain expenses to the second half of the year. Similarly, ordinary income grew 151.7%, to ¥21.0 billion. Despite a significant year-on-year increase in operating income, the Group posted an extraordinary loss associated with the recovery of store-level inventories of discontinued products, as will also be explained later. As a result, net income rose 7.1%, to ¥5.4 billion.

The Company declared an interim cash dividend of ¥10.00 per share, in line with its initial forecast.

[Consolidated Performance]

(Sales) (Millions of yen)

	First 2 Quarters Ended September 2013	Share of Total (%)	First 2 Quarters Ended September 2012	Share of Total (%)	Year-on-Year Increase/Decrease		
					Amount	% Change	% Change in Local Currency Terms
Domestic Cosmetics Business	168,897	46.8%	173,367	52.0%	–4,469	–2.6%	–2.6%
Global Business	186,941	51.9%	155,715	46.7%	+31,226	+20.1%	+0.0%
Others	4,665	1.3%	4,549	1.3%	+115	+2.5%	+2.5%
Sales Total	360,504	100.0%	333,631	100.0%	+26,872	+8.1%	–1.3%

Domestic Sales	181,869	50.4%	186,626	55.9%	–4,756	–2.5%	–2.7%
Overseas Sales	178,634	49.6%	147,005	44.1%	+31,628	+21.5%	+0.5%

(Income)

	First 2 Quarters Ended September 2013	Ratio to Net Sales* (%)	First 2 Quarters Ended September 2012	Ratio to Net Sales* (%)	Year-on-Year Increase/Decrease	
					Amount	% Change
Domestic Cosmetics Business	17,144	10.1%	13,573	7.8%	+3,570	+26.3%
Global Business	1,955	1.0%	(6,057)	–3.9%	+8,013	—
Others	925	13.0%	862	12.1%	+63	+7.4%
Elimination/Corporate	365	—	(35)	—	+401	—
Operating Income Total	20,391	5.7%	8,342	2.5%	+12,048	+144.4%
Ordinary Income	21,021	5.8%	8,350	2.5%	+12,670	+151.7%
Net Income	5,377	1.5%	5,020	1.5%	+356	+7.1%

*Based on sales, including intra-Group sales between reportable segments.

Results by Reportable Segment

(a) Domestic Cosmetics Business

Sales in the Domestic Cosmetics Business segment declined 2.6%, to ¥168.9 billion. Amid a gradual recovery trend in consumer sentiment, during the period we sought to strengthen our presence in the prestige end of the cosmetics market. We also implemented our first TV commercials for the global brand ***SHISEIDO,*** sold mainly in department stores, and the top-end brand ***clé de peau BEAUTÉ.*** In addition, we launched highly appealing new products, including ***le sérum,*** the core beauty serum in the ***clé de peau BEAUTÉ*** brand. In the drugstore channel, which accounts for a high portion of sales, we focused on fostering existing products by leveraging ***Day Care Revolution,*** a beauty emulsion in the ***ELIXIR*** line. We also reinforced that line with the launch of a dense beauty serum, ***Enriched Serum,*** to mark the 30th anniversary of ***ELIXIR.*** Due to severe hot weather, our seasonal products performed well, including ***ANESSA*** sunscreens, ***AG+*** deodorants, and ***SEA BREEZE*** total body care products.

In September 2013, meanwhile, we suppressed product shipments with the aims of optimizing domestic inventories—a business challenge that blocks growth—and building frameworks to prevent accumulation of store-level inventories. We also decided that, in the second half of the year, we will undertake store inventory recovery with the aims of optimizing inventory levels and reinforcing our lineup of strong-selling products. In the period under review, recovery of low-ranking products, designed to resolve the Group's bias toward store inventories, incurred an operating expense of ¥4.0 billion, and recovery of discontinued products, associated with a change in product handling policies at stores, incurred an extraordinary expense of ¥6.3 billion. Both expenses were provided for in the two-quarter period under review.

Despite the year-on-year decrease in sales, segment operating income rose 26.3%, to ¥17.1 billion, owing to cost-cutting effort as part of cost structural reforms, as well as a shift of some expenses to the second half of the fiscal year.

(b) Global Business

On a local currency basis, sales in the Global Business segment remained mostly unchanged year on year. After translation into yen, segment sales rose 20.1%, to ¥186.9 billion. In the Americas, the makeup artist brand ***NARS*** maintained a good performance, and during the period we started handling ***Ferragamo***, which buoyed our fragrance business. Despite generally weak economic conditions in Europe, we enjoyed solid sales in Russia, and we expanded our fragrance business with the addition of ***Burberry***, which we started handling during the period. In Asia, sales in China declined year on year as we restricted shipments in order to reduce store-level inventories. However, we enjoyed increased sales in Thailand and Vietnam.

The Global Business segment posted operating income of ¥2.0 billion, compared with an operating loss of ¥6.1 billion in the previous corresponding period. This return to profitability was due mainly to cost structural reforms in China.

(c) Others

Sales in the Others segment rose 2.5%, to ¥4.7 billion, owing to sales growth in the frontier sciences business and higher revenue posted by Shiseido Parlour Co., Ltd., which is involved in the restaurant business.

Segment operating income rose 7.4%, to ¥0.9 billion, owing mainly to increased earnings of Shiseido Parlour.

(2) Consolidated Financial Position

(a) Assets, Liabilities, and Net Assets

As of September 30, 2013, the Group had total assets of ¥755.5 billion, up ¥39.9 billion from the previous fiscal year-end (March 31, 2013). This was mainly due to an increase in foreign currency-denominated assets stemming from the yen's depreciation. Total liabilities rose ¥6.3 billion, to ¥418.8 billion, due to a rise in current liabilities stemming from increased provision for structural reforms as well as foreign exchange factors, which constrasted with repayments of long-term debt. Net assets climbed ¥33.5 billion, to ¥336.7 billion, mainly due to an increase in foreign currency translation adjustments. Accordingly, the equity ratio at the end of the period was 42.0%, up from 40.1% at the previous fiscal year-end.

(b) Cash Flows

Net cash provided by operating activities amounted to ¥42.2 billion, due mainly to an increase in income before income taxes. Net cash used in investing activities totaled ¥5.8 billion, due largely to investments in production equipment overseas, as well as investments in sales counters in Japan and overseas, which contrasted with proceeds from sales of investments in securities. Net cash used in financing activities was ¥20.0 billion, due largely to year-end cash dividend paid and repayment of long-term debt.

As a result, cash and cash equivalents at end of period stood at ¥102.2 billion, up ¥22.0 billion from the beginning of the period.

(3) Consolidated Forecasts and Other Forward-Looking Information

In light of its performance in the two-quarter period under review and projections for its domestic and overseas businesses in the second half of the fiscal year, the Group has revised its consolidated forecasts for the fiscal year ending March 31, 2014 (previous forecasts announced on July 31, 2013), as shown in the table below.

On October 18, 2103, the Company announced that it has started negotiations with L'Oréal S.A. (headquartered in Clichy, France) with respect to the possible sale of Shiseido's subsidiaries to L'Oréal. At present, procedures required under French labor regulations have not been completed, and negotiations between the two companies are ongoing. For these reasons, the impact of the possible sale not been factored into the consolidated forecasts below. If the Company deems it necessary to again revise its forecasts in the future, it will closely evaluate the impact on its consolidated performance. If the estimated impact is not minimal, we will disclose as such in a swift manner.

Consolidated Forecasts for Fiscal 2013

(April 1, 2013–March 31, 2014) (Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (yen)
Previous Forecast (A)	727,000	39,000	39,000	20,000	50.23
Revised Forecast (B)	740,000	40,000	41,000	15,000	37.66
Change (B–A)	13,000	1,000	2,000	(5,000)	
Percentage Change (%)	+1.8%	+2.6%	+5.1%	–25.0%	
[Reference] Result in Previous Year Fiscal 2013	677,727	26,045	28,406	(14,685)	(36.90)

[Sales Outlook by Reportable Segment]

(Millions of yen)

	Fiscal Year Ending March 31, 2014 (Estimate)	Fiscal Year Ended March 31, 2013	Year-on-Year Increase/Decrease	
			Amount	% Change
Domestic Cosmetics Business	340,000	345,882	–5,882	–1.7%
Global Business	390,000	322,349	+67,651	+21.0%
Others	10,000	9,494	+506	+5.3%
Net Sales	740,000	677,727	+62,273	+9.2%

[Sales Outlook by Region]

(Millions of yen)

	Fiscal Year Ending March 31, 2014 (Estimate)	Fiscal Year Ended March 31, 2013	Year-on-Year Increase/Decrease	
			Amount	% Change
Domestic Sales	367,000	373,252	–6,252	–1.7%
Overseas Sales	373,000	304,475	+68,525	+22.5%
Overseas Sales Ratio	50.4%	44.9%		

We base our predictions on the following exchange rate assumptions: ¥97.0 per U.S. dollar, ¥127.0 per euro, and ¥15.7 per Chinese yuan.

2. Summary (Note) Information

(1) Significant Changes in Major Subsidiaries

Not applicable.

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

Not applicable.

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

(Change in accounting policy due to change in accounting standard)

Effective the first quarter of fiscal 2013, the Company has applied International Accounting Standard No. 19, "Employee Benefits" (amended June 16, 2011), to certain consolidated subsidiaries. This has resulted in a change in recognition of changes in the Company's net defined benefit liabilities. The change in accounting policy has been applied retrospectively and is reflected in the consolidated financial statements for the first two quarters of fiscal 2012 (six months ended September 30, 2012) and the consolidated financial statements for fiscal 2012 (year ended March 31, 2013).

Compared with figures prior to retrospective application, deferred tax assets and accrued retirement benefits in the previous fiscal year increased by ¥215 million and ¥795 million, respectively, as a result of the change, while retained earnings, adjustment for retirement benefits (cumulative), and minority interests in consolidated subsidiaries declined by ¥42 million, ¥440 million, and ¥96 million, respectively. Because the change had minimal effect on the consolidated statements of income in the first two quarters of fiscal 2012, the change is not reflected in the consolidated quarterly statements of income and the consolidated quarterly statements of comprehensive income for that period. However, the cumulative effect on net assets at the beginning of fiscal 2012 has been reflected, with the result that retained earnings, adjustment for retirement benefits (cumulative), and minority interests in consolidated subsidiaries declined by ¥42 million, ¥7 million, and ¥43 million, respectively.

3. Major Items Related to Going Concern Assumption

Not applicable.

(Reference) Overseas Sales

(Millions of yen)

	First 2 Quarters Ended September 2013	Share of Net Sales	First 2 Quarters Ended September 2012	Share of Net Sales	Year-on-Year Increase/Decrease		
					Amount	% Change	% Change in Local Currency Terms
Americas	55,062	15.3%	43,861	13.2%	+11,200	+25.5%	+4.7%
Europe	45,892	12.7%	36,848	11.0%	+9,043	+24.5%	+2.9%
Asia/Oceania	77,679	21.6%	66,295	19.9%	+11,384	+17.2%	–3.7%
Overseas Sales	178,634	49.6%	147,005	44.1%	+31,628	+21.5%	+0.5%

4. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 2013	First 2 Quarters Ended September 2013
ASSETS		
Current Assets:		
Cash and Time Deposits	59,330	73,581
Notes and Accounts Receivable	118,232	110,151
Short-Term Investments in Securities	31,933	43,936
Inventories	84,552	90,033
Deferred Tax Assets	24,943	27,241
Other Current Assets	14,712	16,222
Less: Allowance for Doubtful Accounts	(1,023)	(1,116)
Total Current Assets	332,681	360,049
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and Structures	158,731	162,928
Less: Accumulated Depreciation	(102,689)	(106,030)
Buildings and Structures (net of depreciation)	56,042	56,897
Machinery, Equipment and Vehicles	84,597	87,101
Less: Accumulated Depreciation	(73,018)	(75,167)
Machinery, Equipment and Vehicles (net of depreciation)	11,579	11,934
Fixtures and Fittings	64,078	68,888
Less: Accumulated Depreciation	(44,130)	(48,670)
Fixtures and Fittings (net of depreciation)	19,948	20,217
Land	31,833	31,029
Lease Assets	7,517	7,434
Less: Accumulated Depreciation	(4,211)	(4,292)
Lease Assets (net)	3,306	3,141
Construction in Progress	5,095	9,577
Total Property, Plant and Equipment	127,805	132,798
Intangible Assets:		
Goodwill	57,127	61,550
Lease Assets	534	673
Trademarks	45,246	51,457
Other Intangible Assets	47,784	49,041
Total Intangible Assets	150,692	162,723
Investments and Other Assets:		
Investments in Securities	30,510	26,281
Prepaid Pension Expenses	17,155	16,210
Long-Term Prepaid Expenses	10,087	10,158
Deferred Tax Assets	20,589	21,086
Other Investments	26,121	26,207
Less: Allowance for Doubtful Accounts	(49)	(56)
Total Investments and Other Assets	104,413	99,887
Total Fixed Assets	382,912	395,410
Total Assets	715,593	755,459

(Millions of yen)

	Fiscal Year Ended March 2013	First 2 Quarters Ended September 2013
LIABILITIES		
Current Liabilities:		
Notes and Accounts Payable	43,542	47,590
Short-Term Debt	5,975	10,058
Current Portion of Long-Term Debt	31,685	7,681
Lease Obligations	1,733	1,654
Other Payables	39,627	37,648
Accrued Income Taxes	9,113	9,814
Reserve for Sales Returns	10,609	12,077
Accrued Bonuses for Employees	12,493	11,914
Accrued Bonuses for Directors	268	241
Provision for Liabilities and Charges	386	505
Provision for Structural Reforms	361	6,341
Deferred Tax Liabilities	8	8
Other Current Liabilities	31,417	31,915
Total Current Liabilities	187,225	177,453
Long-Term Liabilities:		
Bonds	90,000	90,000
Long-Term Debt	53,028	65,133
Lease Obligations	2,245	2,295
Accrued Retirement Benefits	44,151	44,388
Allowance for Losses on Guarantees	350	350
Allowance for Environmental Measures	445	444
Provision for Structural Reforms	1,396	1,396
Deferred Tax Liabilities	28,931	32,462
Other Long-Term Liabilities	4,665	4,840
Total Long-Term Liabilities	225,214	241,311
Total Liabilities	412,439	418,764
NET ASSETS		
Shareholders' Equity:		
Common Stock	64,506	64,506
Capital Surplus	70,258	70,258
Retained Earnings	191,476	186,791
Less: Treasury Stock, at Cost	(3,697)	(3,263)
Total Shareholders' Equity	322,543	318,293
Valuation and Translation Adjustments:		
Unrealized Gains on Available-for-Sale Securities, Net of Taxes	2,799	3,625
Foreign Currency Translation Adjustments	(37,832)	(4,141)
Adjustment for Retirement Benefits (Cumulative)	(440)	(418)
Total Valuation and Translation Adjustments	(35,474)	(934)
Stock Acquisition Rights	846	877
Minority Interests in Consolidated Subsidiaries	15,237	18,458
Total Net Assets	303,153	336,695
Total Liabilities and Net Assets	715,593	755,459

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

Consolidated Quarterly Statements of Income Cumulative for First 2 Quarters

(Millions of yen)

	First 2 Quarters Ended September 2012	First 2 Quarters Ended September 2013
Net Sales	333,631	360,504
Cost of Sales	78,136	89,647
Gross Profit	255,495	270,856
Selling, General and Administrative Expenses	247,152	250,465
Operating Income	8,342	20,391
Other Income		
Interest Income	389	487
Dividend Income	337	382
Rental Income	386	404
Subsidy Income	14	110
Foreign Exchange Gain	—	447
Others	546	487
Total Other Income	1,674	2,321
Other Expenses		
Interest Expense	873	922
Equity in Losses of Affiliates	90	73
Foreign Exchange Loss	214	—
Others	488	694
Total Other Expenses	1,666	1,691
Ordinary Income	8,350	21,021
Extraordinary Income		
Gain on Sales of Property, Plant and Equipment	47	330
Gain on Sales of Investments in Securities	19	600
Total Extraordinary Income	67	930
Extraordinary Losses		
Impairment Loss	—	916
Structural Reform Expenses	—	[*1] 7,325
Loss on Disposal of Property, Plant and Equipment	270	550
Loss on Sales of Investments in Securities	8	4
Loss on Revaluation of Investments in Securities	610	8
Total Extraordinary Losses	889	8,806
Income before Income Taxes	7,527	13,145
Income Taxes – Current	4,846	8,491
Income Tax –Deferred	(3,136)	(2,277)
Total Income Taxes	1,710	6,213
Income before Minority Interest	5,817	6,931
Minority Interests in Earnings of Consolidated Subsidiaries	796	1,554
Net Income	5,020	5,377

Consolidated Statements of Comprehensive Income Cumulative for First 2 Quarters

(Millions of yen)

	First 2 Quarters Ended September 2012	First 2 Quarters Ended September 2013
Income before Minority Interests	5,817	6,931
Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	(367)	917
Foreign Currency Translation Adjustment	3,758	35,666
Adjustment for Retirement Benefits	—	26
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method	(5)	36
Total Other Comprehensive Income	3,385	36,647
Comprehensive Income	9,202	43,579
(Breakdown)		
Comprehensive Income Attributable to Owners of Parent	8,056	39,916
Comprehensive Income Attributable to Minority Interests	1,146	3,662

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First 2 Quarters Ended September 2012	First 2 Quarters Ended September 2013
Cash Flows from Operating Activities		
Income before Income Taxes	7,527	13,145
Depreciation	15,867	16,563
Amortization of Goodwill	2,744	2,281
Impairment Loss	—	916
(Gain) Loss on Disposal of Property, Plant and Equipment	223	220
(Gain) Loss on Sales of Investments in Securities	(11)	(655)
(Gain) Loss on Valuation of Investments in Securities	610	8
Increase (Decrease) in Allowance for Doubtful Accounts	(69)	(17)
Increase (Decrease) in Reserve for Sales Returns	(2,747)	926
Increase (Decrease) in Accrued Bonuses for Employees	(1,046)	(1,115)
Increase (Decrease) in Accrued Bonuses for Directors	(115)	(27)
Increase (Decrease) in Provision for Liabilities and Charges	(41)	70
Increase (Decrease) in Provision for Structural Reforms	—	5,979
Increase (Decrease) in Accrued Retirement Benefits	473	(202)
Increase (Decrease) in Allowance for Environmental Measures	(14)	(1)
(Increase) Decrease in Prepaid Pension Expenses	1,891	944
Interest and Dividends Received	(727)	(870)
Interest Expense	873	922
Equity in (Earnings) Losses of Affiliates	90	73
(Increase) Decrease in Notes and Accounts Receivable	7,215	17,091
(Increase) Decrease in Inventories	(6,328)	2,753
Increase (Decrease) in Notes and Accounts Payable	(11,335)	(4,340)
Other	(1,961)	(2,705)
Subtotal	13,119	51,963
Interest and Dividends Received	807	941
Interest Paid	(936)	(922)
Income Tax Paid	(6,400)	(9,742)
Net Cash Provided by Operating Activities	6,590	42,239

(Millions of yen)

	First 2 Quarters Ended September 2012	First 2 Quarters Ended September 2013
Cash Flows from Investing Activities		
Transfers to Time Deposits	(13,350)	(18,378)
Proceeds from Maturity of Time Deposits	15,125	15,583
Acquisition of Short-Term Investments in Securities	(230)	(242)
Proceeds from Sales of Short-term Investments in Securities	230	867
Acquisition of Investments in Securities	(8)	(773)
Proceeds from Sales of Investments in Securities	41	6,377
Acquisition of Property, Plant and Equipment	(9,698)	(6,721)
Proceeds from Sales of Property, Plant and Equipment	183	497
Acquisition of Intangible Assets	(3,199)	(2,633)
Payments of Long-Term Prepaid Expenses	(2,058)	(2,285)
Other	349	1,863
Net cash Used in Investing Activities	(12,615)	(5,846)
Cash Flows from Financing Activities		
Net Increase (Decrease) in Short-Term Debt	3,537	3,325
Proceeds from Long-Term Debt	1,505	22,850
Repayment of Long-Term Debt	(3,008)	(35,230)
Repayment of Lease Obligations	(1,133)	(1,291)
Acquisition of Treasury Stock	(0)	(1)
Sales of Treasury Stock	0	331
Cash Dividends Paid	(9,945)	(9,949)
Cash Dividends Paid to Minority Shareholders	(978)	(941)
Other	—	955
Net Cash Used in Financial Activities	(10,023)	(19,951)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	664	5,534
Net Change in Cash and Cash Equivalents	(15,383)	21,977
Cash and Cash Equivalents at Beginning of Term	82,974	80,253
Cash and Cash Equivalents at End of Term	67,590	102,230

(4) Notes Concerning Consolidated Quarterly Financial Statements

(Note on Going Concern Assumption)

Not applicable

(Consolidated Quarterly Statements of Income)

*1: "Structural Reform Expenses" refers to expenses related to "optimizing store-level inventories" (building frameworks to prevent accumulation of store-level inventories) and "strengthening human resource and personnel cost management." These are part of one-time expenses pertaining to "structural reforms" (drastic reassessments of organization, infrastructure, and business administration aimed at building a robust business structure).

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

Not applicable

(Segment Information)

I First 2 Quarters Ended September 30, 2012 (April 1–September 30, 2012)

1. Segment Sales and Income (Loss)

(Millions of yen)

	Domestic Cosmetics Business	Global Business	Others (Note 2)	Subtotal	Adjustment (Note 1)	Consolidation (Note 3)
Net Sales						
(1) Sales to Outside Customers	173,367	155,715	4,549	333,631	—	333,631
(2) Intersegment Sales or Transfers	975	1,326	2,552	4,855	(4,855)	—
Total	174,343	157,042	7,101	338,486	(4,855)	333,631
Segment Income (Loss)	13,573	(6,057)	862	8,378	(35)	8,342

Notes: 1. Segment income adjustment: Elimination of ¥–35 million in inter-segment transactions.
2. "Others" includes businesses not included in the reporting segments. These include the frontier sciences business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, etc.) and the restaurant business.
3. Segment income is adjusted for Operating Income described in Consolidated Quarterly Statements of Income.

2. Information about Impairment Loss on Fixed Assets, Goodwill, etc.

(Significant impairment losses related to fixed assets)
Not applicable.

(Significant changes in goodwill amounts)
Not applicable.

II First 2 Quarters Ended September 30, 2013 (April 1–September 30, 2013)

1. Segment Sales and Income (Loss)

(Millions of yen)

	Domestic Cosmetics Business	Global Business	Others (Note 2)	Subtotal	Adjustment (Note 1)	Consolidation (Note 3)
Net Sales						
(1) Sales to Outside Customers	168,897	186,941	4,665	360,504	—	360,504
(2) Intersegment Sales or Transfers	1,135	1,398	2,430	4,964	(4,964)	—
Total	170,033	188,339	7,095	365,468	(4,964)	360,504
Segment Income	17,144	1,955	925	20,025	365	20,391

Notes: 1. Segment income adjustment: Elimination of ¥365 million in inter-segment transactions.
2. "Others" includes businesses not included in the reporting segments. These include the frontier sciences business (production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, etc.) and the restaurant business.
3. Segment income is adjusted for Operating Income described in Consolidated Quarterly Statements of Income.

2. Information about Impairment Loss on Fixed Assets, Goodwill, etc.

(Significant impairment losses related to fixed assets)
The Global Business segment reported a loss on impairment of goodwill in U.S. subsidiary Zotos International, Inc. In the two-quarter period under review, that impairment loss amounted to ¥916 million.

(Significant changes in goodwill amounts)
Not applicable.