

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 presents the same statements in a form that is more familiar to foreign readers through certain reclassifications or summarization of accounts.

November 10, 2021



# Consolidated Settlement of Accounts for the First Nine Months of the Fiscal Year Ending December 31, 2021 [Japanese Standards]

## Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number 4911)  
URL: <https://corp.shiseido.com/en/>  
Representative: Masahiko Uotani, Representative Director, President and CEO  
Contact: Harumoto Kitagawa, Vice President, Investor Relations Department  
Tel. +81-3-3572-5111

Filing date of quarterly securities report: November 11, 2021 (plan)

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, 2021 (From January 1 to September 30, 2021)

\* 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
First Nine Months Ended September 30, 2021	745,373 [14.0%]	26,253 [194.8%]	29,677 [433.0%]	36,757 [—%]
First Nine Months Ended September 30, 2020	653,675 [(22.8)%]	8,906 [(91.4)%]	5,568 [(94.5)%]	(13,668) [—%]

Note: Comprehensive income

First nine months ended September 30, 2021: ¥63,502 million [—%]

First nine months ended September 30, 2020: ¥(14,544) million [—%]

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)
First Nine Months Ended September 30, 2021	92.01	91.93
First Nine Months Ended September 30, 2020	(34.22)	—

## (2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2021	1,182,114	550,309	44.7%
As of December 31, 2020	1,204,229	506,593	40.2%

Reference: Equity: As of September 30, 2021: ¥528,773 million  
As of December 31, 2020: ¥484,289 million

## 2. Cash Dividends

	Cash Dividends per Share (Yen)				
	Q1	Q2	Q3	Year-End	Full Year
Fiscal Year 2020	—	20.00	—	20.00	40.00
Fiscal Year 2021	—	20.00	—		
Fiscal Year 2021 (Forecast)				30.00	50.00

Note: Revision to the most recently disclosed dividend forecast: None

## 3. Forecast for the Fiscal Year Ending December 31, 2021 (From January 1 to December 31, 2021)

(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 2021	1,044,000 [13.4%]	32,000 [113.9%]	33,500 [247.6%]	30,000 [—%]	75.10

Note: Revision to the most recently disclosed performance forecast: Yes

## Notes

- (1) Changes in significant subsidiaries during the period (changes in specific subsidiaries causing 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) Number of shares issued (common stock)
  - 1) Number of shares issued (including treasury shares)

As of September 30, 2021:	400,000,000
As of December 31, 2020:	400,000,000
  - 2) Number of treasury shares

As of September 30, 2021:	512,291
As of December 31, 2020:	534,198
  - 3) Average number of shares outstanding during the period

First nine months ended September 30, 2021:	399,477,665
First nine months ended September 30, 2020:	399,456,586

### **Implementation status of quarterly review procedures**

This Consolidated Settlement of Accounts for the First Nine Months of the Fiscal Year Ending December 31, 2021 is not subject to quarterly review procedures by a certified public accountant or audit firm.

### **Appropriate use of business forecasts; 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 actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Analysis of Operating Results (3) Consolidated Forecast and Other Forward-Looking Information" on page 8 for information on preconditions underlying the above outlook and other related information.

## Contents

<b>1. Analysis of Operating Results .....</b>	<b>2</b>
(1) Consolidated Performance .....	2
(2) Financial Position .....	7
(3) Consolidated Forecast and Other Forward-Looking Information .....	8
<b>2. Quarterly Consolidated Financial Statements.....</b>	<b>10</b>
(1) Quarterly Consolidated Balance Sheets .....	10
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	12
(3) Notes to Quarterly Consolidated Financial Statements .....	14
(Note on Assumptions of a Going Concern) .....	14
(Additional Information) .....	14
(Quarterly Consolidated Statements of Income) .....	15
(Note in the Event of Major Changes in Shareholders' Equity).....	16
(Business Combinations and Other Related Events) .....	17

# 1. Analysis of Operating Results

## (1) Consolidated Performance

(Millions of yen)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit (Loss) Attributable to Owners of Parent	EBITDA
First Nine Months Ended September 30, 2021	745,373	26,253	29,677	36,757	142,576
First Nine Months Ended September 30, 2020	653,675	8,906	5,568	(13,668)	43,400
Year-on-Year Increase (Decrease)	14.0%	194.8%	433.0%	—	228.5%
FX-Neutral	10.2%				
Like-for-Like	13.4%				

Notes:

1. EBITDA incorporates “Impairment Loss” and depreciation included in “Loss on COVID-19,” recorded under “Extraordinary Losses.”
2. Like-for-like increase (decrease) in net sales excludes the impact from the Personal Care business transfer in the third quarter.

In the first nine months of the fiscal year 2021, global economic conditions remained challenging, as economic activity was stagnant due to the COVID-19 pandemic, and consumer sentiment was low due to worsening corporate earnings and employment. In the Japan cosmetics market, consumer traffic decreased as a result of consumers staying at home and shortened operating hours in the retail sector under the declared states of emergency. Other factors included a drop in visitors to Japan, which affected inbound demand. Globally, although the impact of the pandemic continued overall, progress in vaccination rollout drove recovery across all cosmetic categories, even makeup, which had struggled, particularly in Europe and the United States.

In 2021, the Shiseido Group (hereafter, the “Group”) launched its medium-to-long-term strategy WIN 2023 and Beyond and is currently implementing a global transformation, positioning premium skin beauty as its core business. Amid rapid changes in the external environment, we are building a solid foundation as a skin beauty company, and to that end, shifting from a focus on topline growth to a strategic emphasis on profitability and cash flow management.

We have positioned 2021 as a year of “Groundwork” to realize WIN 2023 and are moving forward with structural reforms centering on streamlining our business portfolio and solidifying the financial base, while ensuring business continuity and evolution during and post the COVID-19 pandemic.

In the first nine months of the fiscal year 2021, net sales grew in all regions except Japan, up 10.2% year on year on an FX-neutral basis. Based on reported figures, net sales increased 14.0% year on year to ¥745.4 billion. Like-for-like<sup>1</sup> sales grew 13.4%, driven by our skin beauty brands—an area of focused investment—and continued growth of e-commerce, particularly in the prestige category.

Operating profit surged 194.8% year on year to ¥26.3 billion due to improved margins resulting from stronger sales and effective cost management.

Net profit attributable to owners of parent reached ¥36.8 billion, up ¥50.4 billion year on year, mainly thanks to increased operating profit and extraordinary income recorded as a result of the Personal Care business transfer. These impacts outweighed the extraordinary losses, namely impairment losses on trademark rights due to the partial termination of a license agreement for *Dolce&Gabbana* and on goodwill due to the business transfer of three makeup brands—*bareMinerals*, *BUXOM*, and *Laura Mercier*.

The EBITDA margin was 19.1%.

<sup>1</sup> Excluding the impact from the transfer of the Personal Care business

Major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements for the period under review are JPY108.7/USD, JPY129.9/EUR, and JPY16.8/CNY.

## Consolidated Performance

(Millions of yen)

Classification	First Nine Months Ended September 30, 2021	% of Total	First Nine Months Ended September 30, 2020	% of Total	Year-on-Year Increase (Decrease)				
					Amount	Percentage	FX-Neutral	Like-for-like	
Net Sales	Japan Business	210,277	28.2%	226,815	34.7%	(16,538)	(7.3)%	(7.3)%	(2.2)%
	China Business	190,892	25.6%	155,030	23.7%	35,862	23.1%	14.3%	25.1%
	Asia Pacific Business	48,142	6.5%	43,277	6.6%	4,864	11.2%	5.4%	6.3%
	Americas Business	89,775	12.0%	65,846	10.1%	23,929	36.3%	34.3%	34.3%
	EMEA Business	79,470	10.7%	60,241	9.2%	19,228	31.9%	22.8%	22.6%
	Travel Retail Business	88,624	11.9%	75,573	11.6%	13,051	17.3%	15.5%	15.5%
	Professional Business	11,351	1.5%	9,020	1.4%	2,330	25.8%	21.4%	21.4%
	Other	26,839	3.6%	17,869	2.7%	8,970	50.2%	49.6%	4.4%
Total	745,373	100.0%	653,675	100.0%	91,698	14.0%	10.2%	13.4%	

(Millions of yen)

Classification	Intersegment sales or sales including internal transfers between accounts		
	First Nine Months Ended September 30, 2021	First Nine Months Ended September 30, 2020	
Net Sales	Japan Business	233,057	248,072
	China Business	191,662	155,695
	Asia Pacific Business	49,887	44,958
	Americas Business	110,845	81,255
	EMEA Business	86,540	66,882
	Travel Retail Business	88,943	75,771
	Professional Business	11,809	9,474
	Other	162,206	135,282
	Subtotal	934,952	817,394
Adjustments	(189,578)	(163,719)	
Total	745,373	653,675	

(Millions of yen)

Classification	First Nine Months Ended September 30, 2021	Ratio to Net Sales	First Nine Months Ended September 30, 2020	Ratio to Net Sales	Year-on-Year Increase (Decrease)		
					Amount	Percentage	
Operating Profit (Loss)	Japan Business	8,627	3.7%	2,989	1.2%	5,637	188.6%
	China Business	(7,562)	(3.9)%	11,373	7.3%	(18,936)	—
	Asia Pacific Business	3,448	6.9%	2,136	4.8%	1,311	61.4%
	Americas Business	(9,672)	(8.7)%	(19,999)	(24.6)%	10,327	—
	EMEA Business	2,328	2.7%	(8,503)	(12.7)%	10,832	—
	Travel Retail Business	14,910	16.8%	12,001	15.8%	2,909	24.2%
	Professional Business	1,063	9.0%	268	2.8%	795	296.5%
	Other	21,929	13.5%	13,544	10.0%	8,384	61.9%
	Subtotal	35,072	3.8%	13,810	1.7%	21,261	153.9%
	Adjustments	(8,818)	—	(4,903)	—	(3,914)	—
Total	26,253	3.5%	8,906	1.4%	17,346	194.8%	

## Notes:

1. The Group has revised its reportable segment classifications from the fiscal year 2021. The business results of global service functions related to digital strategy, previously included in the Americas Business, are now included in the Other segment, and expenses related mainly to the supply network functions, previously included in the Other segment, are now partially included in the Japan Business. The segment information for the previous period has been restated in line with the new method of classification.
2. Net sales from regional sales subsidiaries related to the Personal Care business, previously recorded in the Japan, China, and Asia Pacific Businesses, are no longer recorded with some exceptions from July 1, 2021 due to the transfer of said business and resulting changes in product distribution. Meanwhile, Personal Care products sales from the Company and its manufacturing subsidiaries to Fine Today Shiseido Co., Ltd. and its affiliates are recorded in the Other segment effective from the same date.
3. Like-for-like increase (decrease) in net sales excludes the impact from the Personal Care business transfer in the third quarter.
4. The Other segment includes head office administration departments, IPSA Co., Ltd., Shiseido Beauty Salon Co., Ltd., manufacturing operations, and the Restaurant business, etc.
5. The ratio of operating profit (loss) to net sales shows operating profit or loss as a percentage of total sales including intersegment sales, or sales including internal transfers between accounts.
6. 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, we strategically strengthened investment in the skin beauty category in line with new consumer needs prompted by the COVID-19 pandemic and achieved market share gains in base makeup and sun care. In addition, we engaged with a large number of consumers through various omnichannel initiatives in collaboration with business partners, such as live commerce events and online video counseling. Consequently, e-commerce sales grew by double digits. Meanwhile, under the declared state of emergency sales were hit by shortened operating hours in the retail sector and a downturn in consumer traffic due to a tendency to stay at home. Other factors included a drop in visitors to Japan, which impacted inbound demand.

As a result, net sales decreased 7.3% year on year to ¥210.3 billion. Like-for-like sales declined 2.2% year on year, while operating profit was up 188.6% year on year to ¥8.6 billion, mainly due to higher margins accompanying an increase in intercompany sales in the first half of the fiscal year, as well as effective cost management.

### **China Business**

The China Business was affected by partial retail closures and a drop in consumer traffic from July onward due to unprecedented torrential rains and new COVID-19 variant outbreaks in key metropolitan areas. However, e-commerce sales, an area of boosted investment, remained strong. Moreover, continued strategic investment in prestige brands such as *Clé de Peau Beauté* and *NARS* drove market share gains in the high-end category.

As a result, net sales grew 14.3% on an FX-neutral basis, or 23.1% year on year to ¥190.9 billion based on reported figures. Like-for-like sales growth was 25.1%. Operating profit dropped by ¥18.9 billion year on year, particularly due to higher COGs and the impact of the Personal Care business transfer. These factors led to an operating loss of ¥7.6 billion.

### **Asia Pacific Business**

In the Asia Pacific Business, while the impact of COVID-19-related lockdowns continued in some countries and regions, we increased our share in Thailand and other major markets, mainly in the prestige category. In addition, e-commerce sales for prestige brands such as *SHISEIDO* and *NARS* grew substantially thanks to proactive expansion into key e-commerce platforms in various regions.

As a result, net sales increased 5.4% on an FX-neutral basis, or 11.2% year on year to ¥48.1 billion based on reported figures. Like-for-like sales grew 6.3%. Operating profit soared 61.4% year on year to ¥3.4 billion, mainly due to higher margins accompanying an increase in sales.

### **Americas Business**

In the Americas, while impacts from the spread of COVID-19 continued, vaccination rollout drove the recovery of the cosmetics market, including makeup, which had struggled. In this market environment, *Drunk Elephant* opened new doors, while *NARS* grew its share due to virtual store openings and other digital marketing initiatives. In addition, *SHISEIDO*, *Clé de Peau Beauté*, and fragrance brands also performed well on the back of increased promotions.

As a result, net sales rose 34.3% on an FX-neutral basis, or 36.3% year on year to ¥89.8 billion based on reported figures, exceeding 2019 results for the same period and thus returning to pre-pandemic levels (excluding the impact from application of ASC 606 in 2019). Operating loss recovered by ¥10.3 billion year on year to ¥9.7 billion, mainly due to higher margins accompanying an increase in sales and improved profitability from reductions in fixed costs of the commercial business.

### **EMEA Business**

In EMEA, while impacts from the spread of COVID-19 continued, vaccination rollout aided market recovery, mainly in skincare and fragrances. We succeeded in capturing this turnaround to deliver solid

growth through further rollout of our *Clé de Peau Beauté* and *Drunk Elephant* brands and a significant expansion in e-commerce sales thanks to online video counseling and digital promotions.

As a result, net sales grew 22.8% on an FX-neutral basis, or 31.9% year on year to ¥79.5 billion based on reported figures, on a par with 2019 results for the same period and thus recovering to pre-pandemic levels. Operating profit made a long-awaited return to the black at ¥2.3 billion, an improvement of ¥10.8 billion year on year, mainly thanks to higher margins associated with an increase in sales, improved profitability of the commercial business, efficiency of advertising expenses due to focused investment in digital media, and lower fixed costs.

### **Travel Retail Business**

The Travel Retail Business (sales of cosmetics and fragrances mainly through airport and downtown duty-free stores) was continuously affected by considerable reductions in international flights and the resulting decline in travelers worldwide. The Hainan Island in China was also impacted by travel restrictions such as flight curbs in response to new COVID-19 variant outbreaks, while e-commerce sales accelerated significantly. Overall, net sales grew year on year, mostly in Asia, as we increased the number of stores for major brands and strengthened promotions.

As a result, net sales grew 15.5% on an FX-neutral basis, or 17.3% year on year to ¥88.6 billion based on reported figures. Operating profit increased 24.2% year on year to ¥14.9 billion, mainly due to higher margins accompanying increased sales.

### **Professional Business**

In the Professional Business, we deliver professional products such as hair care, styling, color and perm solutions to hair salons in Japan, China, and the Asia Pacific. While the impact of COVID-19 continued in some countries and regions, recovery in consumer traffic to hair salons and strengthened e-commerce promotions had an overall positive effect.

As a result, net sales were up 21.4% on an FX-neutral basis, or 25.8% year on year to ¥11.4 billion based on reported figures. Operating profit surged 296.5% year on year to ¥1.1 billion, mainly due to improved margins associated with higher sales.

## (2) Financial Position

### 1) Assets, Liabilities, and Net Assets

Total assets decreased by ¥22.1 billion from the end of the previous fiscal year to ¥1,182.1 billion. This was attributable to a reduction in trademark rights as a result of partial termination of a license agreement with DOLCE&GABBANA S.R.L. as well as an impairment loss on goodwill due to the transfer of makeup brands, while tangible fixed assets increased mainly due to investment in plants and equipment. Liabilities decreased by ¥65.8 billion to ¥631.8 billion, primarily due to a decline in long-term payables resulting from the partial termination of the above agreement, as well as repayments of borrowings. Net assets increased by ¥43.7 billion to ¥550.3 billion, chiefly due to higher retained earnings and foreign currency translation adjustments.

The net debt-to-equity ratio, which indicates the ratio of interest-bearing debt to shareholders' equity, was 0.14.

### 2) Cash Flows

Net cash provided by operating activities during the first nine months of the fiscal year 2021 totaled ¥70.4 billion, mainly due to an increase in profit before income taxes as a result of improved margins from higher sales and effective cost management. Net cash provided by investing activities was ¥61.7 billion, mostly due to proceeds from the sale of businesses associated mainly with the transfer of the Personal Care business. As a result, free cash flow was positive at ¥132.1 billion. Net cash used in financing activities amounted to ¥121.7 billion, chiefly due to repayment of interest-bearing debt with the funds obtained from the above business transfer.

As a result of these activities, cash and cash equivalents at the end of the first nine months stood at ¥152.5 billion, up ¥16.2 billion from the beginning of the year.

### Consolidated Statements of Cash Flows (Summary)

		(Billions of yen)
Category		Amount
Cash and cash equivalents at beginning of period		136.3
Net cash provided by operating activities		70.4
Net cash provided by investing activities		61.7
Net cash used in financing activities		(121.7)
Effect of exchange rate changes on cash and cash equivalents		5.8
Net change in cash and cash equivalents		16.2
Cash and cash equivalents at end of period		152.5

### (3) Consolidated Forecast and Other Forward-Looking Information

The Company has revised its consolidated forecast for the fiscal year ending December 31, 2021, previously announced on May 12, 2021, as described below.

The revised forecast is based on the assumption of gradual market recovery in line with the COVID-19 vaccination rollout, while incorporating the impacts of the recently announced business transfers and other structural reforms, and foreign currency translation effects. Net sales forecast has been revised upward for the EMEA and Americas Businesses, which have already recovered to the 2019 levels on the back of vaccination rollout, whereas the Japan Business, which has been largely affected by the states of emergency, has undergone a downward revision. Moreover, the updated forecast also reflects such negative effects as the spread of new COVID-19 variants and unfavorable weather in China. Furthermore, net sales and operating profit have been adjusted in light of the transfer of makeup brands *bareMinerals*, *BUXOM*, and *Laura Mercier* (planned effective date: beginning of December 2021) and the transition service agreement.

As a result, net sales are expected at ¥1,044.0 billion, down ¥23.0 billion from the previous forecast, while operating profit is estimated at ¥32.0 billion, up ¥5.0 billion, mainly due to effective cost management in line with market changes. Net profit attributable to owners of parent has been revised to ¥30.0 billion, down ¥5.5 billion from the previous forecast despite higher operating profit and lower tax expenses. This is chiefly due to extraordinary losses of ¥7.3 billion, namely impairment loss on goodwill resulting from the abovementioned transfer of makeup brands. Like-for-like, excluding structural reform expenses incorporated in the revised forecast, net profit attributable to owners of parent is expected at ¥46.5 billion, up ¥11.0 billion from the previous forecast. Major foreign currency exchange rate assumptions for the fiscal year 2021 are: JPY110/USD, JPY130/EUR, and JPY17/CNY.

Please see the “Notice of Revision of the Consolidated Forecast for the Fiscal Year Ending December 31, 2021” and presentation materials disclosed on our corporate website for further details:

<https://corp.shiseido.com/en/ir/library/tanshin/>

#### Forecast for Consolidated Results for the Fiscal Year 2021

(From January 1 to December 31, 2021)

(Millions of yen unless otherwise stated)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit (Loss) Attributable to Owners of Parent	Net Profit (Loss) per Share (Yen)
Previous Forecast (A)	1,067,000	27,000	27,000	35,500	88.87
Revised Forecast (B)	1,044,000	32,000	33,500	30,000	75.10
Change (B-A)	(23,000)	5,000	6,500	(5,500)	
Change (%)	(2.2)%	18.5%	24.1%	(15.5)%	
Results for the Previous Fiscal Year (Ended December 31, 2020)	920,888	14,963	9,638	(11,660)	(29.19)

## Reference Information: Forecast for Consolidated Net Sales by Reportable Segment

The consolidated results forecast for the fiscal year 2021 by reportable segment is presented as follows.

### Consolidated Net Sales Forecast for the Fiscal Year 2021 (Full Year)

(Billions of yen unless otherwise stated)

Classification	Revised Forecast (B)	YoY (B/C-1)	YoY FX-Neutral	YoY Like-for-Like	Previous Forecast (A)	Change from Previous Forecast (B-A)	Results for Previous Fiscal Year (C)
Japan Business	280.0	-7.6%	-8%	-0%	325.0	(45.0)	303.0
China Business	281.5	+19.4%	+10%	+23%	282.5	(1.0)	235.8
Asia Pacific Business	64.0	+8.2%	+5%	+5%	64.5	(0.5)	59.2
Americas Business	121.0	+32.4%	+28%	+31%	116.5	4.5	91.4
EMEA Business	116.5	+23.5%	+16%	+17%	106.0	10.5	94.3
Travel Retail Business	120.0	+21.8%	+17%	+17%	106.5	13.5	98.5
Professional Business	14.5	+13.9%	+14%	+14%	14.5	—	12.8
Other	46.5	+79.3%	+79%	-2%	51.5	(5.0)	25.9
Total	1,044.0	+13.4%	+9%	+13%	1,067.0	(23.0)	920.9

#### Notes:

- Net sales from regional sales subsidiaries related to the Personal Care business, previously recorded in the Japan, China, and Asia Pacific Businesses, are no longer recorded with some exceptions from July 1, 2021 due to the transfer of said business and resulting changes in product distribution. Meanwhile, Personal Care products sales from the Company and its manufacturing subsidiaries to Fine Today Shiseido Co., Ltd. and its affiliates are recorded in the Other segment effective from the same date.
- Like-for-like increase (decrease) in net sales excludes the impacts from the transfers of Personal Care business and makeup brands in the second half.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2020	As of September 30, 2021
<b>ASSETS</b>		
Current Assets:		
Cash and time deposits	130,013	160,895
Notes and accounts receivable	144,728	156,690
Short-term investments in securities	21,000	6,000
Inventories	170,031	148,979
Other current assets	52,634	50,013
Less: Allowance for doubtful accounts	(3,644)	(4,353)
<b>Total current assets</b>	<b>514,763</b>	<b>518,226</b>
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	251,762	256,718
Less: Accumulated depreciation	(103,831)	(110,332)
Buildings and structures, net	147,931	146,385
Machinery, equipment and vehicles	118,883	127,360
Less: Accumulated depreciation	(63,344)	(68,249)
Machinery, equipment and vehicles, net	55,538	59,110
Tools, furniture and fixtures	102,657	109,492
Less: Accumulated depreciation	(60,680)	(68,985)
Tools, furniture and fixtures, net	41,976	40,506
Land	44,605	46,432
Leased assets	10,671	11,151
Less: Accumulated depreciation	(5,251)	(4,908)
Leased assets, net	5,420	6,242
Right-of-use assets	29,133	38,143
Less: Accumulated depreciation	(10,870)	(15,575)
Right-of-use assets, net	18,262	22,568
Construction in progress	27,308	37,308
<b>Total property, plant and equipment</b>	<b>341,044</b>	<b>358,555</b>
Intangible Assets:		
Goodwill	54,429	46,162
Leased assets	403	326
Trademark rights	131,636	73,541
Other intangible assets	54,922	58,880
<b>Total intangible assets</b>	<b>241,392</b>	<b>178,911</b>
Investments and Other Assets:		
Investments in securities	13,527	12,192
Long-term prepaid expenses	14,125	12,902
Deferred tax assets	42,501	73,318
Other investments	37,015	28,038
Less: Allowance for doubtful accounts	(140)	(30)
<b>Total investments and other assets</b>	<b>107,029</b>	<b>126,421</b>
<b>Total Fixed Assets</b>	<b>689,466</b>	<b>663,888</b>
<b>Total Assets</b>	<b>1,204,229</b>	<b>1,182,114</b>

(Millions of yen)

	As of December 31, 2020	As of September 30, 2021
<b>LIABILITIES</b>		
Current Liabilities:		
Notes and accounts payable	21,187	24,646
Electronically recorded obligations – operating	55,740	41,343
Short-term debt	56,491	9,901
Current portion of long-term debt	10,730	730
Current portion of corporate bonds scheduled for redemption	-	15,000
Lease obligations	8,344	10,078
Other payables	75,695	77,966
Accrued income taxes	7,374	44,278
Reserve for sales returns	6,227	2,807
Refund liabilities	10,518	11,268
Accrued bonuses for employees	15,024	29,816
Accrued bonuses for directors	165	160
Provision for liabilities and charges	545	368
Provision for loss on business withdrawal	725	600
Provision for structural reforms	-	5,358
Other current liabilities	84,208	83,669
<b>Total current liabilities</b>	<b>352,977</b>	<b>357,996</b>
Long-Term Liabilities:		
Bonds	65,000	50,000
Long-term debt	167,861	136,280
Lease obligations	15,872	19,619
Long-term payables	52,968	4,617
Liability for retirement benefits	27,189	25,047
Allowance for losses on guarantees	350	350
Deferred tax liabilities	2,944	1,761
Other long-term liabilities	12,472	36,132
<b>Total long-term liabilities</b>	<b>344,658</b>	<b>273,809</b>
<b>Total Liabilities</b>	<b>697,635</b>	<b>631,805</b>
<b>NET ASSETS</b>		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,741	70,741
Retained earnings	339,817	360,499
Treasury stock	(2,455)	(2,361)
<b>Total shareholders' equity</b>	<b>472,610</b>	<b>493,386</b>
Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	3,054	2,667
Foreign currency translation adjustments	5,257	28,325
Accumulated adjustments for retirement benefits	3,366	4,395
<b>Total accumulated other comprehensive income</b>	<b>11,678</b>	<b>35,387</b>
Stock Acquisition Rights	1,399	1,082
Non-Controlling Interests in Consolidated Subsidiaries	20,905	20,452
<b>Total Net Assets</b>	<b>506,593</b>	<b>550,309</b>
<b>Total Liabilities and Net Assets</b>	<b>1,204,229</b>	<b>1,182,114</b>

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

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

(Millions of yen)

	First Nine Months Ended September 30, 2020 (January 1 to September 30, 2020)	First Nine Months Ended September 30, 2021 (January 1 to September 30, 2021)
Net Sales	653,675	745,373
Cost of Sales	166,326	187,226
Gross Profit	487,349	558,147
Selling, General and Administrative Expenses	478,442	531,893
Operating Profit	8,906	26,253
Non-operating Income		
Interest income	547	646
Dividend income	106	230
Equity in earnings of affiliates	206	-
Rental income	492	431
Subsidy income	2,637	3,310
Foreign exchange gain	-	1,469
Other	954	1,336
Total non-operating income	4,945	7,424
Non-operating Expenses		
Interest expense	1,705	1,606
Equity in losses of affiliates	-	130
Foreign exchange loss	2,787	-
Other interest on debt	993	500
Other	2,796	1,762
Total non-operating expenses	8,283	4,000
Ordinary Profit	5,568	29,677
Extraordinary Gains		
Gain on sales of fixed assets	489	535
Gain on transfer of business	-	72,693
Gain on change in equity	-	13,520
Grant income	5,224	1,708
Gain on sales of investment securities	691	623
Gain on reversal of share acquisition rights	-	331
Total extraordinary gains	6,404	89,412
Extraordinary Losses		
Loss on disposal of fixed assets	2,926	1,286
Impairment loss	-	26,233
Structural reform expenses	-	24,649
Loss on COVID-19	18,119	4,506
Loss on sales of investment securities	1	51
Loss on revaluation of investments in securities	499	4
Loss on business withdrawal	937	-
Total extraordinary losses	22,484	56,731
Quarterly Profit (Loss) before Income Taxes	(10,511)	62,359
Income Taxes – Current	2,801	55,701
Income Taxes – Deferred	(891)	(31,701)
Total Income Taxes	1,910	24,000
Quarterly Net Profit (Loss)	(12,421)	38,358
Quarterly Net Profit Attributable to Non-Controlling Interests	1,247	1,601
Quarterly Net Profit (Loss) Attributable to Owners of Parent	(13,668)	36,757

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

(Millions of yen)

	First Nine Months Ended September 30, 2020 (January 1 to September 30, 2020)	First Nine Months Ended September 30, 2021 (January 1 to September 30, 2021)
Quarterly Net Profit (Loss)	(12,421)	38,358
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(54)	(393)
Foreign currency translation adjustments	(4,663)	24,500
Adjustment for retirement benefits	2,589	1,036
Share of other comprehensive income of associates accounted for under the equity method	6	0
Total other comprehensive income	(2,122)	25,143
Quarterly Comprehensive Income	(14,544)	63,502
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	(15,659)	60,465
Quarterly comprehensive income attributable to non-controlling interests	1,115	3,037

### (3) Notes to Quarterly Consolidated Financial Statements

#### (Note on Assumptions of a Going Concern)

Not applicable.

#### (Additional Information)

##### Transfer of Prestige Makeup Brands *bareMinerals*, *BUXOM*, and *Laura Mercier*

The Company announced that Shiseido Americas Corporation, the Company's regional headquarters for the Americas and its consolidated subsidiary (registered in Delaware, United States; "SAC") had determined to transfer the related assets of prestige makeup brands *bareMinerals*, *BUXOM*, and *Laura Mercier* (including shares of a SAC's subsidiary) to an entity owned by independent private equity partnership Advent International (registered in Massachusetts, United States; "Advent") pursuant to the terms of an Asset Purchase Agreement (the "Agreement") which SAC entered into on August 25 (August 26, Japan time), 2021.

Regarding the transfer of the French business related to the brands and all its employees to Advent, a final decision will be made after completion of the information and consultation processes with employee representatives, in alignment with French labor law.

#### 1. Overview of business divestiture

(1) Name of divested company and company to which shares are transferred  
AI Beauty Holdings Ltd. (an entity owned by Advent)

#### (2) Details of divested business

Business of makeup brands *bareMinerals*, *BUXOM*, and *Laura Mercier*, including all shares of Bare Escentuals K.K. (Japan), a wholly owned subsidiary of SAC and the operating company of *bareMinerals* in Japan

#### (3) Reasons for business divestiture

Under its medium-to-long-term business strategy "WIN 2023 and Beyond," the Shiseido Group is shifting to a new business structure, with skin beauty positioned as its core category. To that end, we have launched a fundamental business transformation and aim to become a global leader in skin beauty by 2030. Amid an extremely volatile business environment, mostly impacted by the spread of COVID-19, we are making steady progress in shifting from a focus on growth through sales expansion to profitability and cash-flow management in the three years from 2021 to 2023, in order to solidify the business foundation required for a global Skin Beauty Company.

As we are taking steps to prioritize our brands, optimize our portfolio, and strengthen our competitive advantages under this strategy, we have decided to transfer the business of three of the Company's makeup brands—*bareMinerals* and *BUXOM*, acquired in 2010, and *Laura Mercier*, acquired in 2016—to an external party. The transfer of the brands' employees to the new owner along with the businesses is an important consideration and factor in this transaction.

#### (4) Date of company split

Beginning of December 2021 (planned)

#### (5) Outline of other transactions including legal formality

The transfer price of the assets related to the brands shall be 700 million US dollars, of which 350 million shall be paid in cash upon closing, and the remainder—as deferred payment in the form of a seller note\* payable on the seventh anniversary of the closing. Relating to the above asset transfer, the Company shall also contribute 90 million US dollars to the transferee, AI Beauty Holdings Ltd., mainly as working capital adjustments and initial funds.

\*A type of debt financing in which the seller partially extends credit to the buyer

## 2. Accounting treatment

On the date of business divestiture, accounting treatment will be applied based on the “ASC 805 Business Combinations.” With the conclusion of this agreement, impairment losses and structural reform expenses are recorded as extraordinary losses for the first nine months of the fiscal year 2021. For details, please refer to “(3) Notes to Quarterly Consolidated Financial Statements (Quarterly Consolidated Statements of Income).”

## 3. Reporting segments that contain businesses to be divested

Japan Business, China Business, Asia Pacific Business, Americas Business, EMEA Business, and Travel Retail Business

### **(Quarterly Consolidated Statements of Income)**

#### Gain on transfer of business, Gain on change in equity

First nine months of the fiscal year 2021 (From January 1 to September 30, 2021)

These are related to the transfer of the Personal Care business. For details, please refer to “(3) Notes to Quarterly Consolidated Financial Statements (Business Combinations and Other Related Events).”

#### Grant Income

First nine months of the fiscal year 2021 (From January 1 to September 30, 2021)

Income mainly from grants and subsidies provided by governments and local municipalities for the employment maintenance and compensation of employees in relation to COVID-19.

#### Impairment Loss

First nine months of the fiscal year 2021 (From January 1 to September 30, 2021)

The Group recognizes an impairment loss on the following asset groups.

The Group organizes its business-use assets into groups according to minimum independent cash-generating units, based on business classifications.

Use	Location	Type	Impairment loss (Millions of yen)
Assets for business use	Paris, France (Note 1)	Trademark rights	15,576
	Subtotal		15,576
	Delaware, United States (Note 2)	Goodwill	7,329
	Subtotal		7,329
	Kakegawa-shi, Shizuoka Pref., Japan (Note 3)	Buildings and structures	1,829
		Machinery and equipment	1,445
		Other	51
	Subtotal		3,326
Total			26,233

Notes:

1. The Company's subsidiary Beauté Prestige International S.A.S. and DOLCE&GABBANA S.R.L. have agreed to partially terminate an exclusive global license agreement which had been recorded as business-use assets. Subsequently, the profitability of the trademark rights has declined and the Company no longer expects to recover its investment. The book value after the deduction of related liability is therefore reduced to the recoverable amount, and the reduction is recorded as an extraordinary loss. The recoverable amount is determined by value in use after the deduction of related liability and is estimated at zero.
2. With the conclusion of agreements to transfer the related assets for the three prestige makeup brands *bareMinerals*, *BUXOM*, and *Laura Mercier*, the carrying amount of the asset group related to the applicable business has been reduced to the recoverable amount, and the amount of the reduction has been recorded as an extraordinary loss. The recoverable amount is determined by its net realizable value and is calculated based on the transfer price under the agreement.
3. Following the decision to discontinue production of hyaluronic acid, the book value of factory asset groups related to the hyaluronic acid business was reduced to the recoverable amount, and the amount of the reduction is recorded as an extraordinary loss. The recoverable amount is determined by value in use and is estimated at zero.

Structural Reform Expenses

First nine months of the fiscal year 2021 (From January 1 to September 30, 2021)

Mainly expenses related to partial termination of an exclusive global license agreement with DOLCE&GABBANA S.R.L. and retirement premiums, etc. of ¥18,323 million; retirement premiums, etc. of ¥3,434 million related to organizational reform in Europe; transfer incentive, etc. of ¥1,240 million related to transfer of the Personal Care business; and advisory fees etc., of ¥1,152 million related to transfer of the prestige makeup brands *bareMinerals*, *BUXOM*, and *Laura Mercier*.

Loss on COVID-19

First nine months of the fiscal year 2021 (From January 1 to September 30, 2021)

Loss mainly from fixed costs due to the suspension of in-store employee dispatchment and the low operation of factories, at the request of various governments to prevent the spread of COVID-19. The breakdown is as follows.

	(Millions of yen)
Salaries and allowances for employees	3,758
Fixed costs for factories and stores	747
Total	4,506

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

Not applicable.

## **(Business Combinations and Other Related Events)**

### The Transfer of the Personal Care business

On July 1, 2021, the Personal Care business (the “Business”) and its subsidiaries in Japan (Shiseido Japan Co., Ltd. (“SJ”) and FT Shiseido Co., Ltd. (the “Former FTS”) were succeeded by Fine Today Shiseido Co., Ltd. (the “New FTS”) through a company split from the Company, and all of the outstanding shares of the New FTS were transferred to Oriental Beauty Holding Co., Ltd. (“OBH”). Additionally, on July 1, 2021, the Company acquired 35% of the shares of K.K. Asian Personal Care Holding, the wholly owning parent company of OBH, through a contribution in kind. As of October 1, 2021, a merger was carried out with OBH as the surviving company and the New FTS as the disappearing company, and the trade name of OBH after the merger was changed to Fine Today Shiseido Co., Ltd.

In addition, on July 1, 2021, two of the Company’s Chinese subsidiaries, Shiseido China Co., Ltd. and Shiseido Cosmetics Manufacturing Co., Ltd., and on September 1, 2021, one of its Chinese subsidiaries, Shiseido Hong Kong Ltd., and two Asia Pacific subsidiaries, Shiseido Singapore Co., (Pte.) Ltd. and Shiseido Korea Co., Ltd. transferred their assets of the Business to affiliates of OBH.

In addition to the above transactions, the total consideration for the transfer of shares and assets, adjusted for the decrease in net working capital, etc., is ¥143,174 million. This adjustment to net working capital and other does not affect the gain on transfer of business and gain on change in equity recorded in the current year.

Excluding the above noted subsidiaries, seven of the Company’s subsidiaries that operate the Business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., Shiseido Thailand Co., Ltd., Shiseido Malaysia Sdn. Bhd., Shiseido Philippines Corporation, PT. Shiseido Cosmetics Indonesia, and Shiseido Cosmetics Vietnam Co., Ltd.) are planning to transfer assets of the Business in 2022 and thereafter.

All operations of the company split, share transfer, asset transfer and contribution in kind of share purchase are pursuant to the Purchase Agreement between the Company and OBH.

The following section details the company split and share transfer of the Business in Japan executed in the first nine months of the fiscal year 2021 and asset transfer related to the Business of three Chinese subsidiaries and two Asia Pacific subsidiaries.

### 1. Overview of business divestiture

#### (1) Name of divested company and company to which shares are transferred

##### a. Name of company divesting the Business in Japan through company split:

Fine Today Shiseido Co., Ltd.

##### b. Name of company to which shares are transferred:

Fine Today Shiseido Co., Ltd. (former Oriental Beauty Holding Co., Ltd.)

##### c. Name of company to which assets related to the Business of Shiseido China Co., Ltd. and Shiseido Cosmetics Manufacturing Co., Ltd. are transferred:

Shanghai FTS Cosmetics Co., Ltd.

##### d. Name of company to which assets related to the Business of Shiseido Hong Kong Ltd. are transferred:

Oriental Beauty (HK) Ltd.

##### e. Name of company to which assets related to the Business of Shiseido Singapore Co., (Pte.) Ltd. are transferred:

Fine Today Singapore Pte. Ltd.

##### f. Name of company to which assets related to the Business of Shiseido Korea Co., Ltd. are transferred:

Fine Today Korea Co., Ltd.

#### (2) Details of divested business

Personal Care business

(3) Reasons for business divestiture and objectives of share transfer

The Company has positioned skin beauty as its core business. In view of this strategy, the Company has considered various strategic options for further growth and development of the Business, and as a result determined that a transfer of the Business will promote further development of its brands and employees and bolster investment in its growth, resulting in flexible strategies and rapid decision-making attuned to the mass business segment, nurturing of human resources exceptional in value creation, and benefits for consumers and business partners.

(4) Date of Company split, share transfer, and asset transfer

a. Company split and share transfer of the Business in Japan

Effective date of company split	July 1, 2021
Date of share transfers	July 1, 2021

b. Asset transfers related to the Business of Shiseido China Co., Ltd. and Shiseido Cosmetics Manufacturing Co., Ltd.

Date of asset transfers	July 1, 2021
-------------------------	--------------

c. Asset transfers related to the Business of Shiseido Hong Kong Ltd., Shiseido Singapore Co., (Pte.) Ltd., and Shiseido Korea Co., Ltd.

Date of asset transfers	September 1, 2021
-------------------------	-------------------

(5) Outline of other transactions including legal formality

Company split of the Business in Japan	The Company, SJ, and the Former FTS are the splitting companies, and the New FTS is the succeeding company that assumes the rights and obligations related to the Business in Japan.
Share transfer of the succeeding company	Share transfer of the succeeding company with consideration received as property such as cash
Asset transfers related to the Business of three Chinese subsidiaries and two Asia Pacific subsidiaries	Transfer of assets related to the Business

2. Overview of accounting treatment

(1) Amount of gain on transfer

Gain on transfer of business	¥72,693 million
Gain on change in equity	¥13,520 million

(2) Appropriate book value of assets and liabilities related to transferred business and its breakdown

Current Assets:	¥22,254 million
Fixed Assets:	¥482 million
<hr/>	
Total Assets	¥22,737 million
Current Liabilities:	¥11,420 million
Long-Term Liabilities:	¥366 million
<hr/>	
Total Liabilities	¥11,787 million

(3) Accounting treatment

As the Company continues to invest a substantial 35% of the transferred business in the consolidated financial statements, any gain or loss on transfer which is recognized in the non-consolidated financial statements is accounted for through elimination of unrealized gains and losses in accordance with ASBJ Statement No. 16, “Accounting Standard for Equity Method of Accounting for Investments.” In addition, any difference between the increase in the equity of the divesting company related to the affiliated company and decrease in the equity of the divesting company related to the transferred business is accounted for as a gain on change in equity.

3. Reportable segments included in business divestiture

Japan Business, China Business, and Asia Pacific Business

4. Approximate profit or loss related to the Business recorded in Quarterly Consolidated Statements of Income for the First nine months of the fiscal year 2021.

Net Sales	¥54,628 million
Operating Profit	¥3,992 million

5. Overview of continuing involvement

The Company has entered into manufacturing agreements and product procurement agreements for the manufacturing of products related to the Personal Care business.