

May 12, 2022



## Consolidated Settlement of Accounts for the First Three Months of the Fiscal Year Ending December 31, 2022 [IFRS]

### Shiseido Company, Limited

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Filing date of quarterly securities report: May 13, 2022 (plan)

Start of cash dividend payments: —

Supplementary quarterly materials prepared: Yes

Quarterly financial results information meeting held: Yes (for institutional investors, etc.)

### 1. Performance for the First Three Months of the Fiscal Year Ending December 31, 2022 (From January 1 to March 31, 2022)

\* 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	Core Operating Profit	Operating Profit (Loss)	Profit (Loss)	Profit (Loss) Attributable to Owners of Parent	Total Comprehensive Income
	%	%	%	%	%	%
Three Months Ended March 31, 2022	234,023 [(1.3)]	4,378 [(52.3)]	4,376 [-]	5,684 [-]	4,399 [-]	25,368 [128.7]
Three Months Ended March 31, 2021	236,986 [-]	9,171 [-]	(6,497) [-]	(10,011) [-]	(11,136) [-]	11,094 [-]

[Reference] Profit before tax

Three months ended March 31, 2022: ¥8,155 million [-%]

Three months ended March 31, 2021: ¥(5,937) million [-%]

	Basic Earnings (Loss) per Share (Yen)	Diluted Earnings (Loss) per Share (Yen)
Three Months Ended March 31, 2022	11.01	11.00
Three Months Ended March 31, 2021	(27.88)	(27.88)

Note: Core operating profit is calculated by excluding profit and loss caused by non-ordinary factors such as structural reform expenses and impairment losses, etc. from operating profit.

## (2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent
As of March 31, 2022	1,302,549	575,604	552,163	42.4%
As of December 31, 2021	1,300,979	562,179	540,695	41.6%

## 2. Cash Dividends

	Cash Dividends per Share (Yen)				
	Q1	Q2	Q3	Year-End	Full Year
Fiscal Year 2021	—	20.00	—	30.00	50.00
Fiscal Year 2022	—				
Fiscal Year 2022 (Forecast)		25.00	—	75.00	100.00

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

Year-end dividend for the fiscal year 2022 includes an ordinary dividend of ¥25.00 and commemorative dividend of ¥50.00 for the 150th anniversary of our founding.

## 3. Forecast for the Fiscal Year Ending December 31, 2022 (From January 1 to December 31, 2022)

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

	Net Sales	Core Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	Basic Earnings per Share (Yen)
	%	%	%	%	
Fiscal Year 2022	1,075,000 [6.4]	62,000 [45.7]	68,700 [(30.7)]	44,000 [(6.2)]	110.13

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

Note: The Company announced the forecast for the fiscal year ending December 31, 2022 based on Japanese Standards in “Consolidated Settlement of Accounts for the Fiscal Year Ended December 31, 2021 [Japanese Standards]” on February 9, 2022, but following the voluntary adoption of International Financial Reporting Standards (IFRS) for consolidated financial statements from the first three months of the fiscal year ending December 31, 2022, the Company withdrew the forecast for the fiscal year ending December 31, 2022 based on Japanese Standards and re-announced a new forecast for the fiscal year ending December 31, 2022 under IFRS.

For details, please refer to the “Announcement of IFRS-based Consolidated Forecast for the Fiscal Year Ending December 31, 2022” released today.

## Notes

- (1) Changes in significant subsidiaries during the three months ended March 31, 2022: None  
(changes in specific subsidiaries causing a change in the scope of consolidation)
- (2) Changes in accounting policies; changes in accounting estimates
  - 1) Changes in accounting policies required by IFRS: None
  - 2) Other changes in accounting policies: None
  - 3) Changes in accounting estimates: None
- (3) Number of shares issued (ordinary shares)
  - 1) Number of shares issued (including treasury shares)

As of March 31, 2022:	400,000,000
As of December 31, 2021:	400,000,000
  - 2) Number of treasury shares

As of March 31, 2022:	470,789
As of December 31, 2021:	506,767
  - 3) Average number of shares outstanding during the period

Three months ended March 31, 2022:	399,515,677
Three months ended March 31, 2021:	399,469,982

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

This Consolidated Settlement of Accounts for the First Three Months of the Fiscal Year Ending December 31, 2022 is not subject to quarterly review procedures by a certified public accountant or audit firm.

### **Appropriate use of business forecasts; other special items**

(Adoption of International Financial Reporting Standards (IFRS))

The Group has voluntarily adopted the IFRS from the first three months of the fiscal year ending December 31, 2022, and the figures for the first three months of fiscal year ended December 31, 2021 and the fiscal year ended December 31, 2021 have also been reclassified to the IFRS basis.

(Cautionary note concerning forward-looking statements)

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. Summary of Consolidated Financial Results for the First Three Months (3) Consolidated Forecast and Other Forward-Looking Information" on page 8 for information on preconditions underlying the above outlook and other related information.

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# 1. Summary of Consolidated Financial Results for the First Three Months

## (1) Consolidated Performance

(Millions of yen)

	Net Sales	Core Operating Profit	Operating Profit (Loss)	Profit (Loss) before Tax	Profit (Loss) Attributable to Owners of Parent	EBITDA
Three Months Ended March 31, 2022	234,023	4,378	4,376	8,155	4,399	17,109
Three Months Ended March 31, 2021	236,986	9,171	(6,497)	(5,937)	(11,136)	22,332
Year-on-Year Increase (Decrease)	(1.3)%	(52.3)%	—	—	—	(23.4)%
FX-Neutral	(6.3)%					
Like-for-Like	(0.9)%					

Notes:

1. Core operating profit is calculated by excluding profit and loss caused by non-ordinary factors such as structural reform expenses and impairment losses, etc. from operating profit.
2. EBITDA is calculated as core operating profit plus depreciation and amortization (excluding depreciation of right-of-use assets).
3. Like-for-like increase (decrease) in net sales excludes the impact from all business transfers in the first three months of fiscal 2022 and the first three months of fiscal 2021 as well as the impact of all related transfer agreements (“business transfer impacts”).

## Review of Performance in the First Three Months of the Fiscal Year Ending December 31, 2022

In the first three months of the fiscal year 2022, global economy showed signs of overall recovery as the impacts of the COVID-19 pandemic eased worldwide. However, the spread of COVID-19 variants and the degree of their impact on the economy varied by country and region resulting in differences in economic climate. In addition, such factors as increasing tension in Ukraine, soaring commodity prices, and lockdowns, specifically in China’s Shanghai, added to economic uncertainties, particularly in March.

Against this backdrop, the Japan cosmetics market remained sluggish due to prolonged impacts of the pandemic, such as quasi-emergency measures across the country and slow recovery of consumer demand for cosmetics. In China, the market environment was challenging. While online sales continued strong, there was a drop in consumer traffic offline, mainly due to the “zero-COVID” policy restrictions. Meanwhile, in Europe and the United States, consumption continued to recover thanks to low infection rates, and the cosmetics market also grew strongly across all categories.

Driven by its corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, the Shiseido Group (the “Group”) actively promotes innovations aimed at resolving environmental and social issues, such as diversity and inclusion. We thus strive to realize our vision for 2030: a sustainable world where people can enjoy happiness through the power of beauty.

In 2021, we launched our medium-to-long-term strategy WIN 2023 and Beyond in response to challenges caused by the COVID-19 pandemic. Under this strategy, we are advancing a global transformation with an emphasis on profitability and cash flow through focus on the skin beauty area, which is our competitive advantage, restructuring our business portfolio, and improving profitability, particularly in the Americas and EMEA. We position 2022, the second year of the new strategy, as a “Back to Growth” year and are working to promote the growth of our global brands and to accelerate and advance DX.

In the first three months of the fiscal year 2022, we achieved strong growth in net sales in the Americas, EMEA, and Travel Retail Businesses. The growth was driven by our key skin beauty brand *Clé de Peau Beauté* and core makeup brand *NARS*, as well as solid e-commerce sales. On the other hand, sales declined year on year in Japan, where market recovery was delayed, and in China, which was significantly affected by the resurgence of COVID-19 and zero-COVID policy.

As a result, net sales decreased 1.3% year on year to ¥234.0 billion based on reported figures. On an FX-

neutral basis, the decline was 6.3% year on year. Like for like<sup>1</sup>, sales were down 0.9% year on year.

Core operating profit dropped 52.3% year on year to ¥4.4 billion. While we saw positive shifts such as lower fixed costs thanks to structural reforms, a more favorable product mix, and effective cost management in line with market changes, these were outweighed by lower margins resulting from weaker sales in Japan and China.

Profit attributable to owners of parent increased by ¥15.5 billion year on year to ¥4.4 billion, mainly due to the recording of impairment loss on trademark rights related to *Dolce&Gabbana* in the first three months of fiscal 2021.

The EBITDA margin was 7.3%.

Major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements for the first three months of the fiscal year 2022 are JPY116.2/USD, JPY130.5/EUR, and JPY18.3/CNY.

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<sup>1</sup> Excluding business transfer impacts

**[Consolidated Performance]**

(Millions of yen)

Classification		Three Months Ended March 31, 2022	% of Total	Three Months Ended March 31, 2021	% of Total	Year-on-Year Increase (Decrease)			
						Amount	Percentage	FX-Neutral	Like-for-like
Net Sales	Japan Business	57,109	24.4%	69,915	29.5%	(12,806)	(18.3)%	(18.3)%	(2.8)%
	China Business	51,910	22.2%	65,349	27.6%	(13,438)	(20.6)%	(28.5)%	(14.4)%
	Asia Pacific Business	15,409	6.6%	16,092	6.8%	(682)	(4.2)%	(9.7)%	(0.1)%
	Americas Business	25,188	10.7%	24,371	10.3%	816	3.3%	(5.3)%	6.7%
	EMEA Business	28,485	12.2%	24,440	10.3%	4,045	16.6%	14.2%	8.6%
	Travel Retail Business	37,195	15.9%	27,703	11.7%	9,492	34.3%	23.9%	21.3%
	Professional Business	3,915	1.7%	3,712	1.5%	202	5.5%	1.0%	—
	Other	14,807	6.3%	5,401	2.3%	9,406	174.2%	172.7%	(8.1)%
Total		234,023	100.0%	236,986	100.0%	(2,963)	(1.3)%	(6.3)%	(0.9)%

Classification		Total sales including intersegment sales and internal transfers between segments	
		Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net Sales	Japan Business	58,944	79,322
	China Business	52,027	65,552
	Asia Pacific Business	17,456	16,701
	Americas Business	25,903	26,854
	EMEA Business	31,671	26,563
	Travel Retail Business	37,235	27,809
	Professional Business	4,064	3,867
	Other	70,881	61,270
	Subtotal	298,185	307,943
	Adjustments	(64,161)	(70,956)
Total		234,023	236,986

(Millions of yen)

Classification	Three Months Ended March 31, 2022	Ratio to Net Sales	Three Months Ended March 31, 2021	Ratio to Net Sales	Year-on-Year Increase (Decrease)		
					Amount	Percentage	
Core Operating Profit (Loss)	Japan Business	(4,106)	(7.0)%	4,073	5.1%	(8,179)	—
	China Business	(2,828)	(5.4)%	2,107	3.2%	(4,936)	—
	Asia Pacific Business	1,237	7.1%	2,109	12.6%	(872)	(41.4)%
	Americas Business	1,095	4.2%	(2,123)	(7.9)%	3,218	—
	EMEA Business	1,952	6.2%	(766)	(2.9)%	2,719	—
	Travel Retail Business	8,118	21.8%	4,912	17.7%	3,205	65.3%
	Professional Business	629	15.5%	504	13.0%	125	24.9%
	Other	(2,474)	(3.5)%	4,126	6.7%	(6,600)	—
	Subtotal	3,623	1.2%	14,944	4.9%	(11,320)	(75.8)%
	Adjustments	754	—	(5,772)	—	6,527	—
Total	4,378	1.9%	9,171	3.9%	(4,793)	(52.3)%	

## Notes:

- The Group has revised its reportable segment classifications from the fiscal year 2022. The business results of Shiseido Beauty Salon Co., Ltd., previously included in the Other segment, are now included in the Japan Business. The business results related to the brand holder functions of the *NARS* and *Drunk Elephant* brands, previously included in the Americas Business, are now included in the Other segment. The segment information for the three months ended March 31, 2021 has been restated in line with the reclassification.
- 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 business transfer impacts.
- The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations, and the Restaurant business, etc.
- The ratio of core operating profit (loss) to net sales shows core operating profit or loss as a percentage of total sales including intersegment sales and internal transfers between segments.
- The core 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 worked to further strengthen our brand value in the skin beauty area and expand our loyal user base through product innovations, capturing changes in consumer needs prompted by the COVID-19 pandemic. Launch of oil serum BANBUTSU SHISEI LIFE DEW, commemorating the 150th anniversary of our founding, as well as strategic investments in skin beauty brands **SHISEIDO** and **Clé de Peau Beauté** led to market share gains in the mid- and high-end categories. Moreover, we delivered new value to consumers through innovation including the launch of the MAQUILLAGE Dramatic Essence Liquid, a serum foundation that combines full coverage with skincare benefits and reduces conspicuous pores, and ANESSA Day Serum featuring the Sun Dual Care technology, which not only blocks ultraviolet rays but converts them into light beneficial for the skin. In addition, we accelerated digital engagement with consumers through various omnichannel initiatives in collaboration with business partners, such as live commerce events and online video counseling. Consequently, e-commerce sales continued to grow.

Meanwhile, market recovery was delayed due to a tendency to stay at home and shortened retail operating hours in response to quasi-emergency measures, which resulted in low consumer traffic and less time per store visit.

As a result, net sales decreased 18.3% year on year to ¥57.1 billion. Like for like, the decline was 2.8%. Core operating profit was down ¥8.2 billion year on year, resulting in core operating loss of ¥4.1 billion, mainly due to lower margins accompanying a decline in sales, lower profit due to the transfer of the Personal Care business, and upfront investment to stimulate demand, all of which outweighed the cost management of other SG&A and inventory reductions.

### **China Business**

In the China Business, e-commerce remained solid on the back of strategically strengthened investments, particularly expansion into major platforms and International Women's Day promotions. **Clé de Peau Beauté** and **NARS** led the robust growth, with e-commerce sales in mainland China growing at over 20%. On the other hand, offline sales were significantly affected by low store traffic due to restrictions associated with resurgence in COVID-19 cases and the zero-COVID policy, such as partial retail closures and shorter operating hours.

As a result, net sales were down 28.5% on an FX-neutral basis, or 20.6% year on year to ¥51.9 billion based on reported figures. Like for like, sales declined 14.4%. Core operating profit dropped by ¥4.9 billion year on year, resulting in core operating loss of ¥2.8 billion, mainly due to lower margins accompanying a decline in sales and continued investments to ensure sustainable growth.

### **Asia Pacific Business**

In the Asia Pacific Business, as the impact of COVID-19 continued in some countries and regions, store traffic declined. Against this backdrop, we increased our share in e-commerce across Asia thanks to further expansion into key e-commerce platforms in various countries and regions and digital engagement with consumers. These efforts led to strong growth of our prestige brands such as **SHISEIDO**, **Clé de Peau Beauté**, and **NARS**.

As a result, net sales decreased 9.7% on an FX-neutral basis, or 4.2% year on year to ¥15.4 billion based on reported figures. Like for like, sales were flat year on year. Core operating profit declined 41.4% year on year to ¥1.2 billion, mainly due to marketing investments in major brands.

### **Americas Business**

In the Americas, the cosmetics market momentum continued to improve as the impact of COVID-19 lessened and economic activities started to normalize. In this market environment, **NARS** saw significant share gains, driven by the strong performance of new products and growth in e-commerce supported by digital marketing investments. Sales of **Clé de Peau Beauté** were also strong thanks to localized promotions, including partnership with new U.S. skincare ambassadors.

As a result, net sales declined 5.3% on an FX-neutral basis. Based on reported figures, net sales were up

3.3% year on year to ¥25.2 billion. Like for like, sales grew 6.7%, largely exceeding 2019 results. Core operating profit recovered by ¥3.2 billion year on year and returned to profit at ¥1.1 billion, mainly due to higher margins accompanying an increase in sales and lower fixed costs as a result of structural reforms.

### **EMEA Business**

In EMEA, market continued to grow mainly in the fragrance and makeup categories as the impact of COVID-19 lessened. We succeeded in capturing this turnaround to substantially grow our fragrance brands, particularly *narciso rodriguez*, and prestige brands such as *Clé de Peau Beauté* and *NARS*.

As a result, net sales grew 14.2% on an FX-neutral basis, or 16.6% year on year to ¥28.5 billion based on reported figures. Like for like, sales increased 8.6% year on year. Core operating profit improved by ¥2.7 billion year on year to ¥2.0 billion, mainly thanks to higher margins associated with an increase in sales and lower fixed costs such as amortization of trademarks due to structural reforms.

### **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. However, sales of prestige brands such as *SHISEIDO*, *Clé de Peau Beauté*, *IPSA*, and *NARS* grew strongly, mainly on Hainan Island in China.

As a result, net sales increased 23.9% on an FX-neutral basis, or 34.3% year on year to ¥37.2 billion based on reported figures. Like for like, sales were up 21.3% year on year. Core operating profit grew 65.3% year on year to ¥8.1 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 Asia Pacific. While COVID-19 resurgence affected sales in China in the first three months of fiscal 2022, recovery in consumer traffic to hair salons and e-commerce expansion had an overall positive effect.

As a result, net sales were up 1.0% on an FX-neutral basis, or 5.5% year on year to ¥3.9 billion based on reported figures. Core operating profit increased ¥0.1 billion year on year to ¥0.6 billion, mainly due to improved margins associated with higher sales.

## (2) Financial Position

Total assets increased by ¥1.6 billion from the end of the previous fiscal year to ¥1,302.5 billion, mainly from exchange differences on translation of foreign operations due to the yen depreciation, which outweighed the decrease in cash and cash equivalents due to income taxes paid on business transfers executed in the previous fiscal year as well as cash dividend payments. Liabilities decreased by ¥11.9 billion to ¥726.9 billion, primarily due to a decrease in income taxes payable and current liabilities associated with bonus payments, while short-term borrowings increased to source funds for business operations. Equity increased by ¥13.4 billion to ¥575.6 billion, mainly due to exchange differences on translation of foreign operations.

The net debt-to-equity ratio, which indicates the ratio of interest-bearing debt (excluding lease liabilities) less cash and cash equivalents to shareholders' equity, was 0.09.

Net cash used in operating activities in the first three months of the fiscal year 2022 totaled ¥34.8 billion, mainly due to income taxes paid on business transfers executed in the previous fiscal year. Meanwhile, days sales in inventory (DSI) was 185 days. Net cash used in investing activities was ¥9.2 billion, mostly due to investment in plants and equipment as well as IT systems. Net cash provided by financing activities amounted to ¥15.0 billion, primarily due to an increase in short-term borrowings to source funds for business operations, which outweighed cash dividend payments.

As a result of these activities, cash and cash equivalents at the end of the first three months stood at ¥132.0 billion, down ¥24.5 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		156.5
Net cash provided by (used in) operating activities		(34.8)
Net cash provided by (used in) investing activities		(9.2)
Net cash provided by (used in) financing activities		15.0
Effect of exchange rate changes on cash and cash equivalents		4.2
Net change in cash and cash equivalents included in assets held for sale		0.2
Net change in cash and cash equivalents (decrease)		(24.5)
Cash and cash equivalents at end of period		132.0

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

Due to voluntary adoption of International Financial Reporting Standards (IFRS) to the consolidated financial statements from the first quarter of the fiscal year ending December 31, 2022, the Company withdrew the Japanese GAAP-based consolidated forecast for the fiscal year 2022 announced on February 9, 2022 in the Consolidated Settlement of Accounts for the Fiscal Year Ended December 31, 2021 [Japanese Standards] and re-announced a new consolidated forecast for the fiscal year 2022 based on IFRS.

### 1. IFRS-based Forecast of Consolidated Results for the Fiscal Year Ending December 31, 2022 (from January 1 to December 31, 2022)

(Millions of yen unless otherwise stated)					
	Net Sales	Core Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	Basic Earnings per Share (Yen)
Forecast for Fiscal Year 2022	1,075,000	62,000	68,700	44,000	110.13
(Reference) Results for the Previous Fiscal Year (Ended December 31, 2021)	1,009,966	42,553	99,111	46,909	117.43

Notes:

1. Results for the previous fiscal year are based on IFRS.
2. Core operating profit is calculated by excluding profit and loss caused by non-ordinary factors such as structural reform expenses and impairment losses, etc. from operating profit.

**(Reference) Forecast of Consolidated Results for the Fiscal Year Ending December 31, 2022  
(Japanese GAAP-based; announced on February 9, 2022)**

(Millions of yen unless otherwise stated)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit Attributable to Owners of Parent	Net Profit per Share (Yen)
Forecast for Fiscal Year 2022	1,100,000	60,000	63,500	40,000	100.13
(Reference) Results for the Previous Fiscal Year (Ended December 31, 2021)	1,035,165	41,586	44,835	42,439	106.24

## 2. Overview of the Forecast

While the Company withdrew its previous forecast for the fiscal year 2022 announced on February 9, 2022 based on Japanese GAAP and re-announced a new forecast based on IFRS, substantially, there are no changes to the content of “1. Analysis of Operating Results and Financial Position (3) Earnings Forecast for Next Fiscal Year” disclosed on page 9 of the Consolidated Settlement of Accounts for the Fiscal Year Ended December 31, 2021 [Japanese Standards].

Due to current market uncertainties resulting from the COVID-19 pandemic, escalating geopolitical tensions, and fluctuations in exchange rates and commodity prices, the Company finds it difficult to accurately quantify the impact of external factors and market trends on its results. We are currently examining various scenarios of such impacts and plan to re-announce our forecast for the fiscal year 2022 at the appropriate time upon a more careful assessment.

## 2. Condensed Quarterly Consolidated Financial Statements and Notes

### (1) Condensed Quarterly Consolidated Financial Position

	IFRS transition date (January 1, 2021)	As of December 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	136,347	156,503	131,975
Trade and other receivables	146,507	158,791	167,806
Inventories	163,001	134,147	139,588
Other financial assets	15,829	16,429	18,099
Other current assets	44,698	45,117	40,469
Subtotal	506,385	510,989	497,939
Assets held for sale	-	1,933	7,687
Total current assets	506,385	512,922	505,626
Non-current assets			
Property, plant and equipment	329,478	340,037	340,337
Goodwill	54,429	50,429	53,259
Intangible assets	197,753	101,814	105,930
Right-of-use assets	131,665	127,832	126,148
Investments accounted for using equity method	2,224	21,691	23,665
Other financial assets	44,246	73,777	74,756
Deferred tax assets	60,428	67,433	67,587
Other non-current assets	13,163	5,040	5,237
Total non-current assets	833,390	788,056	796,923
Total assets	1,339,775	1,300,979	1,302,549

	IFRS transition date (January 1, 2021)	As of December 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	185,896	203,718	204,149
Bonds and borrowings	67,221	15,730	50,176
Lease liabilities	22,781	25,283	25,972
Other financial liabilities	4,926	4,914	6,378
Income taxes payable	7,374	45,600	9,010
Provisions	2,773	10,843	11,288
Other current liabilities	90,417	107,470	94,175
Subtotal	381,390	413,561	401,150
Liabilities directly associated with assets held for sale	-	-	2,155
Total current liabilities	381,390	413,561	403,305
Non-current liabilities			
Bonds and borrowings	232,861	145,915	145,915
Lease liabilities	121,774	118,909	117,165
Other financial liabilities	54,046	5,646	5,781
Retirement benefit liability	49,902	42,159	42,129
Provisions	1,679	1,753	1,765
Deferred tax liabilities	3,951	1,605	1,494
Other non-current liabilities	2,858	9,248	9,387
Total non-current liabilities	467,073	325,237	323,639
Total liabilities	848,464	738,799	726,945
Equity			
Share capital	64,506	64,506	64,506
Capital surplus	72,696	73,035	73,121
Treasury shares	(2,455)	(2,338)	(2,172)
Retained earnings	335,878	372,202	364,532
Other components of equity	(237)	33,288	52,175
Total equity attributable to owners of parent	470,388	540,695	552,163
Non-controlling interests	20,922	21,484	23,441
Total equity	491,310	562,179	575,604
Total liabilities and equity	1,339,775	1,300,979	1,302,549

**(2) Condensed Quarterly Consolidated Statement of Profit and Loss and  
Condensed Quarterly Consolidated Statement of Comprehensive Income  
Condensed Quarterly Consolidated Statements of Profit and Loss**

	Three months ended March 31, 2021	Three months ended March 31, 2022
	Millions of yen	Millions of yen
Net sales	236,986	234,023
Cost of sales	<u>63,615</u>	<u>67,242</u>
Gross profit	173,370	166,780
Selling, general and administrative expenses	181,878	164,623
Other operating income	2,010	2,814
Other operating expenses	<u>-</u>	<u>595</u>
Operating profit (loss)	(6,497)	4,376
Finance income	1,693	3,247
Finance costs	1,224	712
Share of profit of investment accounted for using equity method	89	1,244
Profit (loss) before tax	<u>(5,937)</u>	<u>8,155</u>
Income tax expense	<u>4,073</u>	<u>2,470</u>
Profit (loss)	<u>(10,011)</u>	<u>5,684</u>
Profit (loss) attributable to		
Owners of parent	(11,136)	4,399
Non-controlling interests	<u>1,125</u>	<u>1,284</u>
Profit (loss)	<u>(10,011)</u>	<u>5,684</u>
Earnings per share		
Basic earnings (loss) per share (yen)	(27.88)	11.01
Diluted earnings (loss) per share (yen)	(27.88)	11.00

## Condensed Quarterly Consolidated Statement of Comprehensive Income

	Three months ended March 31, 2021	Three months ended March 31, 2022
	Millions of yen	Millions of yen
Profit (loss)	(10,011)	5,684
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	310	29
Remeasurements of defined benefit plans	(3)	-
Share of other comprehensive income of investments accounted for using equity method	-	15
Total of items that will not be reclassified to profit or loss	307	45
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	20,802	18,975
Cash flow hedges	(4)	4
Share of other comprehensive income of investments accounted for using equity method	-	658
Total of items that may be reclassified to profit or loss	20,797	19,639
Other comprehensive income, net of tax	21,105	19,684
Comprehensive income	11,094	25,368
Comprehensive income attributable to		
Owners of parent	8,798	23,288
Non-controlling interests	2,295	2,080
Comprehensive income	11,094	25,368



### (3) Condensed Quarterly Consolidated Statement of Changes in Equity

Three Months Ended March 31, 2021 (January 1 to March 31, 2021)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on transition of foreign operations	Financial assets measured at fair value through other comprehensive income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2021	64,506	72,696	(2,455)	335,878	-	-
Profit (loss)				(11,136)		
Other comprehensive income					19,658	282
Total comprehensive income	-	-	-	(11,136)	19,658	282
Purchase of treasury shares			(7)			
Disposal of treasury shares			37	(23)		
Dividends				(7,989)		
Share-based payments transactions		160				
Transfer to retained earnings				280		(282)
Other				(15)		
Total transactions with owners	-	160	30	(7,748)	-	(282)
Balance at March 31, 2021	64,506	72,857	(2,425)	316,994	19,658	-

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Cash flow hedge	Remeasurements of defined benefit plans	Total			
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2021	(237)	-	(237)	470,388	20,922	491,310
Profit (loss)			-	(11,136)	1,125	(10,011)
Other comprehensive income	(4)	(1)	19,934	19,934	1,170	21,105
Total comprehensive income	(4)	(1)	19,934	8,798	2,295	11,094
Purchase of treasury shares			-	(7)		(7)
Disposal of treasury shares			-	13		13
Dividends			-	(7,989)	(9)	(7,998)
Share-based payments transactions			-	160		160
Transfer to retained earnings		1	(280)	-		-
Other			-	(15)		(15)
Total transactions with owners	-	1	(280)	(7,837)	(9)	(7,846)
Balance at March 31, 2021	(241)	-	19,416	471,349	23,209	494,558

Three Months Ended March 31, 2022 (January 1 to March 31, 2022)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on transition of foreign operations	Financial assets measured at fair value through other comprehensive income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2022	64,506	73,035	(2,338)	372,202	33,427	-
Profit (loss)				4,399		
Other comprehensive income					18,882	(14)
Total comprehensive income	-	-	-	4,399	18,882	(14)
Purchase of treasury shares			(3)			
Disposal of treasury shares			168	(78)		
Dividends				(11,984)		
Share-based payments transactions		86				
Transfer to retained earnings				1		14
Other				(8)		
Total transactions with owners	-	86	165	(12,070)	-	14
Balance at March 31, 2022	64,506	73,121	(2,172)	364,532	52,309	-

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Cash flow hedge	Remeasurements of defined benefit plans	Total			
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2022	(139)	-	33,288	540,695	21,484	562,179
Profit (loss)			-	4,399	1,284	5,684
Other comprehensive income	4	16	18,888	18,888	795	19,684
Total comprehensive income	4	16	18,888	23,288	2,080	25,368
Purchase of treasury shares			-	(3)		(3)
Disposal of treasury shares			-	89		89
Dividends			-	(11,984)	(123)	(12,108)
Share-based payments transactions			-	86		86
Transfer to retained earnings		(16)	(1)	-		-
Other			-	(8)		(8)
Total transactions with owners	-	(16)	(1)	(11,820)	(123)	(11,943)
Balance at March 31, 2022	(134)	-	52,175	552,163	23,441	575,604

#### (4) Condensed Quarterly Consolidated Statement of Cash Flow

	Three months ended March 31, 2021	Three months ended March 31, 2022
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Profit (loss) before tax	(5,937)	8,155
Depreciation and amortization	18,616	18,718
Impairment losses (reversal of impairment losses)	14,794	-
Loss (gain) on disposal of fixed assets	612	(6)
Gain on transfer of business	-	(1,554)
Increase (decrease) in retirement benefit liability	670	616
Interest and dividend income	(170)	(1,023)
Interest expenses	791	603
Interest on other financial liabilities	334	30
Share of loss (profit) of investments accounted for using equity method	(89)	(1,244)
Decrease (increase) in trade and other receivables	(1,989)	(3,940)
Decrease (increase) in inventories	10,682	(3,120)
Increase (decrease) in trade and other payables	(6,307)	(3,968)
Other	4,155	(5,807)
Subtotal	<u>36,163</u>	<u>7,457</u>
Interest and dividends received	336	400
Interest paid	(634)	(446)
Interest paid on other financial liabilities	(383)	-
Income taxes paid	<u>(4,955)</u>	<u>(42,204)</u>
Net cash provided by (used in) operating activities	30,526	(34,792)
Cash flows from investing activities:		
Payments into time deposits	(11,090)	(3,667)
Proceeds from withdrawal of time deposits	8,571	2,758
Purchase of property, plant and equipment	(34,107)	(5,513)
Proceeds from sales of property, plant and equipment and intangible assets	34	6
Purchase of intangible assets	(3,815)	(6,281)
Proceeds from transfer of business	-	1,107
Other	1,749	2,403
Net cash provided by (used in) investing activities:	<u>(38,658)</u>	<u>(9,186)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	(1,850)	34,446
Proceeds from long-term borrowings	10,000	-
Repayments of long-term borrowings	(10,000)	-
Purchase of treasury shares	(7)	(3)
Proceeds from disposal of treasury shares	13	89
Dividends paid	(7,684)	(11,555)
Dividends paid to non-controlling interests	(11)	(450)
Repayment of lease liabilities	(6,489)	(7,485)
Repayment of long-term accounts payable	<u>(3,382)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(19,411)</u>	<u>15,042</u>
Net change in cash and cash equivalents (decrease)	(27,543)	(28,936)
Cash and cash equivalents at beginning of period	136,347	156,503
Effect of exchange rate changes on cash and cash equivalents	4,794	4,178
Net change in cash and cash equivalents included in assets held for sale	<u>-</u>	<u>230</u>
Cash and cash equivalents at end of period	<u><u>113,599</u></u>	<u><u>131,975</u></u>

## (5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

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

Not applicable.

### (Segment Information, etc.)

#### (1) Overview of Reportable Segments

With respect to its reportable segments, the Company is able to obtain delineated financial data from its structural units through co-administration. Accordingly, its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance by the Board of Directors.

Shiseido's main business is the production and sale of cosmetics. The Company engages in business activities under a matrix organization encompassing brand categories based on consumer purchasing style and six regions (Japan, China, Asia Pacific, the Americas, EMEA, and Travel Retail). This matrix organization gives the leader in each region broad authority as well as responsibility for sales and profits to ensure flexible decision-making. In specific terms, the Company's seven reportable segments, which mainly refer to regions, are the "Japan Business," "China Business," "Asia Pacific Business," "Americas Business," "EMEA Business," "Travel Retail Business" and "Professional Business."

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

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

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

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

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

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

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

Other includes head office administration departments, IPSA Co., Ltd., manufacturing operations and the Restaurant business, etc.

#### (Changes of reportable segments, etc.)

The Group has revised its reportable segment classifications from the three months ended March 31, 2022. The business results of Shiseido Beauty Salon Co., Ltd., previously included in the Other segment, are now included in the Japan Business.

The business results related to the brand holder functions of the *NARS* and *Drunk Elephant* brands, previously included in the Americas Business, are now included in the Other segment.

Segment information for the three months ended March 31, 2021 has been restated to reflect the reclassification.

## (2) Method to Determine Sales and Profit (Loss) by Reportable Segment

Profit by reportable segments is stated on the basis of core operating profit, which is operating profit (loss) by excluding profit and loss caused by non-ordinary factors such as structural reform expenses and impairment losses, etc.

Intersegment transaction pricing and transfer pricing are determined based on prevailing market prices.

## (3) Segment Revenue and Business Result

Revenue and business results by reportable segment of the Group are as follows.

Three Months Ended March 31, 2021 (January 1 to March 31, 2021)

(Millions of yen)

	Reportable Segment						
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business	Professional Business
Net sales							
Sales to external customers	69,915	65,349	16,092	24,371	24,440	27,703	3,712
Intersegment sales or transfer	9,407	202	609	2,483	2,123	106	154
Total	79,322	65,552	16,701	26,854	26,563	27,809	3,867
Segment profit (loss) i.e. Core operating profit	4,073	2,107	2,109	(2,123)	(766)	4,912	504
	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation			
Net sales							
Sales to external customers	5,401	236,986	-	236,986			
Intersegment sales or transfer	55,869	70,956	(70,956)	-			
Total	61,270	307,943	(70,956)	236,986			
Segment profit (loss) i.e. Core operating profit	4,126	14,944	(5,772)	9,171			

Note:

1. The EMEA Business includes Europe, the Middle East and African regions.
2. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations and the Restaurant business, etc.
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.

Three Months Ended March 31, 2022 (January 1 to March 31, 2022)

(Millions of yen)

	Reportable Segment						
	Japan Business (Note 4)	China Business (Note 4)	Asia Pacific Business (Note 4)	Americas Business	EMEA Business (Note 1)	Travel Retail Business	Professional Business
Net sales							
Sales to external customers	57,019	51,910	15,409	25,188	28,485	37,195	3,915
Intersegment sales or transfer	1,834	116	2,046	715	3,186	39	148
Total	58,944	52,027	17,456	25,903	31,671	37,235	4,064
Segment profit (loss) i.e. Core operating profit	(4,106)	(2,828)	1,237	1,095	1,952	8,118	629
	Other (Note 2, 4)	Total	Adjustments (Note 3)	Consolidation			
Net sales							
Sales to external customers	14,807	234,023	-	234,023			
Intersegment sales or transfer	56,074	64,161	(64,161)	-			
Total	70,881	298,185	(64,161)	234,023			
Segment profit (loss) i.e. Core operating profit	(2,474)	3,623	754	4,378			

Note:

1. The EMEA Business includes Europe, the Middle East and African regions.
2. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations and the Restaurant business, etc.
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
4. Net sales from regional sales subsidiaries related to the Personal Care business, previously recorded in 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.

Adjustments from segment profit (loss) to operating profit (loss) as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2022
	Millions of yen	Millions of yen
Segment profit (loss)	9,171	4,378
Gain on transfer of business	-	1,554
Structural reform expenses	-	(1,498)
Subsidy income on COVID-19	614	127
Loss on COVID-19	(944)	(184)
Impairment loss	(15,338)	-
Operating profit (loss)	(6,497)	4,376

“Gain on transfer of business” for the three months ended March 31, 2022 is gain on transfer of assets which four of the Company’s subsidiaries operating the Personal Care business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., Shiseido Malaysia Sdn. Bhd., and PT. Shiseido Cosmetics Indonesia) transferred to affiliates of Oriental Beauty Holding Co., Ltd. The gain on transfer of business is included in “Other operating income” in condensed quarterly consolidated statement of profit and loss.

“Structural reform expenses” for the three months ended March 31, 2022 are the costs associated with the transfer of three prestige makeup brands, the transfer of the personal care business and the transfer of the professional business. The expenses are included in “Selling, general and administrative expenses” and “Other operating expenses” in condensed quarterly consolidated statement of profit and loss.

### **(First-time adoption of IFRS)**

The Group disclosed its condensed quarterly consolidated financial statements in accordance with IFRS from the first three months of the fiscal year ending December 31, 2022. The most recent consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles in Japan (“Japanese GAAP”) are those for the fiscal year ended December 31, 2021, and the date of transition to IFRS (hereinafter the “transition date”) is January 1, 2021.

#### **(1) Exemption in IFRS 1**

In principle, IFRS requires that companies adopting IFRS for the first time (hereinafter, “First-time Adopter”) apply the standards required under IFRS retrospectively. However, for some of the standards required under IFRS, IFRS 1 *First-Time Adoption of International Financial Reporting Standards* (hereinafter, “IFRS 1”) specifies standards for which the exemption is applied mandatorily and those for which the exemption is applied voluntarily. The impact based on the application of these exemptions is adjusted in retained earnings and other components of equity at the transition date. The exemptions that the Group applies in connection with the transition from Japanese GAAP to IFRS are as follows:

- **Business combinations**

IFRS 1 permits a First-time Adopter to elect not to apply IFRS 3 *Business Combinations* (hereinafter, “IFRS 3”) retrospectively to business combinations that occurred before the date of transition to IFRS. The Group elected to apply this exemption and not to apply IFRS 3 retrospectively to the business combinations that occurred before the transition date. Accordingly, goodwill arising in business combinations that occurred before the transition date was recorded at the carrying amount under Japanese GAAP at the transition date.

Goodwill is tested for impairment at the transition date, regardless of whether there is an indication of impairment.

- **Exchange differences on translation of foreign operations**

IFRS 1 permits a First-time Adopter to elect to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS. The Group elected to deem the cumulative translation differences of all foreign operations to be zero at the transition date.

- **Share-based payments**

A First-time Adopter is encouraged, but not required, to apply IFRS 2 *Share-based Payment* (hereinafter, “IFRS 2”) to equity instruments that were granted after November 7, 2002 and vested before the date of transition to IFRS. The Group elected not to apply IFRS 2 to share-based payments vested before the transition date.

- **Leases**

IFRS 1 permits a First-time Adopter to assess whether a contract contains a lease on the basis of facts and circumstances existing at the transition date. In addition, IFRS 1 permits a First-time Adopter to measure a lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of transition to IFRS, and to measure a right-of-use asset, on a lease-by-lease basis, at either: its carrying amount as if IFRS 16 *Lease* had been applied since the commencement date of the lease, but using the lessee’s incremental borrowing rate at the transition date as discounted rate; or an amount equal to the lease liability.

Furthermore, IFRS 1 permits a First-time Adopter, as practical expedients, to recognize a lease for which the lease term ends within 12 months of the date of transition to IFRS or for which the underlying asset is of low value as an expense.

The Group applies these exemptions and practical expedients, and recognize and measure leases.



- Decommissioning liabilities included in the cost of property, plant and equipment

With respect to the measurement of liabilities associated with decommissioning, etc. (hereinafter “decommissioning liabilities”) which are included in the cost of property, plant and equipment, IFRS 1 permits to choose either a method in which decommissioning liabilities are measured retroactively from the point in time when such liabilities first arose, or a method in which decommissioning liabilities are measured at the transition date. The Group elected for the former in measuring decommissioning liabilities which are included in the cost of property, plant and equipment.

- Borrowing costs

IFRS 1 permits to begin capitalizing borrowing costs relating to qualifying assets on the date of transition to IFRS. The Group capitalizes borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after the transition date.

- Designation of financial instruments recognized before the transition date

IFRS 1 permits an entity to assess the classification under IFRS 9 *Financial Instruments* (hereinafter, “IFRS 9”) on the basis of the facts and circumstances that exist at the transition date rather than those that exist at initial recognition. IFRS 1 also permits an entity to designate changes in the fair value of an equity instruments as financial assets measured through other comprehensive income on the basis of the facts and circumstances that exist at the transition date.

The Group assesses the classification under IFRS 9 on the basis of the facts and circumstances that exist at the transition date and designates investments to all equity instruments, which are not held for sale, as financial assets measured at fair value through other comprehensive income.

- (2) Mandatory exceptions under IFRS 1

IFRS 1 prohibits the retrospective application of IFRS concerning “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interests,” “classification and measurement of financial instruments” and others. The Group prospectively applies these items from the transition date.

### (3) Reconciliations

The reconciliations required to be disclosed at the first-time adoption of IFRS are as follows.

In the reconciliations below, “Reclassification” includes items that do not affect retained earnings and comprehensive income, while “Differences in recognition and measurement” include items that affect retained earnings and comprehensive income.

#### Reconciliations of equity as of transition date (January 1, 2021)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets						Assets
Current assets						Current assets
Cash and time deposits	130,013	6,334	-	136,347	1, 4	Cash and cash equivalents
Notes and accounts receivable	144,728	1,041	738	146,507	2, 3	Trade and other receivables
Short-term investment securities	21,000	(5,170)	-	15,829	1, 3, 4	Other financial assets
Inventories	170,031	276	(7,306)	163,001	17	Inventories
Other current assets	52,634	(6,241)	(1,694)	44,698	2	Other current assets
Allowance for doubtful accounts	(3,644)	3,644	-	-	3	
Total current assets	514,763	(115)	(8,262)	506,385		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	341,044	(13,011)	1,444	329,478	6, 8, 18	Property, plant and equipment
Goodwill	54,429	-	-	54,429		Goodwill
Trademark rights	131,636	54,380	11,736	197,753	7, 19	Intangible assets
Other intangible assets	55,326	(55,047)	(278)	-		
	-	24,320	107,344	131,665	8, 19, 21	Right-of-use assets
	-	2,230	(6)	2,224	9	Investments accounted for using equity method
Investment securities	13,527	25,766	4,952	44,246	3, 4, 9, 29	Other financial assets
Long-term prepaid expenses	14,125	(14,125)	-	-	6, 10	
Deferred tax assets	42,501	-	17,927	60,428	28	Deferred tax assets
Other investments	37,015	(23,485)	(366)	13,163	4, 10	Other non-current assets
Allowance for doubtful accounts	(140)	140	-	-	3	
Total fixed assets	689,466	1,168	142,754	833,390		Total non-current assets
Total assets	1,204,229	1,053	134,492	1,339,775		Total assets

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable	21,187	164,863	(154)	185,896	11	Current liabilities
Electronically recorded obligations - operating	55,740	(55,740)	-	-	11	Trade and other payables
Short-term debt	56,491	10,730	-	67,221	12	Bonds and borrowings
Current portion of long-term debt	10,730	(10,730)	-	-	12	
Lease obligations	8,344	-	14,436	22,781	21	Lease liabilities
Other payables	75,695	(75,695)	-	-	11	
Accrued income taxes	7,374	-	-	7,374		Income taxes payable
Reserve for sales returns	6,227	(6,227)	-	-	11	
Refund liabilities	10,518	(10,518)	-	-	11	
Accrued bonuses for employees	15,024	(15,024)	-	-	15	
Accrued bonuses for directors	165	(165)	-	-	15	
Provision for liabilities and charges	545	2,228	-	2,773	13	Provisions
Provision for loss on business withdrawal	725	(725)	-	-	13	
	-	4,926	-	4,926	14	Other financial liabilities
Other current liabilities	84,208	(7,646)	13,855	90,417	13, 14, 15, 24, 25, 26	Other current liabilities
Total current liabilities	352,977	276	28,136	381,390		Total current liabilities

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
<b>Long-Term Liabilities</b>						<b>Non-current liabilities</b>
Bonds	65,000	167,861	-	232,861	12	Bonds and borrowings
Long-term debt	167,861	(167,861)	-	-	12	
Lease obligations	15,872	-	105,902	121,774	21	Lease liabilities
Long-term payables	52,968	824	253	54,046	14	Other financial liabilities
Liability for retirement benefits	27,189	777	21,935	49,902	27	Retirement benefit liability
Allowance for losses on guarantees	350	(350)	-	-	14	
	-	1,679	-	1,679	13	Provisions
Deferred tax liabilities	2,944	-	1,007	3,951	28	Deferred tax liabilities
Other long-term liabilities	12,472	(2,153)	(7,460)	2,858	13, 14, 26, 30	Other non-current liabilities
<b>Total long-term liabilities</b>	<b>344,658</b>	<b>777</b>	<b>121,638</b>	<b>467,073</b>		<b>Total non-current liabilities</b>
<b>Total liabilities</b>	<b>697,635</b>	<b>1,053</b>	<b>149,775</b>	<b>848,464</b>		<b>Total liabilities</b>
<b>Net assets</b>						<b>Equity</b>
Common stock	64,506	-	-	64,506		Share capital
Capital surplus	70,741	1,399	555	72,696	16, 30	Capital surplus
Treasury stock	(2,455)	-	-	(2,455)		Treasury shares
Stock acquisition rights	1,399	(1,399)	-	-	16	
Retained earnings	339,817	-	(3,939)	335,878	32	Retained earnings
Total accumulated other comprehensive income	11,678	-	(11,916)	(237)	27, 29, 31	Other components of equity
	485,688	-	(15,300)	470,388		Total equity attributable to owners of parent
Non-controlling interests in consolidated subsidiaries	20,905	-	17	20,922		Non-controlling interests
<b>Total net assets</b>	<b>506,593</b>	<b>-</b>	<b>(15,283)</b>	<b>491,310</b>		<b>Total equity</b>
<b>Total liabilities and net assets</b>	<b>1,204,229</b>	<b>1,053</b>	<b>134,492</b>	<b>1,339,775</b>		<b>Total liabilities and equity</b>

Reconciliations of equity as of the end of the first quarter of the previous fiscal year (March 31, 2021)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets						Assets
Current assets						Current assets
Cash and time deposits	129,817	(16,218)	-	113,599	1, 4	Cash and cash equivalents
Notes and accounts receivable	153,671	(5,303)	934	149,302	2, 3	Trade and other receivables
Short-term investment securities	2,000	17,043	-	19,043	1, 3, 4	Other financial assets
Inventories	167,215	(19,745)	(8,114)	139,356	17	Inventories
Other current assets	43,746	(5,876)	(350)	37,518	2, 28	Other current assets
Allowance for doubtful accounts	(4,301)	4,301	-	-	3	
Total current assets	492,148	(25,797)	(7,530)	458,820		Subtotal
	-	26,158	580	26,738	5	Assets held for sale
	492,148	360	(6,950)	485,559		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	366,205	(20,425)	1,426	347,206	6, 8, 18	Property, plant and equipment
Goodwill	56,614	-	1,828	58,442	20	Goodwill
Trademark rights	121,187	55,664	12,326	189,178	7, 19	Intangible assets
Other intangible assets	56,506	(56,506)	-	-		
	-	31,087	107,721	138,809	8, 19, 21	Right-of-use assets
	-	2,236	1	2,237	9	Investments accounted for using equity method
Investment securities	14,279	25,746	8,898	48,923	3, 4, 9, 29	Other financial assets
Long-term prepaid expenses	14,126	(14,126)	-	-	6, 10	
Deferred tax assets	54,516	-	9,125	63,641	28	Deferred tax assets
Other investments	36,592	(23,187)	(314)	13,090	4, 10	Other non-current assets
Allowance for doubtful accounts	(136)	136	-	-	3	
Total fixed assets	719,891	626	141,012	861,530		Total non-current assets
Total assets	1,212,040	986	134,062	1,347,089		Total assets

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable	22,654	148,330	1,419	172,404	11, 23	Current liabilities
Electronically recorded obligations - operating	52,628	(52,628)	-	-	11	Trade and other payables
Short-term debt	56,076	730	-	56,806	12	Bonds and borrowings
Current portion of long-term debt	730	(730)	-	-	12	
Lease obligations	9,698	(52)	15,263	24,908	21	Lease liabilities
Other payables	63,512	(63,512)	-	-	11	
Accrued income taxes	10,378	-	(1,606)	8,771	28	Income taxes payable
Reserve for sales returns	6,411	(6,411)	-	-	11	
Refund liabilities	11,687	(11,687)	-	-	11	
Accrued bonuses for employees	18,502	(18,502)	-	-	15	
Accrued bonuses for directors	52	(52)	-	-	15	
Provision for liabilities and charges	587	2,448	-	3,036	13	Provisions
Provision for loss on business withdrawal	673	(673)	-	-	13	
	-	4,975	-	4,975	14	Other financial liabilities
Other current liabilities	77,411	(4,189)	14,160	87,382	13, 14, 15, 24, 25, 26	Other current liabilities
Total current liabilities	331,007	(1,957)	29,236	358,286		Subtotal
	-	2,943	-	2,943	5	Liabilities directly associated with assets held for sale
	331,007	986	29,236	361,230		Total current liabilities

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Long-Term Liabilities						Non-current liabilities
Bonds	65,000	180,913	-	245,913	12	Bonds and borrowings
Long-term debt	180,913	(180,913)	-	-	12	
Lease obligations	21,515	(89)	105,766	127,192	21	Lease liabilities
Long-term payables	52,791	770	260	53,822	14	Other financial liabilities
Liability for retirement benefits	26,684	91	23,296	50,072	27	Net defined benefit liability
Allowance for losses on guarantees	350	(350)	-	-	14	
	-	1,722	-	1,722	13	Provisions
Deferred tax liabilities	3,261	-	1,101	4,363	28	Deferred tax liabilities
Other long-term liabilities	11,850	(2,144)	(1,490)	8,215	13, 14, 26, 30	Other non-current liabilities
Total long-term liabilities	362,366	0	128,935	491,301		Total non-current liabilities
Total liabilities	693,373	986	158,171	852,531		Total liabilities
Net assets						Equity
Common stock	64,506	-	-	64,506		Share capital
Capital surplus	70,741	1,413	701	72,857	16, 30	Capital surplus
Treasury stock	(2,425)	-	-	(2,425)		Treasury shares
Stock acquisition rights	1,413	(1,413)	-	-	16	
Retained earnings	330,261	-	(13,267)	316,994	32	Retained earnings
Total accumulated other comprehensive income	31,223	-	(11,806)	19,416	27, 29, 31	Other components of equity
	495,721	-	(24,372)	471,349		Total equity attributable to owners of parent
Non-controlling interests in consolidated subsidiaries	22,946	-	263	23,209		Non-controlling interests
Total net assets	518,667	-	(24,109)	494,558		Total equity
Total liabilities and net assets	1,212,040	986	134,062	1,347,089		Total liabilities and equity

Reconciliations of equity as of December 31, 2021 (Date of most recent consolidated financial statements based on Japanese GAAP)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets						Assets
Current assets						Current assets
Cash and time deposits	172,056	(15,553)	-	156,503	1, 4	Cash and cash equivalents
Notes and accounts receivable	151,115	6,237	1,439	158,791	2, 3	Trade and other receivables
Short-term investment securities	-	16,429	-	16,429	1, 3, 4	Other financial assets
Inventories	143,758	(1,422)	(8,188)	134,147	17	Inventories
Other current assets	58,636	(11,553)	(1,965)	45,117	2, 4	Other current assets
Allowance for doubtful accounts	(4,032)	4,032	-	-	3	
Total current assets	521,533	(1,829)	(8,715)	510,989		Subtotal
	-	1,933	-	1,933	5	Assets held for sale
	521,533	104	(8,715)	512,922		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	357,405	(19,156)	1,787	340,037	6, 8, 18	Property, plant and equipment
Goodwill	44,159	-	6,269	50,429	19, 20	Goodwill
Trademark rights	40,322	61,458	33	101,814	7, 19	Intangible assets
Other intangible assets	62,007	(62,007)	-	-		
	-	29,013	98,818	127,832	8, 19, 21	Right-of-use assets
	-	2,418	19,273	21,691	9, 22	Investments accounted for using equity method
Investment securities	9,717	55,212	8,847	73,777	3, 4, 9, 29	Other financial assets
Long-term loans receivable	31,116	(31,116)	-	-	4	
Long-term prepaid expenses	12,367	(12,367)	-	-	6, 10	
Deferred tax assets	72,968	-	(5,534)	67,433	28	Deferred tax assets
Other investments	27,792	22,636	(115)	5,040	4, 10	Other non-current assets
Allowance for doubtful accounts	(30)	30	-	-	3	
Total fixed assets	657,827	849	129,380	788,056		Total non-current assets
Total assets	1,179,360	953	120,664	1,300,979		Total assets



Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable	28,021	175,699	(2)	203,718	11	Current liabilities
Electronically recorded obligations - operating	40,584	(40,584)	-	-	11	Trade and other payables
Short-term debt	-	15,730	-	15,730	12	Bonds and borrowings
Current portion of long-term debt	730	(730)	-	-	12	
Current portion of corporate bonds scheduled for redemption	15,000	(15,000)	-	-	12	
Lease obligations	9,664	-	15,618	25,283	21	Lease liabilities
Other payables	96,488	(96,488)	-	-	11	
Accrued income taxes	45,600	-	-	45,600		Income taxes payable
Reserve for sales returns	3,379	(3,379)	-	-	11	
Refund liabilities	13,631	(13,631)	-	-	11	
Accrued bonuses for employees	29,557	(29,557)	-	-	15	
Accrued bonuses for directors	169	(169)	-	-	15	
Provision for liabilities and charges	293	10,708	(158)	10,843	13	Provisions
Provision for loss on business withdrawal	95	(95)	-	-	13	
Provision for structural reforms	8,524	(8,524)	-	-	13	
	-	4,914	-	4,914	14	Other financial liabilities
Other current liabilities	92,291	1,233	13,945	107,470	13, 14, 15, 24, 25, 26	Other current liabilities
Total current liabilities	384,031	126	29,404	413,561		Total current liabilities

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
<b>Long-Term Liabilities</b>						<b>Non-current liabilities</b>
Bonds	50,000	95,915	-	145,915	12	Bonds and borrowings
Long-term debt	95,915	(95,915)	-	-	12	
Lease obligations	19,673	(12)	99,248	118,909	21	Lease liabilities
Long-term payables	4,756	772	117	5,646	14	Other financial liabilities
Liability for retirement benefits	18,587	827	22,745	42,159	27	Retirement benefit liability
Allowance for losses on guarantees	350	(350)	-	-	14	
	-	1,753	-	1,753	13	Provisions
Deferred tax liabilities	1,040	-	564	1,605	28	Deferred tax liabilities
					13, 14,	
Other long-term liabilities	37,573	(2,163)	(26,161)	9,248	22, 26, 30	Other non-current liabilities
<b>Total long-term liabilities</b>	<b>227,896</b>	<b>827</b>	<b>96,514</b>	<b>325,237</b>		<b>Total non-current liabilities</b>
<b>Total liabilities</b>	<b>611,927</b>	<b>953</b>	<b>125,918</b>	<b>738,799</b>		<b>Total liabilities</b>
<b>Net assets</b>						<b>Equity</b>
Common stock	64,506	-	-	64,506		Share capital
Capital surplus	70,741	1,067	1,226	73,035	16, 30	Capital surplus
Treasury stock	(2,338)	-	-	(2,338)		Treasury shares
Stock acquisition rights	1,067	(1,067)	-	-	16	
Retained earnings	366,306	-	5,895	372,202	32	Retained earnings
Total accumulated other comprehensive income	45,805	-	(12,516)	33,288	27, 29, 31	Other components of equity
	546,089	-	(5,394)	540,695		Total equity attributable to owners of parent
Non-controlling interests in consolidated subsidiaries	21,343	-	141	21,484		Non-controlling interests
<b>Total net assets</b>	<b>567,433</b>	<b>-</b>	<b>(5,253)</b>	<b>562,179</b>		<b>Total equity</b>
<b>Total liabilities and net assets</b>	<b>1,179,360</b>	<b>953</b>	<b>120,664</b>	<b>1,300,979</b>		<b>Total liabilities and equity</b>

## Notes on reconciliation of equity

### (Reclassification)

Reclassifications consist mainly of the following:

- 1) Reclassification of cash and deposits  
Short-term investments whose redemption date is due within three months from the acquisition date, which were included in “Short-term investment securities” under Japanese GAAP, are reclassified to “Cash and cash equivalents” under IFRS.
- 2) Reclassification of account receivables  
Account receivables, which were included in “Other current assets” under Japanese GAAP, are reclassified to “Trade and other receivables” under IFRS.
- 3) Reclassification of allowance for doubtful accounts  
“Allowance for doubtful accounts (current),” which was separately presented under Japanese GAAP, is reclassified to be presented on a net basis by directly deducting the item from “Trade and other receivables” and “Other financial assets (current)” under IFRS. Likewise, “Allowance for doubtful accounts (non-current)” is reclassified to be presented on a net basis by directly deducting the item from “Other financial liabilities (non-current).”
- 4) Reclassification of other financial assets  
Time deposits with maturities of more than three months, which were included in “Cash and time deposits” under Japanese GAAP, are reclassified to “Other financial assets (current)” under IFRS.  
Meanwhile, guarantee and leasehold deposits, etc. which were included in “Other investments” and “Long-term loans receivable” in fixed assets under Japanese GAAP, are reclassified to “Other financial assets (non-current)” under IFRS.
- 5) Reclassification of assets held for sale and liabilities directly related to assets held for sale  
Non-current assets held for sale or disposal groups are presented as “Assets held for sale” and “Liabilities directly associated with assets held for sale” under IFRS.
- 6) Reclassification of property, plant and equipment  
Under Japanese GAAP, some store furniture and fixtures in the Cosmetics Business were presented as “Long-term prepaid expenses,” but they are presented as “Property, plant and equipment” under IFRS.
- 7) Reclassification of intangible assets  
“Trademark rights” of intangible assets, which were stated separately under Japanese GAAP, are presented as “Intangible assets” under IFRS.
- 8) Reclassification of right-of-use assets  
Rights-to-use assets previously recorded at foreign subsidiaries to which IFRS was applied were included in “Property, plant and equipment.” Under IFRS, they are presented separately as “Right-of-use assets.”
- 9) Reclassification of recorded amounts of investments accounted for using the equity method  
“Investments accounted for using equity method,” which was included in “Investment securities” under Japanese GAAP, is separately presented under IFRS.
- 10) Reclassification of other non-current assets  
“Long-term prepaid expenses”, which were stated separately under Japanese GAAP, are presented as “Other non-current assets” under IFRS.
- 11) Reclassification of trade and other payables  
“Notes and accounts payable,” “Electronically recorded obligations,” “Other payable,” “Reserve for sales returns” and “Refund liabilities,” which were stated separately under Japanese GAAP, are presented as “Trade and other payables” under IFRS.

- 12) Reclassification of bonds and borrowings  
 “Short-term debt,” “Current portion of long-term debt,” and “Current portion of corporate bonds scheduled for redemption,” which were classified as current liabilities under Japanese GAAP, are represented as “Bonds and borrowings (current)” Under IFRS. “Bonds payable” and “Long-term debt,” which were separately presented as long-term liabilities under Japanese GAAP, are presented as “Bonds and borrowings (non-current)” under IFRS.
- 13) Reclassification of provisions  
 “Provision for liabilities and charges,” “Provision for loss on business withdrawal,” and “Provision for structural reforms”, which were separately presented under Japanese GAAP, and asset retirement obligations and other provisions, which were included in “Other current liabilities” under current liabilities, under Japanese GAAP, are presented as “Provisions (current)” under IFRS. Asset retirement obligations, which were included in “Other long-term liabilities” in long-term liabilities under Japanese GAAP, and other provisions are presented as “Provisions (non-current)” under IFRS.
- 14) Reclassification of other financial liabilities  
 Deposits received and temporary receipts included in “Other current liabilities” under Japanese GAAP have been reclassified as “Other financial liabilities (current)” under IFRS. Meanwhile, “Allowance for losses on guarantees” and “Long-term payables,” which were presented separately in long-term liabilities and Long-term deposits received, which were included in “Other long-term liabilities,” are reclassified to “Other financial liabilities (non-current)” under IFRS.
- 15) Reclassification of other current liabilities  
 “Accrued bonuses for employees” and “Accrued bonuses for directors,” which were separately presented under Japanese GAAP, are presented as “Other current liabilities” under IFRS.
- 16) Reclassification of capital surplus  
 “Stock acquisition rights,” which were stated separately under Japanese GAAP, are presented as “Capital surplus” under IFRS.

(Recognition and measurement differences)

Recognition and measurement differences consist mainly of the following:

- 17) Adjustments to the recorded amount of inventories  
 Promotional assets, which were included in “Inventories” under Japanese GAAP, are recognized as expenses at the time of purchase because they do not meet the definition of assets under IFRS.
- 18) Adjustments to recorded amount of property, plant and equipment  
 Real estate acquisition taxes, which was expensed under Japanese GAAP, are capitalized under IFRS.
- 19) Application of impairment accounting  
 After assessing the recoverability of non-current assets based on IFRS, impairment loss is recorded for certain right-of-use assets and a reversal of impairment loss is recorded for certain intangible assets as of the transition date. Difference from impairment loss under Japanese GAAP is recorded for certain goodwill and intangible assets in the previous fiscal year.
- 20) Adjustments to recorded amount of goodwill  
 Under Japanese GAAP, the amortization period for goodwill was estimated and amortized over that number of years. Under IFRS, however, goodwill is not amortized after the transition date.
- 21) Adjustments to lease transactions  
 Operating lease transactions and finance lease transactions that were accounted for as operating leases under Japanese GAAP are accounted for as “Right-of-use assets” under IFRS in accordance with purchase and sale transactions, and the corresponding obligations are included in “Lease liabilities (current)” and “Lease liabilities (non-current).”

- 22) Partial sales of shares of subsidiaries that result in a loss of control  
 In the case that a subsidiary becomes an affiliate due to loss of control as a result of partial sales of shares of subsidiary, the residual investment was adjusted to investment appraisal value by the equity method under Japanese GAAP, but under IFRS, the residual investment is measured in fair value.
- 23) Adjustments to levies  
 Under Japanese GAAP, expenses were recognized for items qualified as levies such as property tax, etc. over the fiscal year in which the taxes were paid. Under IFRS, they are recognized as “Trade and other payables” on the date when an obligation event occurs.
- 24) Adjustments to accrued paid absences  
 Unused paid absences, which were not accounted for under Japanese GAAP, are recoded as liabilities in “Other current liabilities” under IFRS.
- 25) Adjustments to the timing of revenue recognition  
 For points provided to customers in accordance with sales of products, under Japanese GAAP, revenue was recorded in full at the time of sale and the amount expected to be used by customers in the future was recorded as an allowance. Under IFRS, however, transaction prices allocated to points expected to be used by customers in the future at the time of sale are recorded as “Other current liabilities” and revenue is recognized based on the use of points.
- 26) Adjustments to government subsidies  
 Under Japanese GAAP, subsidies related to assets were recognized as revenue collectively when they were finalized to be received, but under IFRS, they are recorded as deferred revenue in “Other current liabilities” and “Other non-current liabilities” and are recognized as revenue on a regular basis over the period in which the corresponding assets are recognized as expenses.
- 27) Adjustments to postretirement benefits  
 Under Japanese GAAP, actuarial gains and losses and past service costs in retirement benefits were recognized in other comprehensive income when incurred and amortized through profit or loss over a certain number of years within the average remaining service period of employees when incurred. Under IFRS, remeasurements of defined benefit plans are recognized in other comprehensive income when incurred, and past service costs are recognized in profit or loss when incurred. Remeasurements of defined benefit plans recognized in other comprehensive income are immediately reclassified to “Retained earnings” after being recognized in other components of equity.  
 In addition, IFRS calculates the mortality rate, which is one of the assumptions used to determine the defined benefit obligation, using figures that are expected to change in the future.
- 28) Adjustments to income tax expense  
 The amounts of “Deferred tax assets” and “Deferred tax liabilities” have been adjusted due to temporary differences arising from the reconciliation of Japanese GAAP to IFRS and a reexamination of the recoverability of deferred tax assets.  
 Under Japanese GAAP, the recording of deferred tax assets for elimination of unrealized gains on internal transactions within the consolidated group was assessed for recoverability based on taxable income generated by the selling entities and calculated using the effective tax rate of the selling entities. Under IFRS, the recoverability is assessed based on future taxable income in the acquiring entities and calculated using the effective tax rate of the acquiring entities.  
 In addition, income tax expense in the quarterly financial statements were calculated in the same manner as in the annual financial statements under Japanese GAAP, but under IFRS, they are calculated based on the estimated annual effective tax rate, and the adjustments are recorded in “Other current assets” and “Income taxes payable.”

29) Measurements of financial instruments

Under Japanese GAAP, unlisted shares were accounted for based on their historical cost, and impairment losses were recognized as the issuer's financial condition deteriorated as required. However, under IFRS, changes in fair value are measured at fair value and recognized in other comprehensive income. Accumulated amounts recognized in other comprehensive income are immediately reclassified to "Retained earnings" after being recognized in other components of equity.

30) Adjustments to capital surplus

Under Japanese GAAP, the estimated amount of benefits related to stock compensation plans (performance-linked stock compensation plans) was recorded in "Other long-term liabilities." Under IFRS, the estimated amount of stock-based benefits is accounted for as equity-settled stock-based payment, and the adjustments are recorded in "Capital surplus."

31) Adjustments to cumulative exchange differences on translation of foreign operations

Applying for the exemption of first-time adoption, all cumulative translation differences of foreign operations as of the transition date have been reclassified to "Retained earnings."

32) Adjustments to retained earnings

The impact of the adoption of IFRS on retained earnings is as follows. The tax effect adjustments related to each reconciling item are included in adjustments to deferred tax assets and liabilities, and adjustments to non-controlling interests are included in other items.

	IFRS transition date (January 1, 2021)	As of March 31, 2021	As of December 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Adjustments to the recorded amount of inventories (Note 17)	(7,342)	(8,210)	(8,225)
Application of impairment accounting (Note 19)	11,536	12,405	(202)
Adjustments to recorded amount of goodwill (Note 20)	-	1,762	5,996
Adjustments to lease transactions (Note 21)	(2,431)	(2,414)	(4,935)
Adjustments to recorded amount of investment accounted for equity method (Note 22)	-	-	44,824
Adjustments to levies (Note 23)	-	(1,551)	-
Adjustments to accrued paid absences (Note 24)	(11,757)	(12,038)	(12,021)
Adjustments to the timing of revenue recognition (Note 25)	(3,554)	(3,722)	(4,059)
Adjustments to governmental subsidies (Note 26)	(539)	(2,088)	(1,962)
Adjustments to postretirement benefits (Note 27)	(18,533)	(19,662)	(16,289)
Adjustments to income tax expense (Note 28)	16,813	11,318	(6,242)
Measurements of financial instruments (Note 29)	5,827	6,015	4,228
Adjustments to cumulative exchange differences on translation of foreign operations (Note 31)	5,257	5,257	5,257
Others	784	(337)	(470)
Total	(3,939)	(13,267)	5,895

Reconciliations of profit or loss and comprehensive income for the Three Months Ended March 31, 2021  
(January 1, 2021 - March 31, 2021)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Net sales	244,011	(6,832)	(192)	236,986	1	Net sales
Cost of sales	62,652	50	912	63,615	2, 4, 7, 8	Cost of sales
Gross profit	181,359	(6,883)	(1,105)	173,370		Gross profit
Selling, general and administrative expenses	170,474	10,197	1,206	181,878	1, 2, 4, 5, 6, 7, 8	Selling, general and administrative expenses
	-	2,980	(970)	2,010	2, 9	Other operating income
	-	-	-	-		Other operating expenses
Operating loss	10,884	(14,099)	(3,282)	(6,497)		Operating loss
Non-operating income	4,127	(4,127)	-	-	2	
Non-operating expenses	1,158	(1,158)	-	-	2	
Extraordinary gains	691	(691)	-	-	2	
Extraordinary losses	16,887	(16,887)	-	-	2	
	-	1,756	(62)	1,693	2	Finance income
	-	965	258	1,224	2, 7	Finance costs
	-	82	7	89	2	Share of profit (loss) of investments accounted for using equity method
Quarterly profit (loss) before income taxes	(2,341)	-	(3,596)	(5,937)		Loss before tax
Income taxes – current	9,855	(11,547)	5,764	4,073	3, 12	Income tax expense
Income taxes – deferred	(11,547)	11,547	-	-	3	
Quarterly profit (loss) before income taxes	(649)	-	(9,361)	(10,011)		Loss
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	301	-	9	310		Financial assets measured through other comprehensive income
Adjustment for retirement benefits	376	-	(379)	(3)	7	Remeasurements of defined benefit plans
	-	0	(0)	-		Share of other comprehensive income of investments accounted for using equity method
	-	-	(4)	(4)		Items that may be reclassified to profit or loss
Foreign currency translation adjustments	20,030	-	772	20,802		Cash flow hedges
Share of other comprehensive income of associates accounted for under the equity method	0	(0)	-	-		Exchange differences on translation of foreign operations
Total other comprehensive income	20,707	-	397	21,105		Share of other comprehensive income of investments accounted for using equity method
Quarterly Comprehensive Income	20,057	-	(8,963)	11,094		Other comprehensive income, net of tax
						Comprehensive income

Reconciliations of profit or loss and comprehensive income for the fiscal year ended December 31, 2021  
(January 1, 2021 - December 31, 2021) (Fiscal year of most recent consolidated financial statements based on Japanese GAAP)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Net sales	1,035,165	(25,036)	(162)	1,009,966	1	Net sales
Cost of sales	262,959	7,900	948	271,808	2, 4, 7, 8	Cost of sales
Gross profit	772,206	(32,936)	(1,110)	738,158		Gross profit
Selling, general and administrative expenses	730,619	27,232	9,154	767,007	1, 2, 4, 5, 6, 7, 8, 11	Selling, general and administrative expenses
	-	96,383	44,615	140,999	2, 9, 10	Other operating income
	-	7,427	4,152	11,579	2, 11	Other operating expenses
Operating profit	41,586	28,787	30,197	100,571		Operating Profit
Non-operating income	9,453	(9,453)	-	-	2	
Non-operating expenses	6,204	(6,204)	-	-	2	
Extraordinary gains	93,066	(93,066)	-	-	2	
Extraordinary losses	64,644	(64,644)	-	-	2	
	-	6,764	(2,685)	4,079	2	Finance income
	-	2,790	1,039	3,829	2, 7	Finance costs
	-	(1,090)	(618)	(1,709)	2	Share of profit (loss) of investments accounted for using equity method
Profit before income taxes	73,256	-	25,854	99,111		Profit before tax
Income taxes – current	61,923	(33,578)	21,316	49,661	3, 12	Income tax expense
Refund of income taxes for prior years	(1,165)	1,165	-	-	3	
Income taxes – deferred	(32,413)	32,413	-	-	3	
Net profit	44,912	-	4,538	49,450		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	(1,779)	-	1,889	110		Financial assets measured through other comprehensive income
Adjustment for retirement benefits	3,322	-	1,639	4,961	7	Remeasurements of defined benefit plans
	-	(0)	0	0		Share of other comprehensive income of investments accounted for using equity method
	-	-	98	98		Items that may be reclassified to profit or loss
Foreign currency translation adjustments	34,247	-	815	35,062		Cash flow hedges
Share of other comprehensive income of associates accounted for under the equity method	519	0	(4)	515		Exchange differences on translation of foreign operations
						Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	36,310	-	4,438	40,748		Other comprehensive income, net of tax
Comprehensive Income	81,222	-	8,976	90,198		Comprehensive income



## Notes on reconciliation of profit and loss and comprehensive income

### (Reclassification of Presentation Items)

Reclassifications consist mainly of the following:

- 1) Reclassification of Net sales  
Certain rebates, etc. presented as “Selling, general and administrative expenses” under Japanese GAAP have been deducted from “Net sales” under IFRS.
- 2) Other Reclassifications  
For items presented as “Non-operating income,” “Non-operating expenses,” “Extraordinary income” and “Extraordinary losses” under Japanese GAAP, finance-related profits or losses are recorded as “Finance income” and “Finance costs”, and other items are presented as “Cost of sales,” “Selling, general and administrative expenses,” “Other operating income,” “Other operating expenses,” and “Share of profit of investment accounted for using equity method.” under IFRS.
- 3) Income tax expense  
“Income taxes - current,” “Refund of income taxes for prior years,” and “Income taxes - deferred,” which were separately presented under Japanese GAAP, are presented in total as “Income tax expense” under IFRS.

### (Recognition and measurement differences)

Recognition and measurement differences consist mainly of the following:

- 4) Adjustment to the levies  
Under Japanese GAAP, expenses were recognized for items qualified as levies such as property tax, etc. when the taxes were paid. Under IFRS, they are recognized as “Cost of sales” and “Selling, general and administrative expenses” on the date when an obligation event occurs.
- 5) Reconciliation of selling, general and administrative expenses  
Promotional assets, which were included in “Inventories” under Japanese GAAP, are recognized as “Selling, general and administrative expenses” at the time of purchase because they do not meet the definition of assets under IFRS.
- 6) Adjustment to recorded amount of goodwill  
Under Japanese GAAP, the amortization period for goodwill was estimated and amortized over that number of years. Under IFRS, however, goodwill is not amortized after the transition date.
- 7) Adjustments for remeasurement of defined benefit plans  
Under Japanese GAAP, actuarial gains and losses and past service costs in retirement benefits were recognized in other comprehensive income when incurred and amortized through profit or loss over a certain number of years within the average remaining service period of employees when incurred. Under IFRS, remeasurements of defined benefit plans are recognized in other comprehensive income when incurred, and past service costs are recognized in profit or loss when incurred.  
Under Japanese GAAP, interest cost was recognized by multiplying the retirement benefit obligation by the discount rate and expected return on plan assets was recognized by multiplying by the expected rate of return on plan assets, respectively. Under IFRS, net interest is recognized by multiplying the net retirement benefit obligation and plan assets by the discount rate. The expected return on plan assets and interest cost related to retirement benefits were included in “Cost of sales” and “Selling, general and administrative expenses” as retirement benefit expenses under Japanese GAAP, but net interest related to retirement benefits is presented as “Finance costs” under IFRS.
- 8) Adjustment to Accrued paid absences  
Unused paid absences, which were not accounted for under Japanese GAAP, are recoded as liabilities in “Cost of sales” and “Selling, general and administrative expenses” under IFRS.

- 9) Adjustment to government subsidies  
Under Japanese GAAP, subsidies related to assets were recognized as revenue collectively when they were finalized to be received, but under IFRS, they are treated as deferred revenue and recognized as “Other operating income” on a regular basis over the period in which the corresponding assets are recognized as expenses.
- 10) Partial sales of shares of subsidiaries that result in a loss of control  
In the case that a subsidiary becomes an affiliate due to loss of control as a result of partial sales of shares of subsidiary, the residual investment was adjusted to investment appraisal value by the equity method under Japanese GAAP, but under IFRS, the residual investment is measured in fair value and the difference from the carrying amount is recognized as “Other operating income.”
- 11) Application of impairment accounting  
After assessing the recoverability of non-current assets based on IFRS, difference from impairment loss under Japanese GAAP is recorded to certain goodwill and intangible assets in the previous fiscal year.
- 12) Income tax expense  
The amounts of “Income tax expense” have been adjusted due to temporary differences arising from the reconciliation of Japanese GAAP to IFRS and a reexamination of the recoverability of deferred tax assets.  
Under Japanese GAAP, the recording of deferred tax assets for elimination of unrealized gains on internal transactions within the consolidated group was assessed for recoverability based on taxable income generated by the selling entities and calculated using the effective tax rate of the selling entities. Under IFRS, the recoverability is assessed based on future taxable income generated by the acquiring entities and calculated using the effective tax rate of the acquiring entities.  
In addition, income tax expense in the quarterly financial statements were calculated in the same manner as in the annual financial statements under Japanese GAAP, but under IFRS, they are calculated based on the estimated annual effective tax rate.

Reconciliations of cash flows for the fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021) (Fiscal year of most recent consolidated financial statements based Japanese GAAP)

Under Japanese GAAP, operating leases were accounted for as leases, so their lease payments were classified as cash flows from operating activities. However, under IFRS, a portion of the lease payments is classified as cash flows from financing activities because they correspond to the repayment of the lease liability recognized along with the right-of-use asset.