



Consolidated Settlement of Accounts for the Six Months Ended June 30, 2023 [IFRS]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange (Code Number 4911)
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 Start of cash dividend payments: September 7, 2023 (plan)
 Supplementary quarterly materials prepared: Yes
 Quarterly financial results information meeting held: Yes (for institutional investors, etc.)

1. Performance for the Six Months Ended June 30, 2023 (From January 1 to June 30, 2023)

* 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	Profit	Profit Attributable to Owners of Parent	Total Comprehensive Income
	%	%	%	%	%	%
Six Months Ended June 30, 2023	494,189 [0.2]	28,039 [59.9]	13,632 [(19.7)]	12,421 [(33.5)]	11,753 [(27.7)]	48,305 [(39.3)]
Six Months Ended June 30, 2022	493,399 [(0.4)]	17,539 [(23.9)]	16,979 [−]	18,676 [−]	16,246 [−]	79,604 [−]

[Reference] Profit before tax

Six months ended June 30, 2023: ¥15,391 million [(39.9)%]

Six months ended June 30, 2022: ¥25,611 million [−%]

	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Six Months Ended June 30, 2023	29.42	29.40
Six Months Ended June 30, 2022	40.67	40.64

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 Owner of Parent	Ratio of Equity Attributable to Owner of Parent
As of June 30, 2023	1,269,492	640,888	621,082	48.9%
As of December 31, 2022	1,307,661	625,754	604,259	46.2%

2. Cash Dividends

	Cash Dividends per Share (Yen)				
	Q1	Q2	Q3	Year-End	Full Year
Fiscal Year 2022	—	25.00	—	75.00	100.00
Fiscal Year 2023	—	30.00			
Fiscal Year 2023 (Forecast)			—	30.00	60.00

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

3. Forecast for the Fiscal Year Ending December 31, 2023 (From January 1 to December 31, 2023)

(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 2023	1,000,000 [(6.3)]	60,000 [16.9]	47,000 [(6.8)]	28,000 [(18.1)]	70.08

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

Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2023: 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 June 30, 2023:	400,000,000
As of December 31, 2022:	400,000,000
 - 2) Number of treasury shares

As of June 30, 2023:	372,848
As of December 31, 2022:	452,452
 - 3) Average number of shares outstanding during the period

Six months ended June 30, 2023:	399,584,054
Six months ended June 30, 2022:	399,528,895

This quarterly financial report is not subject to quarterly review procedures by a certified public accountant or audit firm.

Appropriate use of business forecasts; other special items

(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 Six Months Ended June 30, 2023 (3) Consolidated Forecast and Other Forward-Looking Information" on page 8 for information on preconditions underlying the above outlook and other related information.

Contents

1. Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023	2
(1) Consolidated Performance.....	2
(2) Financial Position	8
(3) Consolidated Forecast and Other Forward-Looking Information	8
2. Condensed Quarterly Consolidated Financial Statements and Notes	9
(1) Condensed Quarterly Consolidated Statement of Financial Position.....	9
(2) Condensed Quarterly Consolidated Statement of Profit and Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income.....	11
(3) Condensed Quarterly Consolidated Statement of Changes in Equity	13
(4) Condensed Quarterly Consolidated Statement of Cash Flows	15
(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements.....	16
(Note on Assumptions of a Going Concern).....	16
(Change in Presentation).....	16
(Segment Information, etc.)	16

1. Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023

(1) Consolidated Performance

(Millions of yen)

	Net Sales	Core Operating Profit	Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	EBITDA
Six Months Ended June 30, 2023	494,189	28,039	13,632	15,391	11,753	53,239
Six Months Ended June 30, 2022	493,399	17,539	16,979	25,611	16,246	43,059
Year-on-Year Increase (Decrease)	0.2%	59.9%	(19.7)%	(39.9)%	(27.7)%	23.6%
FX-Neutral	(4.2)%					
Like-for-Like	8.5%					

Notes:

1. Core operating profit is calculated by excluding profit and loss caused by non-ordinary factors (non-recurrent items) 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 impacts of foreign exchange translation and the impacts of all business transfers in the first six months of fiscal year 2023 and 2022, as well as the services provided during the transition period (“business transfer impacts”).

In the first six months of fiscal year 2023, while uncertainty continued such as the prolonged conflict in Ukraine and rising prices, the normalization of economic activities progressed and personal consumption showed signs of improvement.

Japan’s domestic cosmetics market showed a steady recovery thanks to the recovery of economic activities as well as increased opportunities to go outside following the reclassification of COVID-19 to Class 5 under the Infectious Diseases Control Law, while consumers became more budget-conscious due to heightened living expenses. The overall overseas cosmetics markets also continued to recover. In China, the market was challenging especially in January as it was affected by the resurgence of infection cases after the lifting of the zero-COVID policy by the government; however, the market recovered from February onwards and demonstrated steady growth as a whole in the first six months partly because of the low base comparison due to the lockdowns centered in Shanghai in April last year. In the Europe and Americas regions, consumption also continued to be vibrant, and the cosmetics market likewise showed strong growth 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 everyone can enjoy a lifetime of happiness through the power of beauty.

In 2021, the Company launched a medium- to long-term strategy “WIN 2023 and Beyond” in response to challenges caused by the COVID-19 pandemic. Under this strategy, we have executed fundamental transformational reforms aiming to improve our profitability and cash flow, through focusing on the skin beauty area, restructuring our business portfolio, and improving profitability particularly in the Americas and EMEA.

In 2023, when a full-fledged market recovery is expected, we launched a new medium-term strategy “SHIFT 2025 and Beyond.” Under this strategy, we have set a goal of achieving a core operating profit margin of 12% by 2025 and 15% by 2027, through the enhancement of investment in our focused areas of brands, innovations and people as well as establishing a value-added base management model which provides unique

value unmatched by others. In 2023, our first year of this new strategy, we are working to strengthen brand equity by investing in strategic marketing to grow sales surpassing the market growth and increase our market share in each region.

Net sales in the first six months of fiscal year 2023 increased 0.2% year on year to ¥494.2 billion on reported figures, down 4.2% year on year on an FX-neutral basis, or up 8.5% year on year on a like-for-like basis, excluding the foreign exchange and business transfer impacts. Net sales on a like-for-like basis demonstrated steadfast growth year on year in the Japan Business and the China Business through strategic new products launches and marketing activity enhancements that captured the market recovery well, while net sales on a like-for-like basis decreased in the Travel Retail Business which continued to be affected by retailer inventory adjustments and market normalization related to a change in their business model focusing on tourists. Robust sales growth was achieved in the Americas, EMEA, and Asia Pacific Businesses.

Core operating profit increased by ¥10.5 billion year on year to ¥28.0 billion, thanks to higher like-for-like sales through strategic marketing investment and continued agile cost management.

Profit attributable to owners of parent decreased by ¥4.5 billion year on year to ¥11.8 billion, primarily due to the recording of impairment losses, structural reform expenses and losses on business transfer associated with the conclusion of agreement to transfer manufacturing operations of Personal Care products as non-recurrent items, which outweighed an increase in core operating profit.

The EBITDA margin was 10.8%.

Major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements for the first six months of fiscal year 2023 are JPY134.8/USD, JPY145.8/EUR, and JPY19.5/CNY.

[Consolidated Performance]

(Millions of yen)

Classification		Six Months Ended June 30, 2023	% of Total	Six Months Ended June 30, 2022	% of Total	Year-on-Year Increase (Decrease)			
						Amount	Percentage	FX-Neutral	Like-for-Like
Net Sales	Japan Business	125,157	25.3%	115,667	23.4%	9,489	8.2%	8.2%	8.6%
	China Business	130,609	26.4%	115,739	23.4%	14,870	12.8%	9.0%	9.9%
	Asia Pacific Business	30,680	6.2%	31,384	6.4%	(703)	(2.2)%	(7.9)%	13.9%
	Americas Business	52,828	10.7%	59,013	12.0%	(6,185)	(10.5)%	(17.9)%	23.3%
	EMEA Business	52,575	10.7%	55,710	11.3%	(3,135)	(5.6)%	(13.0)%	16.7%
	Travel Retail Business	77,473	15.7%	77,850	15.8%	(377)	(0.5)%	(8.8)%	(3.9)%
	Other	24,863	5.0%	38,033	7.7%	(13,169)	(34.6)%	(34.8)%	(13.9)%
Total		494,189	100.0%	493,399	100.0%	789	0.2%	(4.2)%	8.5%

Classification		Total sales including intersegment sales and internal transfers between segments	
		Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net Sales	Japan Business	127,396	118,624
	China Business	132,122	116,059
	Asia Pacific Business	32,304	32,850
	Americas Business	55,494	60,088
	EMEA Business	55,778	61,480
	Travel Retail Business	77,633	77,944
	Other	134,459	147,168
	Subtotal	615,189	614,214
	Adjustments	(121,000)	(120,815)
Total		494,189	493,399

(Millions of yen)

Classification	Six Months Ended June 30, 2023	Ratio to Net Sales	Six Months Ended June 30, 2022	Ratio to Net Sales	Year-on-Year Increase (Decrease)		
					Amount	Percentage	
Core Operating Profit (Loss)	Japan Business	(3,419)	(2.7)%	(7,397)	(6.2)%	3,977	—
	China Business	5,498	4.2%	(1,987)	(1.7)%	7,486	—
	Asia Pacific Business	235	0.7%	2,409	7.3%	(2,173)	(90.2)%
	Americas Business	4,059	7.3%	3,691	6.1%	368	10.0%
	EMEA Business	1,250	2.2%	2,584	4.2%	(1,334)	(51.6)%
	Travel Retail Business	15,447	19.9%	16,991	21.8%	(1,544)	(9.1)%
	Other	(3,679)	(2.7)%	411	0.3%	(4,090)	—
	Subtotal	19,393	3.2%	16,704	2.7%	2,689	16.1%
	Adjustments	8,646	—	835	—	7,810	—
	Total	28,039	5.7%	17,539	3.6%	10,500	59.9%

Notes:

1. The Group has revised its reportable segment classifications from the three months ended March 31, 2023. The business results previously included in the Professional Business segment are now included in the Other segment. Segment information for the six months ended June 30, 2022 has been restated to reflect the reclassification.
2. The Group has revised its calculation method regarding the part of Intersegment sales and internal transfers between segments in the Americas Business from a net basis to a gross basis from the three months ended March 31, 2023 for the better management of internal transactions. Segment information for the six months ended June 30, 2022 has been restated to reflect the new calculation method.
3. Net sales from the Personal Care business are no longer recorded with some exceptions from April 1, 2023 due to the transfer of Shiseido Kuki Factory.
4. Like-for-like increase (decrease) in net sales excludes foreign exchange translation and business transfer impacts.
5. The Other segment includes head office administration departments, IPSA Co. Ltd., manufacturing operations and the restaurant business, etc.
6. 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.
7. The core operating profit (loss) adjustment amount is primarily the elimination of transactions between segments.

Results by reportable segment are provided below.

Japan Business

In the Japan Business, we launched innovative new products with many brands in line with the recovery in demand due to the relaxation of mask use, as well as increased opportunities to go outside following the reclassification of COVID-19 to Class 5 under the Infectious Diseases Control Law. The success of such efforts has led to a steadfast increase of loyal users as well as strong sales growth of *Clé de Peau Beauté* and *SHISEIDO*. Renewed *ELIXIR* products featuring the latest technologies have continued to perform strongly. *MAQUILLAGE* grew strongly, surely capturing the demand recovery for makeup.

As a result, net sales were ¥125.2 billion, up 8.2% year on year, or up 8.6% on a like-for-like basis excluding business transfer impacts. Core operating loss was ¥3.4 billion, an improvement of ¥4.0 billion year on year, thanks to higher gross profits associated with an increase in sales and cost management efforts.

China Business

In the China Business, we are shifting from a growth model driven primarily by large-scale promotions to a more sustainable growth model which focuses on value-based brand and product communication tailored to consumer needs. *SHISEIDO* growth was driven by offline channels through enhancing initiatives unique to brick-and-mortar stores which offer brand experience to customers, while *Clé de Peau Beauté* growth was driven by e-commerce channel. Both brands demonstrated outstanding growth. In the “618” e-commerce promotion, we strengthened the diversification of platforms and expanded our focus on high functionality products and appeal for products’ efficacy, and we outperformed the market growth thanks to the success of such efforts.

As a result, net sales were ¥130.6 billion, up 12.8% year on year on a reported basis, up 9.0% year on year on an FX-neutral basis, or up 9.9% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit was ¥5.5 billion, an improvement of ¥7.5 billion year on year, primarily due to higher gross profits associated with an increase in sales, and returned to profitability.

Asia Pacific Business

In the countries and regions of the Asia Pacific Business, Taiwan turned to growth in the second quarter, and strong growth continued in South Korea and Southeast Asia. *NARS* maintained its robust performance from last year, driving the overall growth.

As a result, net sales were ¥30.7 billion, down 2.2% year on year on a reported basis, down 7.9% year on year on an FX-neutral basis, or up 13.9% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit decreased by ¥2.2 billion to ¥0.2 billion, primarily due to higher marketing investment, etc., outweighing higher gross profits associated with an increase in sales.

Americas Business

In the Americas Business, through strategic marketing activities, we firmly captured a continuous expansion of the market. *Drunk Elephant*, which strengthened social media marketing, achieved growth which more than doubled year on year, while *NARS* and *SHISEIDO* also grew steadily.

As a result, net sales were ¥52.8 billion, down 10.5% year on year on a reported basis, down 17.9% year on year on an FX-neutral basis, or up 23.3% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit improved by ¥0.4 billion year on year to ¥4.1 billion, primarily due to higher gross profits associated with an increase in sales.

EMEA Business

In the EMEA Business, *NARS* continued to drive the overall sales through enhancing digital marketing and aggressively launching new products. *SHISEIDO* achieved steady growth coming from outstanding performance of the BIO-PERFORMANCE Skin Filler which incorporates advanced hyaluronic acid research technology. Sales of *Drunk Elephant* and *Clé de Peau Beauté*, which increased the number of doors, expanded steadily as well.

As a result, net sales were ¥52.6 billion, down 5.6% year on year on a reported basis, down 13.0% year on year on an FX-neutral basis, or up 16.7% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit decreased by ¥1.3 billion year on year to ¥1.3 billion, primarily due to the impact of business transfers, etc.

Travel Retail Business

In the Travel Retail Business (sales of cosmetics and fragrances primarily through airport and downtown duty-free stores), we saw vigorous recovery in Japan thanks to an increase in tourist traffic with the impact of COVID-19 being mitigated. Meanwhile, in South Korea and Hainan Island in China, sales were lower than last year due to the impact of retailer inventory adjustments and market normalization related to a change in their business model focusing on tourists.

As a result, net sales were ¥77.5 billion, down 0.5% year on year on a reported basis, down 8.8% year on year on an FX-neutral basis, or down 3.9% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit decreased by ¥1.5 billion year on year to ¥15.4 billion, primarily due to lower gross profits from a decline in sales.

(2) Financial Position

Total assets decreased by ¥38.2 billion from the end of the previous fiscal year to ¥1,269.5 billion, primarily from a decrease in cash and cash equivalents due to cash dividend payments and a decrease in assets held for sale associated with the transfer of manufacturing operations of Personal Care products, which outweighed an increase in exchange differences on translation of foreign operations due to the weaker yen. Liabilities decreased by ¥53.3 billion to ¥628.6 billion, primarily due to a decrease in trade and other payables. Equity increased by ¥15.1 billion to ¥640.9 billion, primarily due to an increase in exchange differences on translation of foreign operations due to the weaker yen, which outweighed a decrease in retained earnings associated with dividend payments.

The net debt-to-equity ratio, which indicates the ratio of interest-bearing debt (excluding lease liabilities) less cash and cash equivalents to equity attributable to owners of parent, was 0.08.

Net cash provided by operating activities in the first six months of fiscal year 2023 totaled ¥43.7 billion, primarily due to the recording of profit before tax, etc. Days sales of inventory (DSI) were 172 days. Net cash used in investing activities was ¥23.8 billion, due to the continued investment in IT systems as well as plants and equipment, which outweighed the income from the sale of shares of an associate company and fixed assets. Net cash used in financing activities amounted to ¥41.3 billion, primarily due to the payment of cash dividends and the repayment of lease liabilities, etc.

As a result, cash and cash equivalents at the end of the first six months of fiscal year 2023 stood at ¥103.7 billion, down ¥15.4 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		119.0
Net cash provided by (used in) operating activities		43.7
Net cash provided by (used in) investing activities		(23.8)
Net cash provided by (used in) financing activities		(41.3)
Effect of exchange rate changes on cash and cash equivalents		5.9
Net change in cash and cash equivalents included in assets held for sale		0.1
Net change in cash and cash equivalents (decrease)		(15.4)
Cash and cash equivalents at end of period		103.7

(3) Consolidated Forecast and Other Forward-Looking Information

In the first six months of fiscal year ending December 31, 2023, we achieved steadfast recovery in mid-to-high price range products in Japan and robust growth especially in EMEA and Americas leading to higher sales exceeding our initial forecast. Additionally, successful cost optimization efforts resulted in higher core operating profit than our original forecast.

With regard to the future market environment, there is growing uncertainty such as changes in the market environment in the Travel Retail Business, and increased volatility in the foreign exchange market, etc. Under these circumstances, the Company is committed to maximizing global sales through strategic marketing and promoting agile cost management, to achieve the core operating profit of ¥60.0 billion in fiscal year 2023.

Accordingly, the consolidated earnings forecast for the current fiscal year remains unchanged from the forecast announced on February 10, 2023.

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	As of December 31, 2022	As of June 30, 2023
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	119,036	103,656
Trade and other receivables	182,069	165,081
Inventories	130,942	141,995
Other financial assets	18,498	19,474
Other current assets	54,753	36,482
Subtotal	505,299	466,689
Assets held for sale	18,929	1,243
Total current assets	524,229	467,932
Non-current assets		
Property, plant and equipment	318,339	311,653
Goodwill	57,879	63,404
Intangible assets	123,217	134,025
Right-of-use assets	114,276	107,528
Investments accounted for using equity method	15,535	18,689
Other financial assets	84,701	91,397
Deferred tax assets	63,382	65,873
Other non-current assets	6,098	8,985
Total non-current assets	783,432	801,559
Total assets	1,307,661	1,269,492

	As of December 31, 2022	As of June 30, 2023
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	203,770	158,311
Bonds and borrowings	25,990	61,515
Lease liabilities	23,757	24,090
Other financial liabilities	4,744	7,450
Income taxes payable	5,442	6,168
Provisions	8,136	6,306
Other current liabilities	116,180	102,186
Subtotal	388,021	366,029
Liabilities directly associated with assets held for sale	1,541	428
Total current liabilities	389,562	366,457
Non-current liabilities		
Bonds and borrowings	140,000	110,000
Lease liabilities	107,441	102,284
Other financial liabilities	4,950	7,403
Retirement benefit liability	25,346	26,587
Provisions	1,328	1,539
Deferred tax liabilities	2,174	2,911
Other non-current liabilities	11,103	11,420
Total non-current liabilities	292,344	262,146
Total liabilities	681,907	628,604
Equity		
Share capital	64,506	64,506
Capital surplus	73,560	73,631
Treasury shares	(2,089)	(1,722)
Retained earnings	394,877	376,532
Other components of equity	73,404	108,134
Total equity attributable to owners of parent	604,259	621,082
Non-controlling interests	21,494	19,805
Total equity	625,754	640,888
Total liabilities and equity	1,307,661	1,269,492

**(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
Six Months Ended June 30**

	Six months ended June 30, 2022	Six months ended June 30, 2023
	Millions of yen	Millions of yen
Net sales	493,399	494,189
Cost of sales	146,558	134,494
Gross profit	346,841	359,694
Selling, general and administrative expenses	333,887	338,914
Other operating income	6,725	4,460
Other operating expenses	2,699	11,608
Operating profit	16,979	13,632
Finance income	7,772	2,921
Finance costs	1,589	4,912
Share of profit of investment accounted for using equity method	2,449	3,750
Profit before tax	25,611	15,391
Income tax expense	6,935	2,970
Profit	18,676	12,421
Profit attributable to		
Owners of parent	16,246	11,753
Non-controlling interests	2,429	667
Profit	18,676	12,421
Earnings per share		
Basic earnings per share (yen)	40.67	29.42
Diluted earnings per share (yen)	40.64	29.40

Condensed Quarterly Consolidated Statement of Comprehensive Income
Six Months Ended June 30

	Six months ended June 30, 2022	Six months ended June 30, 2023
	Millions of yen	Millions of yen
Profit	18,676	12,421
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(336)	(83)
Remeasurements of defined benefit plans	464	—
Share of other comprehensive income of investments accounted for using equity method	16	19
Total of items that will not be reclassified to profit or loss	144	(64)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	59,416	36,451
Cash flow hedges	57	43
Share of other comprehensive income of investments accounted for using equity method	1,309	(546)
Total of items that may be reclassified to profit or loss	60,783	35,947
Other comprehensive income, net of tax	60,927	35,883
Comprehensive income	79,604	48,305
Comprehensive income attributable to		
Owners of parent	75,165	46,433
Non-controlling interests	4,438	1,871
Comprehensive income	79,604	48,305

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Six Months Ended June 30, 2022 (January 1 to June 30, 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				16,246		
Other comprehensive income					58,665	(284)
Total comprehensive income	—	—	—	16,246	58,665	(284)
Purchase of treasury shares			(4)			
Disposal of treasury shares			251	39		
Dividends				(11,984)		
Change in scope of consolidation						
Share-based payments transactions		193				
Transfer to retained earnings				196		284
Other				(10)		
Total transactions with owners	—	193	247	(11,759)	—	284
Balance at June 30, 2022	64,506	73,228	(2,090)	376,689	92,092	—

	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			—	16,246	2,429	18,676
Other comprehensive income	57	480	58,918	58,918	2,009	60,927
Total comprehensive income	57	480	58,918	75,165	4,438	79,604
Purchase of treasury shares			—	(4)		(4)
Disposal of treasury shares			—	291		291
Dividends			—	(11,984)	(3,660)	(15,645)
Change in scope of consolidation			—	—	20	20
Share-based payments transactions			—	193		193
Transfer to retained earnings		(480)	(196)	—		—
Other			—	(10)		(10)
Total transactions with owners	—	(480)	(196)	(11,515)	(3,640)	(15,156)
Balance at June 30, 2022	(82)	—	92,010	604,345	22,283	626,628

Six Months Ended June 30, 2023 (January 1 to June 30, 2023)

Equity attributable to owners of parent

	Equity attributable to owners of parent				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	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, 2023	64,506	73,560	(2,089)	394,877	73,447	—
Profit				11,753		
Other comprehensive income					34,687	(50)
Total comprehensive income	—	—	—	11,753	34,687	(50)
Purchase of treasury shares			(4)			
Disposal of treasury shares		17	370			
Dividends				(29,966)		
Change in ownership interest in subsidiaries		(0)				
Change in scope of consolidation						
Share-based payments transactions		54		21		
Transfer to retained earnings				(50)		50
Other				(103)		
Total transactions with owners	—	71	366	(30,099)	—	50
Balance at June 30, 2023	64,506	73,631	(1,722)	376,532	108,134	—

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, 2023	(43)	—	73,404	604,259	21,494	625,754
Profit			—	11,753	667	12,421
Other comprehensive income	43		34,679	34,679	1,204	35,883
Total comprehensive income	43	—	34,679	46,433	1,871	48,305
Purchase of treasury shares			—	(4)		(4)
Disposal of treasury shares			—	387		387
Dividends			—	(29,966)	(1,451)	(31,417)
Change in ownership interest in subsidiaries			—	(0)		(0)
Change in scope of consolidation			—	—	5	5
Share-based payments transactions			—	75		75
Transfer to retained earnings			50	—		—
Other			—	(103)	(2,114)	(2,217)
Total transactions with owners	—	—	50	(29,610)	(3,560)	(33,171)
Balance at June 30, 2023	—	—	108,134	621,082	19,805	640,888

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Six months ended June 30, 2022	Six months ended June 30, 2023
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Profit before tax	25,611	15,391
Depreciation and amortization	37,913	36,344
Impairment losses	—	1,899
Loss (gain) on disposal of fixed assets	313	(1,661)
Loss (gain) on transfer of business	(4,271)	9,106
Increase (decrease) in retirement benefit liability	1,127	764
Interest and dividend income	(2,308)	(2,860)
Interest expenses	1,289	1,390
Share of profit of investments accounted for using equity method	(2,449)	(3,750)
Decrease (increase) in trade and other receivables	(5,563)	36,421
Decrease (increase) in inventories	(5,175)	5,625
Increase (decrease) in trade and other payables	(25,582)	(43,212)
Other	(2,517)	(22,353)
Subtotal	18,385	33,105
Interest and dividends received	819	1,023
Interest paid	(1,179)	(1,375)
Income taxes refund (paid)	(48,702)	10,924
Net cash provided by (used in) operating activities	(30,676)	43,678
Cash flows from investing activities:		
Payments into time deposits	(11,530)	(8,033)
Proceeds from withdrawal of time deposits	11,318	6,064
Purchase of property, plant and equipment	(19,128)	(11,077)
Proceeds from sales of property, plant and equipment and intangible assets	5	5,832
Purchase of intangible assets	(14,383)	(16,148)
Proceeds from transfer of business	3,727	66
Payments for transfer of business	—	(9,510)
Proceeds from sale of shares of associates	—	8,500
Other	4,646	539
Net cash provided by (used in) investing activities:	(25,344)	(23,766)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	48,889	21,329
Repayments of long-term borrowings	(365)	(15,915)
Redemption of bonds	(15,000)	—
Purchase of treasury shares	(4)	(4)
Proceeds from disposal of treasury shares	242	0
Dividends paid	(11,979)	(29,915)
Dividends paid to non-controlling interests	(4,392)	(1,403)
Repayment of lease liabilities	(15,945)	(15,173)
Other	(102)	(185)
Net cash provided by (used in) financing activities	1,341	(41,267)
Net change in cash and cash equivalents (decrease)	(54,679)	(21,355)
Cash and cash equivalents at beginning of period	156,503	119,036
Effect of exchange rate changes on cash and cash equivalents	12,056	5,875
Net change in cash and cash equivalents included in assets held for sale	(3,020)	100
Cash and cash equivalents at end of period	110,858	103,656

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Change in Presentation)

(Condensed Quarterly Consolidated Statement of Cash Flows)

(Cash flows from operating activities)

“Interest on other financial liabilities” under “Cash flows from operating activities”, which was stated as a separate account item in the six months ended June 30, 2022, has been included in “Other” from the three months ended March 31, 2023 due to its decreased financial importance. In order to reflect this change in presentation, Condensed Quarterly Consolidated Statement of Cash Flows for the six months ended June 30, 2022 has been reclassified. As a result, ¥63 million stated in “Interest on other financial liabilities” under “Cash flows from operating activities” in the Condensed Quarterly Consolidated Statement of Cash Flows for the six months ended June 30, 2022 has been reclassified to “Other”.

(Cash flows from financing activities)

“Repayments of long-term accounts payable” under “Cash flows from financing activities”, which was stated as a separate account item in the six months ended June 30, 2022, has been included in “Other” from the six months ended June 30, 2023 due to its decreased financial importance. In order to reflect this change in presentation, Condensed Quarterly Consolidated Statement of Cash Flows for the six months ended June 30, 2022 has been reclassified. As a result, ¥122 million stated in “Repayments of long-term accounts payable” under “Cash flows from financing activities” in the Condensed Quarterly Consolidated Statement of Cash Flows for the six months ended June 30, 2022 has been reclassified to “Other”.

(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.

The Group’s main business is the production and sale of cosmetics. The Group engages in business activities under a matrix organization encompassing brand categories based on consumer purchasing style and six regions (Japan, China, Asia Pacific, 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 Group’s six reportable segments, which mainly refer to regions, are the “Japan Business,” “China Business,” “Asia Pacific Business,” “Americas Business,” “EMEA Business,” and “Travel Retail 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.).

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, 2023. The business results previously included in the Professional Business segment, are now included in the Other segment.

Segment information for the six months ended June 30, 2022 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 (non-recurrent items) 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.

Six Months Ended June 30, 2022 (January 1 to June 30, 2022) (Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business (Note 4)	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	115,667	115,739	31,384	59,013	55,710	77,850
Intersegment sales or transfer	2,956	319	1,466	1,074	5,769	93
Total	118,624	116,059	32,850	60,088	61,480	77,944
Segment profit (loss) i.e. Core operating profit	(7,397)	(1,987)	2,409	3,691	2,584	16,991
	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation		
Net sales						
Sales to external customers	38,033	493,399	—	493,399		
Intersegment sales or transfer	109,135	120,815	(120,815)	—		
Total	147,168	614,214	(120,815)	493,399		
Segment profit (loss) i.e. Core operating profit	411	16,704	835	17,539		

Note:

1. The EMEA Business includes 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. The Group has revised its calculation method regarding the part of Intersegment sales or transfer in Americas Business from a net basis to a gross basis from the three months ended March 31, 2023 for the better management of internal transactions. Segment information for the six months ended June 30, 2022 has been restated to reflect the new calculation method

Six Months Ended June 30, 2023 (January 1 to June 30, 2023)

(Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business (Note 4)	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	125,157	130,609	30,680	52,828	52,575	77,473
Intersegment sales or transfer	2,238	1,513	1,623	2,666	3,202	159
Total	127,396	132,122	32,304	55,494	55,778	77,633
Segment profit (loss) i.e. Core operating profit	(3,419)	5,498	235	4,059	1,250	15,447
	Other (Note 2,5)	Total	Adjustments (Note 3)	Consolidation		
Net sales						
Sales to external customers	24,863	494,189	—	494,189		
Intersegment sales or transfer	109,595	121,000	(121,000)	—		
Total	134,459	615,189	(121,000)	494,189		
Segment profit (loss) i.e. Core operating profit	(3,679)	19,393	8,646	28,039		

Note:

1. The EMEA Business includes 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. The Group has revised its calculation method regarding the part of Intersegment sales or transfer in Americas Business from a net basis to a gross basis from the three months ended March 31, 2023 for the better management of internal transactions.
5. Net sales from the Personal Care business are no longer recorded with some exceptions from April 1, 2023 due to the transfer of Shiseido Kuki Factory.

Adjustments from segment profit to operating profit as follows:

	Six months ended June 30, 2022	Six months ended June 30, 2023
	Millions of yen	Millions of yen
Segment profit	17,539	28,039
Gain on transfer of business	4,271	879
Loss on transfer of business	—	(9,985)
Structural reform expenses	(3,540)	(5,195)
Government grant income on COVID-19	334	31
Loss on COVID-19	(1,625)	—
Impairment losses	—	(1,899)
Gain on sales of fixed assets	—	2,372
Other	—	(611)
Operating profit	<u>16,979</u>	<u>13,632</u>

“Gain on transfer of business” for the six months ended June 30, 2022 is the gain on transfer of assets which six of the Company’s subsidiaries operating the Personal Care business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., Shiseido Malaysia Sdn. Bhd., PT. Shiseido Cosmetics Indonesia, Shiseido Philippines Corporation, and Shiseido Thailand Co., Ltd.) transferred to affiliates of FineToday Co., Ltd. The gain on transfer of business is included in “Other operating income” in condensed quarterly consolidated statement of profit and loss.

“Gain on transfer of business” for the six months ended June 30, 2023 is the gain on transfer of assets which three of the Company’s subsidiaries operating the Professional business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., and Shiseido Malaysia Sdn. Bhd.) transferred to Henkel AG & Co. KGaA Group companies. The gain on transfer of business is included in “Other operating income” in condensed quarterly consolidated statement of profit and loss.

“Loss on transfer of business” for the six months ended June 30, 2023 is the loss on transfer of business which Shiseido Kuki Factory conducted the manufacturing operations of personal care products transferred to FineToday Holdings Co., Ltd. The expenses are included in “Other operating expenses” condensed quarterly consolidated statement of profit and loss.

“Structural reform expenses” for the six months ended June 30, 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.

“Structural reform expenses” for the six months ended June 30, 2023 are mainly the costs associated with the agreement to transfer manufacturing operations of Personal Care products conducted at Shiseido Kuki Factory and Shiseido Vietnam Factory. The expenses are included in “Cost of sales”, “Selling, general and administrative expenses” and “Other operating expenses” in condensed quarterly consolidated statement of profit and loss.

“Impairment losses” for the six months ended June 30, 2023 are the impairment losses of assets groups associated with the agreement to transfer manufacturing operations of Personal Care products conducted at Shiseido Kuki Factory and Shiseido Vietnam Factory and the impairment losses due to decline in profitability related to subleases of offices rented by Shiseido Americas Corporation. The impairment losses are included in “Cost of sales” and “Selling, general and administrative expenses” in condensed quarterly consolidated statement of profit and loss.

“Gain on sales of fixed assets” for the six months ended June 30, 2023 is the income arising from the sales of the real estate owned by the Company. The income is included in “Other operating income” in condensed quarterly consolidated statement of profit and loss.