May 10, 2024

Consolidated Settlement of Accounts for the Three Months Ended March 31, 2024 [IFRS]

Shiseido Company, Limited

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

1. Performance for the Three Months Ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

* Amounts less than 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	%
Three Months Ended March 31, 2024	249,453	[3.9]	11,334	[(9.6)]	(8,745)	[−]	(3,086)	[−]	(3,286)	[−]	23,175	[60.9]
Three Months Ended March 31, 2023	240,009	[2.6]	12,532	[186.3]	10,525	[140.5]	9,192	[61.7]	8,680	[97.3]	14,407	[(43.2)]

[Reference] Profit before tax
Three months ended March 31, 2024: ¥(3,827) million [−%]
Three months ended March 31, 2023: ¥10,319 million [26.5%]

	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Three Months Ended March 31, 2024	(8.22)	(8.22)
Three Months Ended March 31, 2023	21.72	21.71

Note: Core operating profit is calculated as operating profit excluding profits or losses incurred by non-ordinary factors (non-recurring items), such as expenses related to structural reforms, impairment losses, etc.

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent
As of March 31, 2024	1,346,308	651,312	629,333	46.7%
As of March 31, 2023	1,255,497	640,392	618,748	49.3%

2. Cash Dividends

	Cash Dividends per Share (Yen)				
	Q1	Q2	Q3	Year-End	Full Year
Fiscal Year 2023	—	30.00	—	30.00	60.00
Fiscal Year 2024	—				
Fiscal Year 2024 (Forecast)		30.00	—	30.00	60.00

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

3. Forecast for the Fiscal Year Ending December 31, 2024 (From January 1, 2024 to December 31, 2024)

(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 2024	1,000,000	[2.8]	55,000	[38.0]	32,500	[4.7]	22,000	[1.1]	55.05

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

Notes

(1) Changes in significant subsidiaries during the three months ended March 31, 2024: 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: Yes
Note: For details, please refer to "Changes in Accounting Estimates" under "2. Condensed Quarterly Consolidated Financial Statements and Notes, (5) Notes Concerning Condensed Quarterly Consolidated Financial Statements" on page 17.

(3) Number of shares issued (ordinary shares)
1) Number of shares issued (including treasury shares)

As of March 31, 2024:	400,000,000
As of December 31, 2023:	400,000,000

2) Number of treasury shares

As of March 31, 2024:	338,512
As of December 31, 2023:	344,199

3) Average number of shares outstanding during the period

Three months ended March 31, 2024:	399,660,633
Three months ended March 31, 2023:	399,571,537

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 Three Months Ended March 31, 2024 (3) Consolidated Forecast and Other Forward-Looking Information” on page 9 for information on preconditions underlying the above outlook and other related information.

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1. Summary of Consolidated Financial Results for the Three Months Ended March 31, 2024

(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, 2024	249,453	11,334	(8,745)	(3,827)	(3,286)	24,429
Three Months Ended March 31, 2023	240,009	12,532	10,525	10,319	8,680	24,859
Year-on-Year Increase (Decrease)	3.9%	(9.6)%	–	–	–	(1.7)%
FX-Neutral	(2.7)%					
Like-for-Like	3.2%					

Notes:
1. Core operating profit is calculated as operating profit excluding profits or losses incurred by non-ordinary factors (non-recurring items), such as expenses related to structural reforms, impairment losses, etc.
2. EBITDA is calculated by adding depreciation and amortization expenses to core operating profit (excluding depreciation of right-of-use assets).
3. Like-for-like increase (decrease) in net sales excludes the impacts of foreign exchange translation, the impacts of all business transfers in the first three months of fiscal year 2024 and 2023 and the services provided during the transition period ("business transfer impacts"), as well as the impact of the acquisition of *Dr. Dennis Gross Skincare*.

During the first three months of fiscal year 2024, global economic uncertainty remained elevated amid escalating geopolitical risks, rising prices, and the sharp depreciation of the Japanese yen against major currencies. While both China and Europe experienced slower economic growth, the U.S. economy continued to grow at a steady pace underpinned by a favorable employment and wage conditions, and Japan's economy remained on track for a modest recovery.

The domestic cosmetics market remained solid, benefitting from an improved consumer sentiment driven by the wage growth, as well as a recovery in the number of foreign visitors to Japan which has exceeded its pre-pandemic levels, although price hikes continued to weigh on household spending. In the overseas cosmetics market, the trends and pace of growth were mixed across regions. While the duty-free retail market including Hainan Island continued to experience weakness owing primarily to retailer inventory adjustments amid tighter regulations, China's cosmetics market continued to grow at a modest pace on the back of changing consumer behavior. The markets in the U.S. and Europe also enjoyed healthy growth across all categories.

Driven by its corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, the Shiseido Group (the "Group") actively promotes innovations aiming to resolve social and environmental issues with a particular focus on diversity equity and inclusion, and the Company is united in its effort to become a "Personal Beauty Wellness Company," one that combines skin beauty and wellness to make enduring contributions to the genuine health and beauty of individuals. Together, we remain steadfast in our commitment to achieving our vision for 2030: realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty.

In 2024, the Company has entered its second year under the medium-term strategy "SHIFT 2025 and Beyond" which focuses on a three-year period from 2023 through 2025. With the aim to achieve a core operating profit of 9% in 2025, we are in the midst of progress towards completion of key strategic actions for structural reforms to achieve cost reduction on a global basis, while optimizing our organizational structure to drive gross profit maximization. In the Japan Business, we are working to achieve profitable growth through the implementation of "Mirai Shift NIPPON 2025," a new business transformation plan which consists of three pillars: sustainable growth, building a profitable foundation, and human capital transformation. In the China and Travel Retail Businesses, we will rebuild and strengthen our business foundation and strive to ensure sustainable growth by exploring opportunities in changing market dynamics. In the Americas, EMEA, and Asia Pacific Businesses, we will accelerate growth by proactively investing our business resources. Through these efforts, we will optimize regional portfolios while rebuilding our business foundation that better enables us to adopt to an uncertain, volatile market environment with greater flexibility.

Net sales in the first three months of fiscal year 2024 increased 3.9% to ¥249.5 billion on a reported basis, down 2.7% year-on-year on a FX-neutral basis, or up 3.2% year-on-year on a like-for-like basis, excluding the impacts of foreign exchange translation and business transfers, as well as the acquisition of ***Dr. Dennis Gross Skincare***. Net sales on a like-for-like basis decreased year-on-year in the Travel Retail Business which continued to be affected by retailer inventory adjustments amid tighter regulations with the ongoing shift in retailers returning back to a business model focused on tourists, and also in the China Business due to the lingering effects of consumer pull back on purchases of Japanese products after the release of treated water although the situation is steadily improving with a substantial contraction in the year-on-year sales decline compared to the previous quarter. Conversely, in the Japan Business, we have been able to significantly accelerate growth, benefitting from the success of our activities focusing on high-growth and high-profit brands, as well as strategic marketing for creating new categories coupled with an increasing demand from inbound tourists. Moreover, the Americas and EMEA Businesses maintained a steady momentum while the Asia Pacific Business achieved solid growth during the quarter.

Core operating profit was ¥11.3 billion, exceeding our target for the quarter to make a solid start to the year albeit a year-on-year decline of ¥1.2 billion. While the profitability of our business was adversely affected by weak sales growth due primarily to retailer inventory adjustments in the Travel Retail Business, as well as a decrease in intersegment sales to the Travel Retail and China Businesses in the Other segment, we nevertheless managed to deliver growth in core operating profit across all other segments, namely the Japan, China, Asia Pacific, Americas and EMEA Businesses.

Profit attributable to owners of parent decreased year-on-year by ¥12.0 billion, resulting in a loss of ¥3.3 billion which reflected the impact of a decline in core operating profit as well as the recognition of structural reform expenses in non-recurring items associated with the Early Retirement Incentive Plan in the Japan Business.

The EBITDA margin was 9.8%.

The foreign exchange rates for the major currencies applied to accounting line items (income and expense accounts) in the Company's consolidated financial statements for the first three months of fiscal year 2024 are JPY148.5/USD, JPY161.2/EUR, and JPY20.7/CNY.

[Consolidated Performance]

(Millions of yen)

	Classification	Three Months Ended March 31, 2024	% of Total	Three Months Ended March 31, 2023	% of Total	Year-on-Year Increase (Decrease)			
						Amount	Percentage	FX-Neutral	Like-for-Like
Net Sales	Japan Business	73,573	29.5%	61,676	25.7%	11,896	19.3%	19.3%	19.6%
	China Business	55,475	22.2%	53,244	22.2%	2,230	4.2%	(3.2)%	(2.6)%
	Asia Pacific Business	17,115	6.9%	15,386	6.4%	1,728	11.2%	2.4%	5.2%
	Americas Business	31,802	12.7%	25,991	10.8%	5,811	22.4%	8.9%	9.4%
	EMEA Business	34,765	13.9%	27,763	11.6%	7,002	25.2%	10.4%	16.7%
	Travel Retail Business	29,815	12.0%	38,590	16.1%	(8,775)	(22.7)%	(30.4)%	(30.5)%
	Other	6,906	2.8%	17,355	7.2%	(10,449)	(60.2)%	(60.9)%	20.8%
	Total	249,453	100.0%	240,009	100.0%	9,444	3.9%	(2.7)%	3.2%

	Classification	Total sales including intersegment sales and internal transfers between segments	
		Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net Sales	Japan Business	73,811	61,906
	China Business	56,413	53,918
	Asia Pacific Business	18,390	16,140
	Americas Business	33,304	27,132
	EMEA Business	36,829	29,272
	Travel Retail Business	29,921	38,674
	Other	61,921	80,443
	Subtotal	310,593	307,489
	Adjustments	(61,139)	(67,480)
	Total	249,453	240,009

(Millions of yen)

Classification		Three Months Ended March 31, 2024	Ratio to Net Sales	Three Months Ended March 31, 2023	Ratio to Net Sales	Year-on-Year Increase (Decrease)	
						Amount	Percentage
Core Operating Profit (Loss)	Japan Business	6,668	9.0%	(1,675)	(2.7)%	8,343	—
	China Business	112	0.2%	(2,141)	(4.0)%	2,253	—
	Asia Pacific Business	1,014	5.5%	366	2.3%	647	176.6%
	Americas Business	3,589	10.8%	1,491	5.5%	2,098	140.7%
	EMEA Business	4,174	11.3%	2,581	8.8%	1,593	61.7%
	Travel Retail Business	3,018	10.1%	7,492	19.4%	(4,474)	(59.7)%
	Other	(7,252)	(11.7)%	3,617	4.5%	(10,870)	—
	Subtotal	11,325	3.6%	11,733	3.8%	(407)	(3.5)%
	Adjustments	9	—	799	—	(789)	—
	Total	11,334	4.5%	12,532	5.2%	(1,197)	(9.6)%

Notes:
1. The Group has revised its reportable segment classifications from the three months ended March 31, 2024. The part of business results previously included in the Japan Business segment, are now included in the Other segment.
   Segment information for the three months ended March 31, 2023 has been restated to reflect the reclassification.
2. Like-for-like increase (decrease) in net sales excludes foreign exchange translation, business transfer impacts and the impact of the acquisition of *Dr. Dennis Gross Skincare*.
3. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations, the restaurant business, and the healthcare business (sale of health & beauty foods as well as over-the-counter drugs.)
4. 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.
5. 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 are advancing our strategic efforts to improve profitability though the implementation of a business transformation plan "Mirai Shift NIPPON 2025." During the quarter, we have accelerated growth by focusing our activities on high-growth, high-profit brands and products as well as consumer touchpoints. As a result, we successfully delivered robust growth in core brands led by ***SHISEIDO*** and ***Clé de Peau Beauté*** on the back of a steady increase of loyal users. We also created a new category of foundation serum through strategic marketing, driving strong sales from products in that category such as SHISEIDO REVITALESSENCE SKIN GLOW Foundation that we launched last year. Moreover, we also benefitted from a steady recovery in inbound tourism consumption on the back of a rising number of foreign visitors to Japan which has exceeded its pre-pandemic levels.

As a result, we ended the quarter with net sales of ¥73.6 billion, up 19.3% year-on-year on a reported basis, or up 19.6% year-on-year on a like-for-like basis excluding the business transfer impacts. Core operating profit was ¥6.7 billion with an improvement of ¥8.3 billion from the prior year, thanks to the higher gross profit driven by sales growth as well as cost efficiency improvement.

China Business

In the China Business, we are making a shift from a growth model primarily driven by large-scale promotions to a more sustainable growth model which focuses on value-based brand and product communication tailored to consumer needs. During the quarter, while ***Clé de Peau Beauté*** and ***NARS*** achieved steady growth, ***SHISEIDO*** saw another quarter of negative growth due to the lingering effects of consumer pullback on purchases of Japanese products after the release of treated water. On the positive front, we delivered steady growth during International Women's Day e-commerce event thanks to our expanded rollouts on diversified EC platforms, outperforming the market in our prestige category.

As a result, net sales were ¥55.5 billion, up 4.2% year-on-year on a reported basis, down 3.2% on a FX-neutral basis, or down 2.6% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. While we posted a year-on-year decline in sales on a like-for-like basis for the quarter, the consumer pullback on Japanese products is now coming to an end, and the Business is on a steady path towards recovery. Core operating profit was ¥0.1 billion with an improvement of ¥2.3 billion from the prior year thanks to agile cost management.

Asia Pacific Business

In the countries and regions of the Asia Pacific Business, we delivered solid growth in the quarter led by Thailand and South Korea although signs of slowdown were seen in some markets. Overall, ***ANESSA*** and ***SHISEIDO*** continued with strong momentum, driving the overall growth in the region.

As a result, net sales were ¥ 17.1 billion, up 11.2% year-on-year on a reported basis, up 2.4% year-on-year on a FX-neutral basis, or up 5.2% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit increased year-on-year by ¥0.6 billion to ¥1.0 billion primarily attributable to an increase in gross profit driven by sales growth.

Americas Business

In the Americas Business, we delivered strong performance in ***SHISEIDO*** that posted a year-on-year growth buoyed by new product launches, as well as in ***Drunk Elephant*** which benefitted from an ongoing commitment to proactive marketing. In February this year, we have completed the acquisition of ***Dr. Dennis Gross Skincare,*** a prestige skincare brand based on dermatological science. Going forward, we will be positioning the Americas as the focus area for this brand, with a target to drive higher growth and profitability in the region.

As a result, net sales were ¥31.8 billion, up 22.4% year-on-year on a reported basis, up 8.9% year-on-year on a FX-neutral basis, or up 9.4% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers as well as the aforementioned acquisition. Core operating profit increased by ¥2.1 billion year-on-year to ¥3.6 billion, owing primarily to a higher gross profit driven by increased sales.

EMEA Business

In the EMEA Business, ***SHISEIDO*** delivered steady growth while we continued to benefit from strong growth of fragrance brands led by ***narciso rodriguez***. ***Drunk Elephant*** also enjoyed another quarter of robust growth on the back of a growing number of brick-and-mortar footprint and proactive marketing activities.

As a result, net sales were ¥34.8 billion, up 25.2% year-on-year on a reported basis, up 10.4% year-on-year on a FX-neutral basis, or up 16.7 % year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit increased by ¥1.6 billion year-on-year to ¥4.2 billion, primarily attributable to an increase in gross profit from higher sales.

Travel Retail Business

In the Travel Retail Business (sales of cosmetics and fragrances primarily through airport and downtown duty-free stores), we drove strong recovery in Japan thanks to the rising number of foreign visitors to the country exceeding its pre-pandemic levels. Meanwhile, in Hainan Island and South Korea, sales decreased year-on-year due to the impacts of retailer inventory adjustments, as well as a delayed recovery in tourist traffic. Nevertheless, the inventory levels have been normalized as we made steady progress in inventory adjustments on track with our targets.

As a result, net sales were ¥29.8 billion, down 22.7% year-on-year on a reported basis, down 30.4% year-on-year on a FX-neutral basis, or down 30.5% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit decreased by ¥4.5 billion year-on-year to ¥3.0 billion, primarily attributable to a lower gross profit due to a decline in sales.

(2) Financial Position

Total assets increased by ¥90.8 billion from the end of the previous fiscal year to ¥1,346.3 billion, from an increase in asset amount translated into weaker yen, an increase in goodwill and intangible assets associated with the acquisition of DDG Skincare Holdings LLC and an increase in trade and other receivables, which was partially offset by decrease in cash and cash equivalents due to purchase of shares of subsidiaries and decrease in property, plant and equipment. Liabilities increased by ¥79.9 billion to ¥695.0 billion, primarily due to an increase in bonds and borrowings. Equity increased by ¥10.9 billion to ¥651.3 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 0.17.

(Cash flow analysis)
Cash and cash equivalents at the end of the first three months of fiscal year 2024 stood at ¥90.4 billion, ¥14.3 billion less than the beginning balance of ¥104.7 billion.

(Cash Flows from Operating Activities)
Net cash provided by operating activities in the first three months of fiscal year 2024 increased by ¥0.6 billion to ¥3.6 billion, primarily due to increase factors such as ¥18.8 billion of "Depreciation and amortization" and ¥17.9 billion of "Increase (decrease) in provision for structural reform," while there were decrease factors such as ¥3.8 billion of the loss before tax, ¥19.2 billion of "Decrease (increase) in trade receivables" and ¥7.6 billion of "Increase (decrease) in trade payables." Days sales of inventory (DSI) were 213 days.

(Cash Flows from Investing Activities)
Net cash used in investing activities in the first three months of fiscal year 2024 increased by ¥64.5 billion to ¥63.4 billion, primarily due to payments for acquisition of subsidiaries of ¥49.2 billion, the purchase of property, plant and equipment such as investment in factory equipment of ¥7.1 billion and the purchase of intangible assets such as investment in IT systems of ¥6.3 billion.

(Cash Flows from Financing Activities)
Net cash provided by financing activities in the first three months of fiscal year 2024 increased by ¥57.7 billion to ¥41.8 billion, primarily due to the repayment of long-term borrowings of ¥30.0 billion, the payment of cash dividends of ¥11.6 billion and the repayment of lease liabilities of ¥6.6 billion, etc. while the increase was due to short-term borrowings of ¥90.0 billion.

Consolidated Statements of Cash Flows (Summary)

(Billions of yen)

Category	Amount
Cash and cash equivalents at beginning of period	104.7
Net cash provided by (used in) operating activities	3.6
Net cash provided by (used in) investing activities	(63.4)
Net cash provided by (used in) financing activities	41.8
Effect of exchange rate changes on cash and cash equivalents	3.8
Net change in cash and cash equivalents included in assets held for sale	—
Net change in cash and cash equivalents (decrease)	(14.3)
Cash and cash equivalents at end of period	90.4

(3) Consolidated Forecast and Other Forward-Looking Information

In February 2024, we have completed the acquisition of DDG Skincare Holdings LLC as a consolidated subsidiary. We expect this acquisition to have an impact of approximately ¥14.0 billion on net sales for the fiscal year ending December 31, 2024, however, the impact on core operating profit will likely be limited.

With respect to the outlook for our business environment, we expect positive impacts from several factors in the coming quarters, including a further acceleration of growth in the Japan, Americas, EMEA and Asia Pacific Businesses and favorable foreign exchange translation due to the weaker yen. On the contrary, however, there are still uncertainties surrounding the business such as the delayed recovery in demand from and changing purchase behavior of Chinese consumers. As a result of the above, the consolidated earnings forecast for the current fiscal year remains unchanged. We remain committed to achieving a core operating profit of ¥55.0 billion in the fiscal year 2024 while advancing towards completion of structural reforms and gross profit maximization

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	As of December 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	104,685	90,380
Trade and other receivables	149,688	166,324
Inventories	149,646	157,177
Other financial assets	21,956	23,363
Other current assets	44,038	40,756
Subtotal	470,014	478,003
Assets held for sale	—	198
Total current assets	470,014	478,202
Non-current assets		
Property, plant and equipment	301,838	299,183
Goodwill	62,143	104,556
Intangible assets	137,663	169,378
Right-of-use assets	100,548	100,771
Investments accounted for using equity method	18,449	20,267
Other financial assets	95,321	99,931
Deferred tax assets	61,187	64,928
Other non-current assets	8,331	9,088
Total non-current assets	785,483	868,106
Total assets	1,255,497	1,346,308

	As of December 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	178,526	167,819
Bonds and borrowings	50,000	130,044
Lease liabilities	21,916	21,554
Other financial liabilities	5,385	4,218
Income taxes payable	3,553	5,447
Provisions	5,847	23,458
Other current liabilities	103,116	96,974
Total current liabilities	368,345	449,517
Non-current liabilities		
Bonds and borrowings	110,559	90,595
Lease liabilities	98,506	99,668
Other financial liabilities	6,482	6,537
Retirement benefit liability	15,055	15,670
Provisions	1,227	1,716
Deferred tax liabilities	2,870	3,277
Other non-current liabilities	12,056	28,014
Total non-current liabilities	246,758	245,479
Total liabilities	615,104	694,996
Equity		
Share capital	64,506	64,506
Capital surplus	74,000	74,190
Treasury shares	(1,591)	(1,564)
Retained earnings	380,208	364,960
Other components of equity	101,624	127,240
Total equity attributable to owners of parent	618,748	629,333
Non-controlling interests	21,644	21,978
Total equity	640,392	651,312
Total liabilities and equity	1,255,497	1,346,308

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

Condensed Quarterly Consolidated Statements of Profit or Loss
Three Months Ended March 31

	Three months ended March 31, 2023 Restated (Note)	Three months ended March 31, 2024
	Millions of yen	Millions of yen
Net sales	240,009	249,453
Cost of sales	71,521	61,936
Gross profit	168,487	187,516
Selling, general and administrative expenses	161,612	196,520
Other operating income	3,791	352
Other operating expenses	141	93
Operating profit (loss)	10,525	(8,745)
Finance income	1,371	4,403
Finance costs	2,631	962
Share of profit of investment accounted for using equity method	1,053	1,477
Profit (loss) before tax	10,319	(3,827)
Income tax expense	1,126	(740)
Profit (loss)	9,192	(3,086)
Profit attributable to		
Owners of parent	8,680	(3,286)
Non-controlling interests	511	199
Profit (loss)	9,192	(3,086)
Earnings per share		
Basic earnings (loss) per share (yen)	21.72	(8.22)
Diluted earnings (loss) per share (yen)	21.71	(8.22)

Note: For details, please refer to "Change in Accounting Policies" in "2. Condensed Quarterly Consolidated Financial Statements and Notes, (5) Notes Concerning Condensed Quarterly Consolidated Financial Statements."

Condensed Quarterly Consolidated Statement of Comprehensive Income
Three Months Ended March 31

	Three months ended March 31, 2023	Three months ended March 31, 2024
	Millions of yen	Millions of yen
Profit (loss)	9,192	(3,086)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(203)	185
Remeasurements of defined benefit plans	—	(142)
Share of other comprehensive income of investments accounted for using equity method	17	0
Total of items that will not be reclassified to profit or loss	(186)	42
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	6,071	25,882
Cash flow hedges	0	—
Share of other comprehensive income of investments accounted for using equity method	(670)	337
Total of items that may be reclassified to profit or loss	5,400	26,220
Other comprehensive income, net of tax	5,214	26,262
Comprehensive income	14,407	23,175
Comprehensive income attributable to		
Owners of parent	13,573	22,339
Non-controlling interests	833	836
Comprehensive income	14,407	23,175

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Three Months Ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

	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 as of January 1, 2023	64,506	73,560	(2,089)	394,877	73,447	—
Profit (loss)				8,680		
Other comprehensive income					5,063	(170)
Total comprehensive income	—	—	—	8,680	5,063	(170)
Purchase of treasury shares			(2)			
Disposal of treasury shares			155	(54)		
Dividends				(29,966)		
Share-based payment transactions		116		4		
Transfer to retained earnings				(170)		170
Other				(89)		
Total transactions with owners	—	116	153	(30,275)	—	170
Balance as of March 31, 2023	64,506	73,676	(1,935)	373,282	78,510	—

	Equity attributable to owners of parent					
	Other components of equity					
	Cash flow hedge	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of January 1, 2023	(43)	—	73,404	604,259	21,494	625,754
Profit (loss)			—	8,680	511	9,192
Other comprehensive income	0		4,893	4,893	321	5,214
Total comprehensive income	0	—	4,893	13,573	833	14,407
Purchase of treasury shares			—	(2)		(2)
Disposal of treasury shares			—	100		100
Dividends			—	(29,966)	(79)	(30,045)
Share-based payment transactions			—	120		120
Transfer to retained earnings			170	—		—
Other			—	(89)	(2,114)	(2,203)
Total transactions with owners	—	—	170	(29,835)	(2,194)	(32,029)
Balance as of March 31, 2023	(43)	—	78,467	587,997	20,134	608,131

Three Months Ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

	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 as of January 1, 2024	64,506	74,000	(1,591)	380,208	101,624	—
Profit (loss)				(3,286)		
Other comprehensive income					25,616	152
Total comprehensive income	—	—	—	(3,286)	25,616	152
Purchase of treasury shares			(1)			
Disposal of treasury shares			27	(19)		
Dividends				(11,989)		
Share-based payment transactions		230		(19)		
Transfer to retained earnings				10		(152)
Other		(40)		57		
Total transactions with owners	—	190	26	(11,961)	—	(152)
Balance as of March 31, 2024	64,506	74,190	(1,564)	364,960	127,240	—

	Equity attributable to owners of parent					
	Other components of equity					
	Cash flow hedge	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of January 1, 2024	—	—	101,624	618,748	21,644	640,392
Profit (loss)			—	(3,286)	199	(3,086)
Other comprehensive income		(142)	25,626	25,626	636	26,262
Total comprehensive income	—	(142)	25,626	22,339	836	23,175
Purchase of treasury shares			—	(1)		(1)
Disposal of treasury shares			—	8		8
Dividends			—	(11,989)	(74)	(12,064)
Share-based payment transactions			—	210		210
Transfer to retained earnings		142	(10)	—		—
Other			—	17	(427)	(409)
Total transactions with owners	—	142	(10)	(11,754)	(502)	(12,256)
Balance as of March 31, 2024	—	—	127,240	629,333	21,978	651,312

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Three months ended March 31, 2023	Three months ended March 31, 2024
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Profit (loss) before tax	10,319	(3,827)
Depreciation and amortization	17,973	18,826
Impairment losses	1,844	52
Loss (gain) on disposal of non-current assets	(1,876)	322
Gain on sale of businesses	(872)	—
Increase (decrease) in retirement benefit liability	441	411
Interest and dividend income	(1,361)	(1,716)
Interest expenses	754	745
Share of profit of investments accounted for using equity method	(1,053)	(1,477)
Decrease (increase) in trade receivables	4,268	(19,193)
Decrease (increase) in inventories	(526)	1,546
Increase (decrease) in trade payables	(11,610)	(7,577)
Increase (decrease) in provisions for structural reform	(1,994)	17,860
Other	(11,582)	(847)
Subtotal	4,724	5,123
Interest and dividends received	522	702
Interest paid	(732)	(640)
Income taxes paid	(1,568)	(1,629)
Net cash provided by (used in) operating activities	2,946	3,557
Cash flows from investing activities:		
Payments into time deposits	(3,581)	(9,404)
Proceeds from withdrawal of time deposits	2,121	7,948
Purchase of property, plant and equipment	(4,710)	(7,067)
Proceeds from sales of property, plant and equipment and intangible assets	5,832	9
Purchase of intangible assets	(7,730)	(6,277)
Payments for acquisition of subsidiaries	—	(49,216)
Proceeds from sale of businesses	65	—
Proceeds from sale of shares of associates	8,500	—
Other	616	606
Net cash provided by (used in) investing activities	1,113	(63,401)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and commercial papers	19,924	90,044
Repayments of long-term borrowings	—	(30,000)
Purchase of treasury shares	(2)	(1)
Proceeds from disposal of treasury shares	0	0
Dividends paid	(28,862)	(11,558)
Dividends paid to non-controlling interests	(79)	(74)
Repayments of lease liabilities	(6,911)	(6,574)
Other	—	(74)
Net cash provided by (used in) financing activities	(15,931)	41,761
Net decrease in cash and cash equivalents	(11,871)	(18,083)
Cash and cash equivalents at beginning of period	119,036	104,685
Effect of exchange rate changes on cash and cash equivalents	1,523	3,778
Net change in cash and cash equivalents included in assets held for sale	(9,422)	—
Cash and cash equivalents at end of period	99,265	90,380

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Change in Accounting Estimates)

The Group has, from the three months ended March 31, 2024, changed the useful lives of certain software based on the expected economic useful lives, which are more in line with actual conditions.

Due to the change, “Operating profit” and “Profit before tax” increased by ¥588 million for the three months ended March 31, 2024.

The impact on the segment has been presented in the segment information, etc.

(Change in Accounting Policies)

The accounting policies applied by the Group in these condensed quarterly consolidated financial statements are the same as the accounting policies applied in the previous fiscal year.

The income tax expense for the three months ended March 31, 2024 is calculated using an estimated average annual effective tax rate.

Furthermore, the Group has made the following change in accounting treatment from the nine months ended September 30, 2023, and the condensed quarterly consolidated financial statements for the three months ended March 31, 2023 has been restated to reflect the change.

(Change in cost aggregation method for inventory)

The Group has changed the scope of expenses to be included as manufacturing cost from the nine months ended September 30, 2023.

The Group adopted a new Global Cost Control Policy in August 2023 and implemented a new manufacturing cost system. Upon this adoption, the Group re-assessed the method to aggregate indirect manufacturing cost, and believes the new method enables more accurate inventory valuation and periodic profit or loss calculation.

This change in accounting policy is retrospectively applied, and the condensed quarterly consolidated financial statements for the three months ended March 31, 2023 has been restated to reflect the change.

As a result, compared with the previous method, for the three months ended March 31, 2023, “Cost of sales” increased by ¥989 million, “Selling, general and administrative expenses” decreased by ¥989 million, while “Operating profit” and “Profit before tax” remain unchanged. Basic earnings per share and diluted earnings per share for the three months ended March 31, 2023 remain unchanged compared with the previous method. As the impact on “Inventories” is immaterial, the Group has not calculated the impact on the condensed quarterly consolidated financial statements.

(Change in Presentation)

(Condensed Quarterly Consolidated Statement of Cash Flows)

“Increase (decrease) in provision for structural reform” under “Cash flows from operating activities,” which was included in “Other” in the three months ended March 31, 2023, has been stated as a separate account item from the three months ended March 31, 2024 as the amount is material. In order to reflect this change in presentation, condensed quarterly consolidated financial statement of cash flows for the three months ended March 31, 2023 has been reclassified. As a result, ¥1,994 million, which was included in “Other” under “Cash flows from operating activities” in the condensed quarterly consolidated financial statement of cash flows for the three months ended March 31, 2023 has been reclassified to “Increase (decrease) in provision for structural reform.”

(Segment Information, etc.)

(1) Overview of Reportable Segments

The Group's operating segment is a component whose separate financial data is available and that is regularly reviewed by the Board of Directors in order to make decisions on allocation of managerial resources and assess business performance.

The Group's main business is the manufacturing 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.).

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 Africa 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, the restaurant business as well as the healthcare business (sale of health & beauty foods as well as over-the-counter drugs, etc.).

(Changes of reportable segments, etc.)

Due to a partial revision of the categories used for the Group's business performance management, a part of the business results of "Japan Business" is included in the "Other" segment from the three months ended March 31, 2024.

Segment information for the three months ended March 31, 2023 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) calculated by excluding profits or losses incurred by non-ordinary factors (non-recurring 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.

Three Months Ended March 31, 2023 (From January 1, 2023 to March 31, 2023) (Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	61,676	53,244	15,386	25,991	27,763	38,590
Intersegment sales or transfer	230	673	754	1,140	1,509	83
Total	61,906	53,918	16,140	27,132	29,272	38,674
Segment profit (loss) i.e. Core operating profit	(1,675)	(2,141)	366	1,491	2,581	7,492

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	17,355	240,009	—	240,009
Intersegment sales or transfer	63,088	67,480	(67,480)	—
Total	80,443	307,489	(67,480)	240,009
Segment profit (loss) i.e. Core operating profit	3,617	11,733	799	12,532

Note:
1. The EMEA Business includes the Middle East and Africa 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, 2024 (From January 1, 2024 to March 31, 2024) (Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	73,573	55,475	17,115	31,802	34,765	29,815
Intersegment sales or transfer	238	938	1,275	1,501	2,063	106
Total	73,811	56,413	18,390	33,304	36,829	29,921
Segment profit (loss) i.e. Core operating profit	6,668	112	1,014	3,589	4,174	3,018

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	6,906	249,453	—	249,453
Intersegment sales or transfer	55,015	61,139	(61,139)	—
Total	61,921	310,593	(61,139)	249,453
Segment profit (loss) i.e. Core operating profit	(7,252)	11,325	9	11,334

Note:
1. The EMEA Business includes Europe, the Middle East and Africa regions.
2. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations, the restaurant business, and the healthcare business (sale of health & beauty foods as well as over-the-counter drugs.)
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
4. As stated in "Change in accounting estimates," the Group has, from the three months ended March 31, 2024, changed the useful lives of certain software based on the expected economic useful lives, which are more in line with actual conditions.
   Due to the change, the segment profit from the three months ended March 31, 2024 increased by ¥28 million in Japan Business, ¥19 million in China Business, ¥52 million in Asia Pacific Business, ¥55 million in Americas Business, ¥54 million in Travel Retail Business, and ¥377 million in Other, respectively.

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

	Three months ended March 31, 2023	Three months ended March 31, 2024
	Millions of yen	Millions of yen
Segment profit	12,532	11,334
Gain on sale of business	872	—
Structural reform expenses	(3,431)	(19,978)
Government grant income on COVID-19	23	—
Impairment losses	(1,844)	(52)
Gain on sale of non-current assets	2,373	—
Other	—	(49)
Operating profit (loss)	10,525	(8,745)

"Gain on sale of businesses" for the three months ended March 31, 2023 are the gain on transfer of assets from 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.) to Henkel AG & Co. KGaA Group companies. The gain on the transfer is included in "Other operating income" in the condensed quarterly consolidated statement of profit or loss.

"Structural reform expenses" for the three months ended March 31, 2023 are mainly the costs associated with the conclusion of an agreement to transfer the Personal Care Manufacturing Business operated 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 the condensed quarterly consolidated statement of profit or loss.

"Structural reform expenses" for the three months ended March 31, 2024 are mainly the costs associated with the early retirement incentive plan as part of the business transformation of Shiseido Japan Co., Ltd.. The expenses are included in "Selling, general and administrative expenses" in the condensed quarterly consolidated statement of profit or loss.

"Impairment losses" for the three months ended March 31, 2023 are mainly the impairment losses on the groups of assets associated with the conclusion of an agreement to transfer the manufacturing operations of personal care products at Shiseido Kuki Factory and Shiseido Vietnam Factory, the impairment losses due to decline in profitability of offices subleased by Shiseido Americas Corp. The impairment losses are included in "Cost of sales" and "Selling, general and administrative expenses" in the condensed quarterly consolidated statement of profit or loss.

"Gain on sale of non-current assets" for the three months ended March 31, 2023 is the income arising from the sales of the real estate owned by the Company and its subsidiaries. The income is included in "Other operating income" in the condensed quarterly consolidated statement of profit or loss.