November 7, 2024

Consolidated Settlement of Accounts for the Nine Months Ended September 30, 2024 [IFRS]

Shiseido Company, Limited

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

1. Performance for the Nine Months Ended September 30, 2024 (From January 1, 2024 to September 30, 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	%
Nine Months Ended September 30, 2024	722,754	[0.0]	27,415	[(25.6)]	2,183	[(91.5)]	1,434	[(93.4)]	754	[(96.3)]	5,142	[(92.4)]
Nine Months Ended September 30, 2023	722,417	[(5.3)]	36,825	[1.6]	25,826	[(27.6)]	21,655	[(31.8)]	20,517	[(29.4)]	68,079	[(35.9)]

[Reference] Profit before tax
Nine months ended September 30, 2024: ¥7,152 million [(75.1)%]
Nine months ended September 30, 2023: ¥28,721 million [(34.1)%]

	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Nine Months Ended September 30, 2024	1.89	1.89
Nine Months Ended September 30, 2023	51.34	51.31

Note: Core operating profit is calculated as operating profit excluding profits or losses incurred by non-ordinary factors (non-recurring items), such as costs and expenses related to structural reforms, impairment losses, acquisitions, 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 September 30, 2024	1,269,488	618,775	598,635	47.2%
As of December 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	—	30.00	—		
Fiscal Year 2024 (Forecast)				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		Operating Profit		Profit Before Tax		Profit Attributable to Owners of Parent		Basic Earnings per Share (Yen)
		%		%		%		%		%	
Fiscal Year 2024	990,000	[1.7]	35,000	[(12.2)]	5,000	[(82.2)]	11,000	[(64.6)]	6,000	[(72.4)]	15.01

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

Notes

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 1 company (DDG Skincare Holdings LLC)

Excluded: -

(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 18.

(3) Number of shares issued (ordinary shares)

1) Number of shares issued (including treasury shares)

As of September 30, 2024:	400,000,000
As of December 31, 2023:	400,000,000

2) Number of treasury shares

As of September 30, 2024:	577,397
As of December 31, 2023:	344,199

3) Average number of shares outstanding during the period

Nine months ended September 30, 2024:	399,620,002
Nine months ended September 30, 2023:	399,603,532

Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountant or an audit firm: Yes (voluntary)

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 Nine Months Ended September 30, 2024 (3) Consolidated Forecast and Other Forward-Looking Information" on page 9 for information on preconditions underlying the above outlook and other related information.

Contents

1. Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2024

(1) Consolidated Performance

(Millions of yen)

	Net Sales	Core Operating Profit	Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	EBITDA
Nine Months Ended September 30, 2024	722,754	27,415	2,183	7,152	754	67,337
Nine Months Ended September 30, 2023	722,417	36,825	25,826	28,721	20,517	75,142
Year-on-Year Increase (Decrease)	0.0%	(25.6)%	(91.5)%	(75.1)%	(96.3)%	(10.4)%
FX-Neutral	(5.2)%					
Like-for-Like	(3.1)%					

Notes:
1. Core operating profit is calculated as operating profit excluding profits or losses incurred by non-ordinary factors (non-recurring items), such as costs and expenses related to structural reforms, impairment losses, acquisitions, 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 nine 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 nine months of fiscal year 2024, global economic uncertainty remained elevated amid escalating geopolitical risks, rising prices, and a higher volatility in the foreign exchange market. China continued to experience deceleration in economic growth, while Europe enjoyed moderate growth throughout the period. The U.S. economy grew at a solid pace on the back of favorable employment conditions, although concerns grew over the economy with signs of a slowdown in consumer spending. Japan’s economy remained on track for modest recovery during the period.

The domestic cosmetics market remained firm, lifted by steady demand even though higher prices continued to weigh on household spending. The number of foreign visitors to Japan continued to exceed its pre-pandemic levels, however, inbound consumption grew at a more moderate pace than anticipated on the back of shifting trends in purchasing behavior of foreign visitors.

In the overseas cosmetics market, the trends and pace of growth were mixed across regions. The duty-free retail market including Hainan Island continued to face challenges amid deceleration in consumer spending driven primarily by Chinese tourists, while the impact of retailer inventory adjustments in response to tighter regulations had receded steadily during the period. China’s cosmetics market suffered a prolonged downturn, weighed down by a decline in consumer spending and rising household savings amid worsening economic sentiment. Meanwhile, the U.S. market started to show signs of a slowdown, while Europe continued modest growth throughout the period.

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, and we are progressively advancing 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 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 nine months of fiscal year 2024 remained flat at ¥722.8 billion on a reported basis, down 5.2% year-on-year on a FX-neutral basis, or down 3.1% 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 due to lower shipping volumes which reflected the slowdown in consumer spending driven primarily by Chinese tourists, and also in the China Business which was adversely affected by a persistent decline in consumption on the back of worsening economic sentiment. Net sales also declined year-on-year in the Americas Business due to a delayed recovery in sales subsequent to the temporary declines in production and shipments in the first half of the year, though this has stabilized in the third quarter. Conversely, the Japan Business continued to deliver robust growth, benefitting from the success of our activities focusing on high-growth and high-profit brands, as well as strategic marketing for creating new markets. The EMEA Business maintained positive momentum although the pace of growth has moderated due to some delays in shipping. Meanwhile, the Asia Pacific Business continued to enjoy steady growth during the period.

Core operating profit was ¥27.4 billion, with a year-on-year decline of ¥9.4 billion reflecting a year-on-year revenue decline in the Travel Retail, China, and Americas Businesses albeit partially offset by the strong profit growth in the Japan Business, as well as company-wide restructuring and cost management benefits. Also, we posted a year-on-year decline in profit in the Other segment due to a decrease in intersegment sales to the Travel Retail and China Businesses as well as in the Adjustments, which primarily reflected changes in elimination of unrealized gains.

Profit attributable to owners of parent decreased ¥19.8 billion year-on-year to ¥0.8 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 primarily associated with the Early Retirement Incentive Plan in the Japan Business.

The EBITDA margin was 9.3%.

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 nine months of fiscal year 2024 are JPY151.1/USD, JPY164.2/EUR, and JPY21.0/CNY.

[Consolidated Performance]

(Millions of yen)

Classification		Nine Months Ended September 30, 2024	% of Total	Nine Months Ended September 30, 2023	% of Total	Year-on-Year Increase (Decrease)			
						Amount	Percentage	FX-Neutral	Like-for-Like
Net Sales	Japan Business	211,153	29.2%	191,634	26.5%	19,518	10.2%	10.2%	10.5%
	China Business	173,863	24.1%	178,053	24.7%	(4,189)	(2.4)%	(9.1)%	(8.4)%
	Asia Pacific Business	53,249	7.4%	48,807	6.8%	4,442	9.1%	2.5%	4.5%
	Americas Business	87,203	12.0%	81,684	11.3%	5,519	6.8%	(2.3)%	(6.9)%
	EMEA Business	91,559	12.7%	82,524	11.4%	9,034	10.9%	1.1%	4.9%
	Travel Retail Business	85,792	11.9%	108,530	15.0%	(22,737)	(21.0)%	(27.0)%	(27.1)%
	Other	19,932	2.7%	31,181	4.3%	(11,249)	(36.1)%	(37.1)%	16.1%
	Total	722,754	100.0%	722,417	100.0%	337	0.0%	(5.2)%	(3.1)%

Classification		Total sales including intersegment sales and internal transfers between segments	
		Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net Sales	Japan Business	211,867	192,403
	China Business	176,636	180,626
	Asia Pacific Business	57,200	51,262
	Americas Business	92,063	85,672
	EMEA Business	97,049	87,413
	Travel Retail Business	86,272	108,780
	Other	187,006	202,526
	Subtotal	908,096	908,685
	Adjustments	(185,341)	(186,267)
	Total	722,754	722,417

(Millions of yen)

Classification		Nine Months Ended September 30, 2024	Ratio to Net Sales	Nine Months Ended September 30, 2023	Ratio to Net Sales	Year-on-Year Increase (Decrease)	
						Amount	Percentage
Core Operating Profit (Loss)	Japan Business	18,528	8.7%	(603)	(0.3)%	19,132	—
	China Business	2,610	1.5%	1,973	1.1%	636	32.3%
	Asia Pacific Business	4,660	8.1%	1,668	3.3%	2,992	179.4%
	Americas Business	3,935	4.3%	6,478	7.6%	(2,542)	(39.3)%
	EMEA Business	3,334	3.4%	4,398	5.0%	(1,064)	(24.2)%
	Travel Retail Business	5,335	6.2%	18,959	17.4%	(13,623)	(71.9)%
	Other	(12,798)	(6.8)%	(3,325)	(1.6)%	(9,472)	—
	Subtotal	25,607	2.8%	29,550	3.3%	(3,943)	(13.3)%
	Adjustments	1,807	—	7,275	—	(5,467)	(75.2)%
	Total	27,415	3.8%	36,825	5.1%	(9,410)	(25.6)%

Notes:

1. The Group has revised its reportable segment classifications from the nine months ended September 30, 2024. The part of business results previously included in the Japan Business segment, are now included in the Other segment.
   Segment information for the nine months ended September 30, 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. Net sales from the Personal Care Business in the Other segment are no longer recorded with some exceptions from April 1, 2023 due to the transfer of Shiseido Kuki Factory.
4. 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.)
5. 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.
6. 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 continue to make progress on our strategic efforts to improve profitability though the implementation of a business transformation plan “Mirai Shift NIPPON 2025.” During the period, we continued to accelerate growth by focusing our activities on high-growth, high-profit brands and products as well as consumer touchpoints. As a result, we continued to deliver robust growth in core brands led by ***SHISEIDO, Clé de Peau Beauté,*** and ***ELIXIR,*** on the back of a steady increase of loyal users. We also advanced our efforts to create a new market of foundation serum through strategic marketing, benefitting from continued momentum of SHISEIDO REVITALESSENCE SKIN GLOW Foundation, while also driving growth fueled by the success of new product launches such as ELIXIR THE SERUM aa. While the number of foreign visitors to Japan continued to exceed pre-pandemic levels, inbound consumption grew at a more moderate pace than anticipated on the back of shifting trends in purchasing behavior of foreign visitors.

As a result, we ended the period with net sales of ¥211.2 billion, up 10.2% year-on-year on a reported basis, or up 10.5% year-on-year on a like-for-like basis excluding the business transfer impacts. Core operating profit was ¥18.5 billion with an improvement of ¥19.1 billion from the prior year, thanks to the higher gross profit driven by sales growth as well as increased cost efficiencies.

China Business

In the China Business, we are making a shift from a growth model 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 period, the Business continued to be negatively impacted by the decline in consumer spending due to worsening economic sentiment in China overall. Nevertheless, ***Clé de Peau Beauté, ANESSA,*** and ***NARS*** managed to achieve growth, while ***SHISEIDO*** continued to face challenges.

As a result, net sales were ¥173.9 billion, down 2.4% year-on-year on a reported basis, down 9.1% on a FX-neutral basis, or down 8.4% 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 ¥2.6 billion, with a decline in gross profit due to lower sales partially offset by the positive impacts of structural reforms which included a reduction in cost of sales as well as fixed costs and expenses.

Asia Pacific Business

In the Asia Pacific Business, although the pace of growth decelerated in some countries and regions, we continued to achieve growth overall led by Thailand, with ***ANESSA, SHISEIDO,*** and ***Clé de Peau Beauté*** being the key drivers of growth in the region.

As a result, net sales were ¥53.2 billion, up 9.1% year-on-year on a reported basis, up 2.5% year-on-year on a FX-neutral basis, or up 4.5% 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 ¥3.0 billion to ¥4.7 billion primarily attributable to an increase in gross profit driven by sales growth.

Americas Business

In the Americas Business, ***Tory Burch*** and ***narciso rodriguez*** delivered a year-on-year revenue growth, however, certain of our brands such as ***NARS*** and ***Drunk Elephant*** were unfavorably affected by a delayed recovery in sales subsequent to the temporary declines in production and shipments in the first half of the year though this has stabilized in the third quarter.

As a result, net sales were ¥87.2 billion, up 6.8% year-on-year on a reported basis, down 2.3% year-on-year on a FX-neutral basis, or down 6.9% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers as well as the acquisition of ***Dr. Dennis Gross Skincare***. Core operating profit decreased year-on-year by ¥2.5 billion to ¥3.9 billion, owing primarily to a lower gross profit driven by a decline in sales.

EMEA Business

In the EMEA Business, although there had been some delays in shipping before the holiday season, ***SHISEIDO, NARS,*** and ***Drunk Elephant*** continued to achieve growth, benefitting from proactive marketing activities while fragrance brands also maintained positive momentum driven by ***narciso rodriguez***.

As a result, net sales were ¥91.6 billion, up 10.9% year-on-year on a reported basis, up 1.1% year-on-year on a FX-neutral basis, or up 4.9% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit decreased by ¥1.1 billion year-on-year to ¥3.3 billion, owing primarily to factors including an increase in marketing investment, offsetting a higher gross profit driven by sales growth.

Travel Retail Business

In the Travel Retail Business (sales of cosmetics and fragrances primarily through airport and downtown duty-free stores), we achieved solid recovery in Japan thanks to the rising number of foreign visitors. Conversely, in Hainan Island and South Korea, sales were affected by lower shipping volumes owing primarily to a sharp decline in consumption driven primarily by Chinese tourists.

As a result, net sales were ¥85.8 billion, down 21.0% year-on-year on a reported basis, down 27.0% year-on-year on a FX-neutral basis, or down 27.1% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit decreased by ¥13.6 billion year-on-year to ¥5.3 billion, primarily attributable to a lower gross profit due to a decline in sales.

(2) Financial Position

Total assets increased by ¥14.0 billion from the end of the previous fiscal year to ¥1,269.5 billion, from an increase in goodwill and intangible assets associated with the acquisition of DDG Skincare Holdings LLC, which was partially offset by decrease in cash and cash equivalents due to cash dividend payments, decrease in investments accounted for using equity method and decrease in trade and other receivables. Liabilities increased by ¥35.6 billion to ¥650.7 billion, primarily due to an increase in bonds and borrowings, which outweighed a decrease in trade and other payables. Equity decreased by ¥21.6 billion to ¥618.8 billion, due to 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 0.18.

(Cash flow analysis)
Cash and cash equivalents at the end of the first nine months of fiscal year 2024 stood at ¥85.0 billion, ¥19.7 billion less than the amount as of December 31, 2023 of ¥104.7 billion.

(Cash Flows from Operating Activities)
Net cash provided by operating activities in the first nine months of fiscal year 2024 decreased by ¥18.1 billion to ¥43.0 billion, primarily due to increase factors such as ¥7.2 billion of the profit before tax, ¥56.7 billion of "Depreciation and amortization" and ¥17.1 billion of "Increase (decrease) in liabilities for structural reform," while there were decrease factors such as ¥32.4 billion of "Increase (decrease) in trade payables" and ¥11.3 billion of "Decrease (increase) in inventories." Days sales of inventory (DSI) were 251 days. "Interest and dividends received" includes dividends of ¥3.6 billion from FineToday Holdings Co., Ltd (hereinafter "FTH").

(Cash Flows from Investing Activities)
Net cash used in investing activities in the first nine months of fiscal year 2024 increased by ¥54.4 billion to ¥71.7 billion, primarily due to payments for acquisition of subsidiaries of ¥48.9 billion, purchases of property, plant and equipment such as investment in factory equipment of ¥17.0 billion and purchases of intangible assets such as investment in IT systems of ¥19.7 billion while the proceeds from sale of shares of associates of ¥12.8 billion due to the transfer of all shares of FTH.

(Cash Flows from Financing Activities)
Net cash provided by financing activities in the first nine months of fiscal year 2024 increased by ¥66.4 billion to ¥7.4 billion, primarily due to the repayment of long-term borrowings of ¥30.0 billion, the payment of cash dividends of ¥23.8 billion and the repayment of lease liabilities of ¥19.5 billion, etc. while the increase was due to short-term borrowings of ¥84.0 billion.

Consolidated Statement 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	43.0
Net cash provided by (used in) investing activities	(71.7)
Net cash provided by (used in) financing activities	7.4
Effect of exchange rate changes on cash and cash equivalents	1.5
Net change in cash and cash equivalents included in assets held for sale	—
Net change in cash and cash equivalents (decrease)	(19.7)
Cash and cash equivalents at end of period	85.0

(3) Consolidated Forecast and Other Forward-Looking Information

Net sales for the fiscal year ending December 31, 2024, are expected to fall short of our previous forecast on a like-for-like basis*, primarily reflecting the unfavorable impacts of changing patterns and increasing frugality in Chinese consumer behavior in the Travel Retail and China Businesses, as well as a delayed recovery in sales subsequent to the temporary declines in production and shipments in the Americas Business that had occurred during the first half of the year. Overall, however, sales are expected to remain marginally in line with our previous forecast, partially offset by the positive impact of foreign exchange translation due to the weak yen.

While we are progressively implementing strategic actions to advance company-wide structural reforms and cost reductions, we expect core operating profit to fall below our previous forecast for the year, weighed down by a worse than anticipated decline in net sales in our high-margin Travel Retail Business. Accordingly, we expect profit before tax and profit attributable to owners of parent to be lower than our previous forecast due to the aforementioned decline in the core operating profit for the year.

The annual dividend forecast for the fiscal year ending December 31, 2024, remain unchanged. We focus on consolidated performance and free cash flow in determining dividends and have set a dividend on equity attributable to owners of the parent (DOE) of 2.5% or higher as one indicator that reflects our capital policy to ensure stable and consistent growth in shareholder returns over the long term. We have declared a dividend of ¥60 (the interim dividend and the year-end dividend of ¥30 per share, respectively) for the fiscal year ending December 31, 2024. The year-end dividend for the fiscal year 2024 will be closely examined and determined based upon the latest financial situations.

*Like-for-like basis excludes the impacts of foreign exchange translation, business transfers and acquisitions.

Revisions to the Consolidated Earnings Forecast, 2024 (from January 1 to December 31, 2024)

(Millions of yen unless otherwise stated)

	Net Sales	Core Operating Profit	Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	Basic Earnings per Share (Yen)
Previous Forecast (A)	1,000,000	55,000	–	32,500	22,000	55.05
Revised Forecast (B)	990,000	35,000	5,000	11,000	6,000	15.01
Change (B-A)	(10,000)	(20,000)	–	(21,500)	(16,000)	–
Change (%)	(1.0)%	(36.4)%	–	(66.2)%	(72.7)%	–
(Reference) Results for the Previous Fiscal Year (Ended December 31, 2023)	973,038	39,842	28,133	31,037	21,749	54.43

Notes:

1 Currency exchange assumptions are as follows;
Previous: USD/JPY: 135 yen, EUR/JPY: 145 yen, CNY/JPY: 19.5 yen
Revised : USD/JPY: 150 yen, EUR/JPY: 162 yen, CNY/JPY: 21.0 yen

2. The revised forecasts include the impact of the acquisition of *Dr. Dennis Gross Skincare* that was excluded in the previous forecasts.

Reference Information: Forecast for Consolidated Net Sales by Reportable Segment

Forecast for Consolidated Net Sales (YoY change) by reportable segment are as follows:

Classification	Revised Forecast			Previous Like-for-Like
	YoY	YoY FX-Neutral	YoY Like-for-Like	
Japan Business	high single digit %	high single digit %	high single digit %	11%
China Business	low single digit %	−mid single digit %	−mid single digit %	5%
Asia Pacific Business	high single digit %	mid single digit %	high single digit %	13%
America Business	high single digit %	low single digit %	−low single digit %	10%
EMEA Business	low teen %	mid single digit %	high single digit %	13%
Travel Retail Business	−high teen %	−low 20 %	−low 20 %	7%
Other	−over 30%	−over 30 %	low teen %	(3)%
Total	2 %	(2)%	(1)%	8%

Notes:

Like-for-like increase (decrease) in net sales excludes the impacts of foreign exchange translation, business transfers, and the acquisition of *Dr. Dennis Gross Skincare.*

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	As of December 31, 2023	As of September 30, 2024
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	104,685	84,966
Trade and other receivables	149,688	135,646
Inventories	149,646	164,466
Other financial assets	21,956	25,208
Other current assets	44,038	35,727
Total current assets	470,014	446,014
Non-current assets		
Property, plant and equipment	301,838	289,767
Goodwill	62,143	98,405
Intangible assets	137,663	167,880
Right-of-use assets	100,548	95,565
Investments accounted for using equity method	18,449	2,800
Other financial assets	95,321	97,367
Deferred tax assets	61,187	62,734
Other non-current assets	8,331	8,951
Total non-current assets	785,483	823,473
Total assets	1,255,497	1,269,488

	As of December 31, 2023	As of September 30, 2024
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	178,526	155,652
Bonds and borrowings	50,000	124,034
Lease liabilities	21,916	20,008
Other financial liabilities	5,385	3,114
Income taxes payable	3,553	5,404
Provisions	5,847	4,072
Other current liabilities	103,116	99,585
Total current liabilities	368,345	411,872
Non-current liabilities		
Bonds and borrowings	110,559	90,562
Lease liabilities	98,506	93,599
Other financial liabilities	6,482	19,428
Retirement benefit liability	15,055	16,269
Provisions	1,227	1,794
Deferred tax liabilities	2,870	3,919
Other non-current liabilities	12,056	13,265
Total non-current liabilities	246,758	238,839
Total liabilities	615,104	650,712
Equity		
Share capital	64,506	64,506
Capital surplus	74,000	73,903
Treasury shares	(1,591)	(2,328)
Retained earnings	380,208	357,209
Other components of equity	101,624	105,344
Total equity attributable to owners of parent	618,748	598,635
Non-controlling interests	21,644	20,139
Total equity	640,392	618,775
Total liabilities and equity	1,255,497	1,269,488

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

Condensed Quarterly Consolidated Statement of Profit or Loss
Nine Months Ended September 30

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
	Millions of yen	Millions of yen
Net sales	722,417	722,754
Cost of sales	197,195	168,565
Gross profit	525,222	554,189
Selling, general and administrative expenses	503,219	554,906
Other operating income	15,484	5,423
Other operating expenses	11,661	2,523
Operating profit	25,826	2,183
Finance income	4,564	6,107
Finance costs	5,892	3,125
Share of profit of investment accounted for using equity method	4,222	1,986
Profit before tax	28,721	7,152
Income tax expense	7,066	5,718
Profit	21,655	1,434
Profit attributable to		
Owners of parent	20,517	754
Non-controlling interests	1,138	679
Profit	21,655	1,434
Earnings per share		
Basic earnings per share (yen)	51.34	1.89
Diluted earnings per share (yen)	51.31	1.89

Condensed Quarterly Consolidated Statement of Comprehensive Income
Nine Months Ended September 30

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
	Millions of yen	Millions of yen
Profit	21,655	1,434
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(294)	12
Remeasurements of defined benefit plans	—	(142)
Share of other comprehensive income of investments accounted for using equity method	19	0
Total of items that will not be reclassified to profit or loss	(274)	(130)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	47,060	4,674
Cash flow hedges	43	—
Share of other comprehensive income of investments accounted for using equity method	(405)	(835)
Total of items that may be reclassified to profit or loss	46,699	3,838
Other comprehensive income, net of tax	46,424	3,708
Comprehensive income	68,079	5,142
Comprehensive income attributable to		
Owners of parent	65,579	4,371
Non-controlling interests	2,499	770
Comprehensive income	68,079	5,142

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Nine Months Ended September 30, 2023 (From January 1, 2023 to September 30, 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				20,517		
Other comprehensive income					45,288	(269)
Total comprehensive income	—	—	—	20,517	45,288	(269)
Purchase of treasury shares			(7)			
Disposal of treasury shares		31	478			
Dividends				(41,954)		
Change in ownership interest in subsidiaries		(0)				
Change in scope of consolidation						
Share-based payment transactions		173		23		
Transfer to retained earnings				(269)		269
Other				(74)		
Total transactions with owners	—	204	470	(42,274)	—	269
Balance as of September 30, 2023	64,506	73,764	(1,618)	373,120	118,735	—

	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			—	20,517	1,138	21,655
Other comprehensive income	43	—	45,062	45,062	1,361	46,424
Total comprehensive income	43	—	45,062	65,579	2,499	68,079
Purchase of treasury shares			—	(7)		(7)
Disposal of treasury shares			—	509		509
Dividends			—	(41,954)	(1,451)	(43,406)
Change in ownership interest in subsidiaries			—	(0)	0	—
Change in scope of consolidation			—	—	5	5
Share-based payment transactions			—	196		196
Transfer to retained earnings			269	—		—
Other			—	(74)	(2,099)	(2,173)
Total transactions with owners	—	—	269	(41,329)	(3,544)	(44,874)
Balance as of September 30, 2023	—	—	118,735	628,509	20,449	648,959

Nine Months Ended September 30, 2024 (From January 1, 2024 to September 30, 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				754		
Other comprehensive income					3,720	40
Total comprehensive income	—	—	—	754	3,720	40
Purchase of treasury shares			(1,047)			
Disposal of treasury shares		(17)	309	(15)		
Dividends				(23,981)		
Change in ownership interest in subsidiaries		(0)				
Share-based payment transactions		(79)		381		
Transfer to retained earnings				(102)		(40)
Other				(36)		
Total transactions with owners	—	(96)	(737)	(23,753)	—	(40)
Balance as of September 30, 2024	64,506	73,903	(2,328)	357,209	105,344	—

	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			—	754	679	1,434
Other comprehensive income	—	(142)	3,617	3,617	90	3,708
Total comprehensive income	—	(142)	3,617	4,371	770	5,142
Purchase of treasury shares			—	(1,047)		(1,047)
Disposal of treasury shares			—	277		277
Dividends			—	(23,981)	(1,917)	(25,898)
Change in ownership interest in subsidiaries			—	(0)	0	—
Share-based payment transactions			—	302		302
Transfer to retained earnings		142	102	—		—
Other			—	(36)	(358)	(394)
Total transactions with owners	—	142	102	(24,484)	(2,275)	(26,759)
Balance as of September 30, 2024	—	—	105,344	598,635	20,139	618,775

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Profit before tax	28,721	7,152
Depreciation and amortization	55,202	56,702
Impairment losses (reversal of impairment losses)	7,978	(208)
Loss (gain) on disposal of non-current assets	(11,107)	1,470
Loss on sale of businesses	9,097	—
Increase (decrease) in retirement benefit liability	1,510	1,136
Interest and dividend income	(4,485)	(5,464)
Interest expenses	2,325	2,864
Share of profit of investments accounted for using equity method	(4,222)	(1,986)
Decrease (increase) in trade receivables	29,287	4,415
Decrease (increase) in inventories	(2,623)	(11,268)
Increase (decrease) in trade payables	(37,950)	(32,430)
Increase (decrease) in liabilities for structural reform	(1,192)	17,118
Other	(13,006)	717
Subtotal	59,536	40,218
Interest and dividends received	1,544	5,914
Interest paid	(2,187)	(2,009)
Income taxes refund (paid)	2,216	(1,133)
Net cash provided by (used in) operating activities	61,110	42,990
Cash flows from investing activities:		
Payments into time deposits	(11,486)	(23,398)
Proceeds from withdrawal of time deposits	9,144	20,825
Purchase of property, plant and equipment	(17,518)	(17,012)
Proceeds from sales of property, plant and equipment and intangible assets	17,376	844
Purchase of intangible assets	(22,507)	(19,696)
Payments for acquisition of subsidiaries	—	(48,902)
Proceeds from sale of businesses	67	1,531
Payments for sale of businesses	(528)	—
Proceeds from sale of shares of associates	8,500	12,755
Other	(295)	1,395
Net cash provided by (used in) investing activities	(17,249)	(71,656)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and commercial papers	19,919	84,034
Repayments of long-term borrowings	(15,915)	(30,000)
Purchase of treasury shares	(7)	(1,047)
Proceeds from disposal of treasury shares	0	0
Dividends paid	(41,502)	(23,759)
Dividends paid to non-controlling interests	(1,400)	(1,960)
Repayments of lease liabilities	(19,792)	(19,502)
Other	(302)	(342)
Net cash provided by (used in) financing activities	(59,001)	7,422
Net decrease in cash and cash equivalents	(15,140)	(21,243)
Cash and cash equivalents at beginning of period	119,036	104,685
Effect of exchange rate changes on cash and cash equivalents	9,082	1,524
Net change in cash and cash equivalents included in assets held for sale	(242)	—
Cash and cash equivalents at end of period	112,736	84,966

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

(Applicable Financial Reporting Framework)

The Group's condensed quarterly consolidated financial statements and notes are prepared in accordance with Article 5, Paragraph 2 of Tokyo Stock Exchange, Inc.'s standards for the preparation of quarterly financial statements, etc. (however, the omissions set out in Article 5, Paragraph 5 of the same standards apply). Some of the disclosure items and notes required by IAS 34 "Interim Financial Reporting" are omitted.

(Note on Assumptions of a Going Concern)

Not applicable.

(Change in Accounting Estimates)

The Group has, from the nine months ended September 30, 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 ¥1,774 million for the nine months ended September 30, 2024.

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

(Change in Presentation)

(Condensed Quarterly Consolidated Statement of Cash Flows)

"Increase (decrease) in liabilities for structural reform" under "Cash flows from operating activities," which was included in "Other" in the nine months ended September 30, 2023, has been stated as a separate account item from the nine months ended September 30, 2024 as the amount is material. In order to reflect this change in presentation, condensed quarterly consolidated financial statement of cash flows for the nine months ended September 30, 2023 has been reclassified. As a result, ¥(1,192) million, which was included in "Other" under "Cash flows from operating activities" in the condensed quarterly consolidated financial statement of cash flows for the nine months ended September 30, 2023 has been reclassified to "Increase (decrease) in liabilities 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 nine months ended September 30, 2024.

Segment information for the nine months ended September 30, 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 costs and expenses related to structural reforms, impairment losses, acquisitions, 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.

Nine Months Ended September 30, 2023 (From January 1, 2023 to September 30, 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	191,634	178,053	48,807	81,684	82,524	108,530
Intersegment sales or transfer	768	2,572	2,454	3,988	4,888	249
Total	192,403	180,626	51,262	85,672	87,413	108,780
Segment profit (loss) i.e. Core operating profit	(603)	1,973	1,668	6,478	4,398	18,959

	Other (Note 2,4)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	31,181	722,417	—	722,417
Intersegment sales or transfer	171,344	186,267	(186,267)	—
Total	202,526	908,685	(186,267)	722,417
Segment profit (loss) i.e. Core operating profit	(3,325)	29,550	7,275	36,825

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.
4. Net sales from the Personal Care Business in the Other segment are no longer recorded with some exceptions from April 1, 2023 due to the transfer of Shiseido Kuki Factory.

Nine Months Ended September 30, 2024 (From January 1, 2024 to September 30, 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	211,153	173,863	53,249	87,203	91,559	85,792
Intersegment sales or transfer	714	2,773	3,950	4,859	5,489	480
Total	211,867	176,636	57,200	92,063	97,049	86,272
Segment profit (loss) i.e. Core operating profit (Note 4)	18,528	2,610	4,660	3,935	3,334	5,335

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	19,932	722,754	—	722,754
Intersegment sales or transfer	167,074	185,341	(185,341)	—
Total	187,006	908,096	(185,341)	722,754
Segment profit (loss) i.e. Core operating profit (Note 4)	(12,798)	25,607	1,807	27,415

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, 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 nine months ended September 30, 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 nine months ended September 30, 2024 increased by ¥86 million in Japan Business, ¥58 million in China Business, ¥161 million in Asia Pacific Business, ¥170 million in Americas Business, ¥166 million in Travel Retail Business, and ¥1,132 million in Other, respectively.

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

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
	Millions of yen	Millions of yen
Segment profit	36,825	27,415
Gain on sale of business	887	―
Loss on sale of business	(9,985)	―
Structural reform expenses	(5,134)	(23,302)
Government grant income on COVID-19	31	―
Impairment losses	(7,978)	(70)
Reversal of impairment losses	―	278
Gain on sale of non-current assets	12,466	694
Acquisition-related costs	―	(294)
One-time costs related to internal system changes	―	(1,264)
Other	(1,285)	(1,273)
Operating profit	25,826	2,183

"Gain on sale of businesses" for the nine months ended September 30, 2023 includes the gain on sale 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.

"Loss on sale of businesses" for the nine months ended September 30, 2023 is due to transfer of Shiseido Kuki Factory operating the manufacturing operations of personal care products to FineToday Holdings Co., Ltd. The loss on the transfer is included in "Other operating expenses" in the condensed quarterly consolidated statement of profit or loss.

"Structural reform expenses" for the nine months ended September 30, 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 nine months ended September 30, 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 "Cost of sales," "Selling, general and administrative expenses" and "Other operating expenses" in the condensed quarterly consolidated statement of profit or loss.

"Impairment losses" for the nine months ended September 30, 2023 are 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 and the impairment losses of group of assets associated with the integration of manufacturing at Shiseido Osaka Factory into Shiseido Osaka Ibaraki Factory. 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 nine months ended September 30, 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.

"Gain on sale of non-current assets" for the nine months ended September 30, 2024 is mainly the income arising from the sales of the real estate owned by its subsidiary. The income is included in "Other operating income" in the condensed quarterly consolidated statement of profit or loss.

“Acquisition-related costs” for the nine months ended September 30, 2024 is the direct costs associated with the acquisition of DDG Skincare Holdings LLC. Expenses previously included in “Structural Reform Expenses” have been separately presented from the nine months ended September 2024. The expenses are included in “Selling, general and administrative expenses” in the condensed quarterly consolidated statement of profit or loss.

“One-time costs related to internal system changes” for the nine months ended September 30, 2024 is included in “Selling, general and administrative expenses” in the condensed quarterly consolidated statement of profit or loss.

(Business combination through acquisition)

(1) Overview of business combination

On December 22, 2023, the Company entered into an agreement on the acquisition of DDG Skincare Holdings LLC (hereinafter "the Acquiree"), owner of Dr. Dennis Gross Skincare which is the dermatologist-led, science-based prestige skincare brand, via the Company's subsidiary Shiseido Americas Corp. (hereinafter "Shiseido America"). Shiseido America concluded the equity purchase agreement with the Acquiree and the shareholders of the Acquiree. On February 5, 2024, the Company completed the procedures for the acquisition of the shares of the Acquiree pursuant to the Agreement.

(2) Name and business description of the Acquiree

Name:	DDG Skincare Holdings LLC
Business description:	Cosmetics sales

(3) Reason for business combination

By acquiring Dr. Dennis Gross Skincare brand, the Group will accelerate its mainstay prestige beauty business to capture opportunity in the rapidly growing dermatologist-developed skincare products market, unlocking further potential in the U.S. The addition of the brand to the Americas region is expected to drive significant benefits to the Group both in terms of growth and profitability, in addition to providing an opportunity to diversify its geographical footprint. Together, we are well positioned to leverage the Group's rich heritage in skincare, R&D capabilities, and global platforms to make the brand grow into one of our iconic prestige beauty brands in the future.

(4) Form of business combination

Acquisition of shares by cash consideration

(5) Date of acquisition

February 5, 2024

(6) Percentage of equity acquired

100%

* A company by the name of MPGC DDG II Blocker, LLC (hereinafter "Blocker") exists to temporarily hold a portion of equity (10%) to organize the equity owners of the Acquiree. Shiseido America has also acquired Blocker and holds 100% of the equity in the Acquiree, either directly or indirectly.

(7) Fair value of consideration transferred

Cash: ¥65,447 million (After adjustment for net in working capital, etc.)

For the payment on the date of acquisition, the Company took out the short-term borrowings of ¥48,000 million on February 2, 2024.

(8) Transactions recognized separately from the business combination

The Company incurred acquisition-related costs of ¥914 million for the previous fiscal year and ¥314 million for the current fiscal year which is included in "Selling, general and administrative expenses."

The total bonus of $16 million (¥2,418 million) to be paid under certain conditions after the business combination are recognized separately from the business combination and it will be expensed in "Selling, general and administrative expenses" from a certain period of time from the current fiscal year.

(9) Fair value of assets acquired and liabilities assumed at the acquisition date

	Millions of yen
The breakdown of assets at the acquisition date	
Current assets (Note)	5,756
Non-current assets	25,938
The breakdown of liabilities at the acquisition date	
Current liabilities	2,566
Non-current liabilities	855

Note: For fair value of ¥1,148 million for Trade and other receivables acquired, the total amount of the contract is the same as fair value, and an allowance for doubtful accounts is ¥34 million.

(10) Payments for acquisition of subsidiaries

	Millions of yen
Acquisition consideration in cash	65,447
Cash and cash equivalents of newly consolidated subsidiaries	1,803
Other payables	14,741
Payments for acquisition of subsidiaries	48,902

(11) Amount of recognized goodwill and reason for recognition

The goodwill arising from the business combination is mainly due to the synergy effect with existing businesses and excess earnings potential to arise from the acquisition, amounting to ¥37,174 million. The amount expected to be deductible for tax purposes is ¥32,221 million. As of the September 30, 2024, the amount of goodwill, acquired assets and assumed liabilities has been applied provisional accounting treatment, as the allocation of the acquisition consideration has not been completed.

(12) The impact on business performance

Net sales and loss incurred after acquisition date related to this business combinations are ¥10,608 million and (¥724) million, respectively. In addition, net sales and profit calculated in the first nine months ended September 30, 2024 would have been ¥724,115 million and ¥1,514 million, respectively, as if business combinations had taken place at the beginning of the period. This proforma information has not been reviewed during the period.

Independent Auditor's Report on Review of Quarterly Consolidated Financial Statements

November 7, 2024

To the Board of Directors of Shiseido Company, Limited:

KPMG AZSA LLC
Tokyo Office, Japan
Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yuki Kodaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Conclusion

We have reviewed the accompanying condensed quarterly consolidated financial statements of Shiseido Company, Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Attached Documents" in the Consolidated Settlement of Accounts for the Nine Months Ended September 30, 2024, which comprise the condensed quarterly consolidated statement of financial position as at September 30, 2024, the condensed quarterly consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month period then ended, and notes concerning the condensed quarterly consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed quarterly consolidated financial statements are not prepared, in all material respects, in accordance with the Article 5(2) of Standard for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. ("the Standard") (applying the omissions prescribed in Article 5(5) of the Standard).

Basis for Conclusion

We conducted our review in accordance with quarterly review standards generally accepted in Japan. Our responsibilities

under those standards are further described in the *Auditor's Responsibilities for the Review of the Condensed Quarterly Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our review of the condensed quarterly consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of Management, and the Audit Committee for the Financial Statements

Management is responsible for the preparation and presentation of the condensed quarterly consolidated financial statements in accordance with the Article 5(2) of Standard for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. (applying the omissions prescribed in Article 5(5) of the Standard), and for such internal control as management determines is necessary to enable the preparation of the condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed quarterly consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the Article 5(2) of Standard for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. (applying the omissions prescribed in Article 5(5) of the Standard) and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Review of the Condensed Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion on these condensed quarterly consolidated financial statements based on our review in our report on the review of condensed quarterly consolidated financial statements.

As part of our review in accordance with quarterly review standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the review. We also:

- Make inquiries, primarily of management and persons responsible for financial and accounting matters and apply analytical and other review procedures. A quarterly review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude, based on the evidence obtained, that nothing has come to our attention that causes us to believe that the condensed quarterly consolidated financial statements are not prepared in accordance with the Article 5(2) of Standard for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. (applying the omissions prescribed in Article 5(5) of the Standard), if a material uncertainty relating to events or conditions comes to our attention that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report on the review of condensed quarterly consolidated financial statements to the related disclosures in the condensed quarterly consolidated financial statements or, if such disclosures are inadequate, to express a qualified conclusion or an adverse conclusion. Our conclusions are based on the evidence obtained up to the date of our report on the review of condensed quarterly consolidated financial statements; however, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate that nothing has come to our attention that causes us to believe that the presentation and disclosures in the condensed quarterly consolidated financial statements are not prepared in accordance with the Article 5(2) of Standard for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. (applying the omissions prescribed in Article 5(5) of the Standard).
- Plan and perform the group audit to obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the condensed quarterly consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our review conclusion.

We communicate with the Audit Committee regarding, the planned scope and timing of the review, significant review findings that we identify during our review.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Review Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report on Review of Condensed Quarterly Consolidated Financial Statements as required by the Securities Listing Regulations of the Tokyo Stock Exchange, Inc.