



Consolidated Settlement of Accounts for the Fiscal Year Ended December 31, 2024 [IFRS]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange (Code Number 4911)
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Annual meeting of shareholders: March 26, 2025 (plan)
 Filing date of securities report: March 26, 2025 (plan)
 Start of cash dividend payments: March 27, 2025 (plan)
 Supplementary materials prepared: Yes
 Financial results information meeting held: Yes (for institutional investors and analysts, etc.)

1. Performance for the Fiscal Year Ended December 31, 2024 (From January 1 to December 31, 2024)

* Amounts under one million yen have been rounded down.

(1) Consolidated Operating Results

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

	Net Sales	Core Operating Profit	Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	Total Comprehensive Income
	%	%	%	%	%	%
Fiscal year Ended December 31, 2024	990,586 [1.8]	36,359 [(8.7)]	7,575 [(73.1)]	(1,265) [—]	(10,813) [—]	41,142 [(30.8)]
Fiscal year Ended December 31, 2023	973,038 [(8.8)]	39,842 [(22.4)]	28,133 [(39.6)]	31,037 [(38.5)]	21,749 [(36.4)]	59,488 [(33.2)]

[Reference] Profit

Fiscal year Ended December 31, 2024: ¥(9,294) million [—%]

Fiscal year Ended December 31, 2023: ¥24,177 million [(35.7)%]

	Basic Earnings per Share	Diluted Earnings per Share	Return on Equity Attributable to Owners of Parent	Profit before Tax / Total Assets	Core Operating Profit/ Net Sales
	Yen	Yen	%	%	%
Fiscal year Ended December 31, 2024	(27.06)	(27.06)	(1.7)	(0.1)	3.7
Fiscal year Ended December 31, 2023	54.43	54.40	3.6	2.4	4.1

[Reference] Equity in earnings of affiliates: As of December 31, 2024: ¥2,052 million [(45.2)%]

As of December 31, 2023: ¥3,744 million [133.0%]

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

	Total Assets	Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent	Equity Attributable to Owners of Parent per Share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2024	1,331,848	654,643	632,474	47.5	1,583.47
As of December 31, 2023	1,255,497	640,392	618,748	49.3	1,548.20

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year Ended December 31, 2024	48,403	(83,738)	23,357	98,479
Fiscal Year Ended December 31, 2023	89,026	(35,536)	(75,642)	104,685

2. Cash Dividends

	Cash Dividends per Share					Total Dividends Paid (Full Year)	Dividend Payout Ratio (Consolidated)	Ratio of Dividend to Equity Attributable to Owners of Parent (Consolidated)
	Q1	Q2	Q3	Year-End	Full Year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Fiscal Year 2023	—	30.00	—	30.00	60.00	23,978	110.2	3.9
Fiscal Year 2024	—	30.00	—	10.00	40.00	15,985	—	2.6
Fiscal Year 2025 (Forecast)	—	20.00	—	20.00	40.00		266.3	

3. Forecast for the Fiscal Year Ending December 31, 2025 (From January 1 to December 31, 2025)

(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 2025	995,000	[0.4]	36,500	[0.4]	13,500	[78.2]	14,500	[—]	6,000	[—]	15.02

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 “3. Consolidated Financial Statements and Notes (5) Notes Concerning Consolidated Financial Statements” on page 19.

(3) Number of shares issued (ordinary shares)

1) Number of shares issued (including treasury shares)

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

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

2) Number of treasury shares

As of December 31, 2024: 576,863

As of December 31, 2023: 344,199

3) Average number of shares outstanding during the period

Fiscal year ended December 31, 2024: 399,570,470

Fiscal year ended December 31, 2023: 399,615,958

[Reference] Summary of Nonconsolidated Results

Performance in the Fiscal Year Ended December 31, 2024 (January 1 to December 31, 2024)

(1) Nonconsolidated Operating Results

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
		%		%		%		%
Fiscal Year Ended December 31, 2024	245,678	[(5.3)]	(2,595)	[—]	18,032	[(38.8)]	21,523	[11.3]
Fiscal Year Ended December 31, 2023	259,361	[(15.2)]	(3,730)	[—]	29,459	[(38.3)]	19,346	[(32.0)]

	Net Profit per Share	Fully Diluted Net Profit per Share
	Yen	Yen
Fiscal Year Ended December 31, 2024	53.87	53.84
Fiscal Year Ended December 31, 2023	48.41	48.38

(2) Nonconsolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2024	936,240	508,363	54.2	1,271.12
As of December 31, 2023	869,593	511,508	58.7	1,278.08

[Reference] Equity at year-end:

Fiscal year ended December 31, 2024:	¥507,715 million
Fiscal year ended December 31, 2023:	¥510,792 million

This report is not subject to audit 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 Fiscal Year Ended December 31, 2024 (4) Earnings Forecast for Next Fiscal Year" 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 Fiscal Year Ended December 31, 2024

(1) Consolidated Performance

(Millions of yen)

	Net Sales	Core Operating Profit	Operating Profit	Profit (Loss) before Tax	Profit (Loss) Attributable to Owners of Parent	EBITDA
Fiscal Year Ended December 31, 2024	990,586	36,359	7,575	(1,265)	(10,813)	89,564
Fiscal Year Ended December 31, 2023	973,038	39,842	28,133	31,037	21,749	91,819
Year-on-Year Increase (Decrease)	1.8%	(8.7)%	(73.1)%	—	—	(2.5)%
FX-Neutral	(2.7)%					
Like-for-Like	(1.3)%					

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, and 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 fiscal years 2024 and 2023, and the services provided during the transition period (the “business transfer impacts”), as well as the impact of the acquisition of *Dr. Dennis Gross Skincare*.

During the fiscal year ended December 31, 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. Meanwhile, Japan’s economy remained on track for modest recovery over the period.

The domestic cosmetics market remained solid even though higher prices continued to weigh on household spending. The number of foreign visitors to Japan continued to exceed its pre-pandemic levels to hit a new record high, 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 over 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 markets in the U.S. and Europe saw modest growth overall, with signs of a slowdown starting to be seen in the latter half of the year.

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: realizing a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty.

In the fiscal year 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 continued to advance 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 progressively moving forward 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, delivering tangible results by executing cost restructuring strategies. Also, we have made a steady progress on our global cost reduction and profitability improvement initiatives on track with the plan. Moreover, in the China and Travel Retail Businesses, we have been optimizing our business foundation and strive to ensure sustainable growth by exploring opportunities aligned with 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 our regional portfolio while rebuilding our business foundation that better enables us to adopt to an uncertain, volatile market environment with greater flexibility.

In November 2024, the Company launched the “Action Plan 2025-2026” to be executed over the next two fiscal years in order to better ensure a swift recovery in our profitability to drive sustainable growth thereafter. Under the “Action Plan 2025-2026,” we will strive to “reinforce brand foundation,” “rebuild profitable foundation,” and “enhance operational governance” to establish a resilient business model to drive sustainable profit growth amid volatile market conditions.

Net sales for the consolidated fiscal year increased 1.8% year-on-year to ¥990.6 billion on a reported basis, down 2.7% year-on-year on a FX-neutral basis, or down 1.3% 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, as well as in the China Business which was adversely affected by a persistent decline in consumption on the back of worsening economic sentiment. Net sales in the Americas Business also declined year-on-year due to a delayed recovery in sales subsequent to the temporary declines in production and shipments in the first half of the year, although stabilized in the third quarter. Conversely, the Japan and EMEA Businesses continued to grow strongly, benefitting from the success of proactive investments in key focus areas offering opportunities for higher growth and profitability, as well as strategic marketing activities. Meanwhile, the Asia Pacific Business experienced modest growth overall compared to the prior year.

Core operating profit was ¥36.4 billion, which exceeded our forecast of ¥35.0 billion announced in November last year albeit with a year-on-year decline of ¥3.5 billion. The positive impacts of strong profit growth in the Japan Business as well as global-wide restructuring and cost management were more than offset by the decline in profits in the Travel Retail and Americas Businesses. Also, we posted a year-on-year decline 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 was largely attributable to changes in elimination of unrealized gains.

Profit attributable to owners of parent decreased year-on-year by ¥32.6 billion, incurring a loss of ¥10.8 billion due in part to a decline in core operating profit as well as the recognition of structural reform expenses in non-recurring items associated primarily with the Early Retirement Incentive Plan in the Japan Business. In addition, the decline in profit attributable to owners of parent also reflected the impact of the recognition of a provision of ¥12.8 billion as finance costs associated with a seller note*. This recognition of a provision has had no impact on cash flow of the Company in the fiscal year 2024. For more details, please refer to: “Notice Concerning the Difference between Consolidated Financial Results and Forecasts, and Dividends from Retained Earnings (Dividend Reduction) for the Fiscal Year Ended December 31, 2024” published today.

The EBITDA margin was 9.0%.

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 fiscal year ended December 31, 2024 are JPY151.5/USD, JPY163.8/EUR, and JPY21.0/CNY.

* A type of debt financing wherein the seller lends the buyer a portion of the purchase price.

[Consolidated Performance]

(Millions of yen)

Classification	Fiscal Year Ended December 31, 2024	% of Total	Fiscal Year Ended December 31, 2023	% of Total	Year-on-Year Increase (Decrease)				
					Amount	Percentage	FX- Neutral	Like- for-Like	
Net Sales	Japan Business	283,776	28.6%	259,900	26.7%	23,876	9.2%	9.2%	9.5%
	China Business	249,952	25.2%	247,921	25.5%	2,030	0.8%	(5.3)%	(4.6)%
	Asia Pacific Business	71,650	7.2%	67,283	6.9%	4,367	6.5%	0.9%	2.5%
	Americas Business	118,547	12.0%	110,294	11.4%	8,252	7.5%	0.0%	(7.0)%
	EMEA Business	132,665	13.4%	116,949	12.0%	15,716	13.4%	5.2%	8.2%
	Travel Retail Business	107,834	10.9%	132,525	13.6%	(24,691)	(18.6)%	(23.8)%	(23.8)%
	Other	26,158	2.7%	38,163	3.9%	(12,004)	(31.5)%	(32.4)%	13.5%
	Total	990,586	100.0%	973,038	100.0%	17,547	1.8%	(2.7)%	(1.3)%

Classification	Total sales including intersegment sales and internal transfers between segments		
	Fiscal Year Ended December 31, 2024	Fiscal Year Ended December 31, 2023	
Net Sales	Japan Business	284,675	260,806
	China Business	254,107	251,671
	Asia Pacific Business	75,499	71,569
	Americas Business	124,365	115,853
	EMEA Business	141,439	123,727
	Travel Retail Business	108,274	132,768
	Other	243,246	252,316
	Subtotal	1,231,608	1,208,715
Adjustments	(241,022)	(235,676)	
Total	990,586	973,038	

(Millions of yen)

Classification	Fiscal Year Ended December 31, 2024	Ratio to Net Sales	Fiscal Year Ended December 31, 2023	Ratio to Net Sales	Year-on-Year Increase (Decrease)		
					Amount	Percentage	
Core Operating Profit (Loss)	Japan Business	28,072	9.9%	1,333	0.5%	26,738	—
	China Business	12,271	4.8%	6,967	2.8%	5,303	76.1%
	Asia Pacific Business	6,006	8.0%	5,069	7.1%	936	18.5%
	Americas Business	242	0.2%	11,200	9.7%	(10,958)	(97.8)%
	EMEA Business	3,677	2.6%	3,345	2.7%	331	9.9%
	Travel Retail Business	5,006	4.6%	17,111	12.9%	(12,104)	(70.7)%
	Other	(24,912)	(10.2)%	(22,824)	(9.0)%	(2,087)	—
	Subtotal	30,364	2.5%	22,205	1.8%	8,159	36.7%
	Adjustments	5,995	—	17,636	—	(11,641)	—
Total	36,359	3.7%	39,842	4.1%	(3,482)	(8.7)%	

Notes:

1. The Group has revised its reportable segment classifications in the fiscal year ended December 31, 2024. The part of business results previously included in the Japan Business segment are now included in the Other segment. As a result, segment information for the fiscal year ended December 31, 2023 has been restated to reflect this reclassification.
2. Like-for-like increase (decrease) in net sales excludes foreign exchange translation, the 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.)
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 through the implementation of the business transformation plan “Mirai Shift NIPPON 2025.” During the year, 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 delivered robust growth in key 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 the continued momentum of SHISEIDO REVITALESSENCE SKIN GLOW Foundation, while also driving growth buoyed by the success of new product launches in *Clé de Peau Beauté* and *ELIXIR*. While the number of foreign visitors to Japan continued to exceed its pre-pandemic levels to hit a new record high, 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 year with net sales of ¥283.8 billion, up 9.2% year-on-year on a reported basis, or up 9.5% year-on-year on a like-for-like basis excluding the impact of business transfers. Core operating profit was ¥28.1 billion with an improvement of ¥26.7 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 taking a balanced approach to achieving growth and profitability amid volatile market conditions to make a shift towards a sustainable growth model which focuses more on value-based brand and product communication tailored to consumer needs. While the Business continued to be adversely impacted by the decline in consumer spending amid worsening economic sentiment in China over the course of the year, we still managed to deliver strong growth during “Double 11,” the largest e-commerce event in China, due largely to the low prior year comparison, reflecting the impact of consumer pull back on purchases of Japanese products after the release of treated water. During the year, *Clé de Peau Beauté*, *ANESSA*, and *NARS* delivered growth while *SHISEIDO* continued to face headwinds.

As a result, net sales were ¥250.0 billion, up 0.8% year-on-year on a reported basis, down 5.3% on a FX-neutral basis, or down 4.6% 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 ¥5.3 billion to ¥12.3 billion, with a decline in gross profit due to lower sales being more than 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 countries and regions of the Asia Pacific Business, while our business was unfavorably impacted by the market slowdown in Taiwan, we nevertheless maintained steady growth driven by the markets in Southeast Asia led by Thailand. Overall, we delivered strong growth in *ANESSA*, *Clé de Peau Beauté* as well as in Fragrances.

As a result, net sales were ¥71.7 billion, up 6.5% year-on-year on a reported basis, up 0.9% year-on-year on a FX-neutral basis, or up 2.5% 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 ¥0.9 billion to ¥6.0 billion due primarily to an increase in gross profit driven by sales growth.

Americas Business

In the Americas Business, we delivered a year-on-year revenue growth in *NARS* and *Tory Burch*. Conversely, *Drunk Elephant* continued to suffer a slow recovery in sales subsequent to the temporary declines in production and shipments in the first half of the year, although stabilized in the third quarter.

As a result, net sales were ¥118.5 billion, up 7.5% year-on-year on a reported basis, flat year-on-year on a FX-neutral basis, or down 7.0% 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 ¥11.0 billion to ¥0.2 billion, owing primarily to a lower gross profit driven by sales decline.

EMEA Business

In the EMEA Business, *SHISEIDO* and *NARS* enjoyed healthy growth. In Fragrances, *narciso rodriguez* fueled growth, as did *ISSEY MIYAKE* which benefited from the launch of a new product.

As a result, net sales were ¥132.7 billion, up 13.4% year-on-year on a reported basis, up 5.2% year-on-year on a FX-neutral basis, or up 8.2% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit increased by ¥0.3 billion year-on-year to ¥3.7 billion, due primarily to 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 continued to be affected by lower shipping volumes owing primarily to a sharp decline in consumption driven primarily by Chinese tourists.

As a result, net sales were ¥107.8 billion, down 18.6% year-on-year on a reported basis, down 23.8% year-on-year on a FX-neutral basis, or down 23.8% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit decreased by ¥12.1 billion year-on-year to ¥5.0 billion, primarily attributable to a lower gross profit due to a decline in sales.

(2) Financial Position

Total assets increased by ¥76.4 billion from the end of the previous fiscal year to ¥1,331.8 billion, from an increase in goodwill and intangible assets associated with the acquisition of *Dr. Dennis Gross Skincare*, which was partially offset by decrease in investments accounted for using equity method. Liabilities increased by ¥62.1 billion to ¥677.2 billion, primarily due to an increase in bonds and borrowings, which outweighed a decrease in trade and other payables. Equity increased by ¥14.3 billion to ¥654.6 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 0.18.

(3) Cash flows

(Cash flow analysis)

Cash and cash equivalents at the end of the fiscal year 2024 stood at ¥98.5 billion, ¥6.2 billion less than the amount of ¥104.7 billion at the beginning of the current fiscal year.

(Cash Flows from Operating Activities)

Net cash provided by operating activities in the fiscal year 2024 decreased by ¥40.6 billion to ¥48.4 billion, primarily due to increase factors such as ¥75.7 billion of depreciation and amortization and ¥12.8 billion of loss allowance for long-term loans receivable, while there were decrease factors such as ¥1.3 billion of the loss before tax, ¥30.1 billion of increase (decrease) in trade payables and ¥10.5 billion of decrease (increase) in trade receivables. 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 fiscal year 2024 increased by ¥48.2 billion to ¥83.7 billion, primarily due to payments for acquisition of subsidiaries of ¥48.9 billion, purchase of intangible assets such as investment in IT systems of ¥25.8 billion and purchase of property, plant and equipment such as investment in factory equipment of ¥24.9 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 fiscal year 2024 increased by ¥99.0 billion to ¥23.4 billion, primarily due to the repayments of long-term borrowings of ¥30.0 billion, the repayments of lease liabilities of ¥26.4 billion and the payment of cash dividends of ¥24.0 billion etc. while the increase was due to proceeds from long-term borrowings of ¥51.0 billion, short-term borrowings of ¥42.0 billion and proceeds from issuance of bonds of ¥15.0 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		48.4
Net cash provided by (used in) investing activities		(83.7)
Net cash provided by (used in) financing activities		23.4
Effect of exchange rate changes on cash and cash equivalents		5.8
Net change in cash and cash equivalents (decrease)		(6.2)
Cash and cash equivalents at end of period		98.5

(4) Earnings Forecast for Next Fiscal Year

Consolidated Net Sales

(Billions of yen)

Classification	Fiscal Year ending December 31, 2025 (Forecast)	Fiscal Year ended December 31, 2024	Percentage Change	FX-Neutral	Like-for-like
Net Sales	995.0	990.6	0.4%	3%	4%

Forecast for Consolidated Net Sales by Reportable Segment (YoY change)

Classification	YoY	YoY FX-Neutral	YoY Like-for-Like
Japan Business	high single %	high single %	high single %
China Business	–high single %	–low single %	–low single %
Asia Pacific Business	high single %	low teen %	low teen %
Americas Business	low teen%	low teen %	low teen %
EMEA Business	low single %	high single %	high single %
Travel Retail Business	–mid teen %	–low teen %	–low teen %
Other	–high teen%	–mid teen %	low teen %
Total	0.4 %	3%	4%

Notes:

1. Like-for-like increase (decrease) in net sales excludes the impacts of foreign exchange translation and the business transfer impacts in the fiscal years 2024 and 2025.
2. From the fiscal year ending December 31, 2025, the Company will revise part of its reportable segment classifications within the Group. Accordingly, the business results related to the operation of domestic cosmetics sales by IPSA Co.,Ltd., previously included in the Other segment will be included in the Japan Business segment. Change in net sales (YoY) in the table above reflect this reclassification.

Consolidated Profit

(Billions of yen)

Classification	Fiscal Year Ending December 31, 2025 (Forecast)	Ratio to Net Sales	Fiscal Year Ended December 31, 2024	Ratio to Net Sales	Percentage Change
Core Operating Profit	36.5	3.7%	36.4	3.7%	0.4%
Operating Profit	13.5	1.4%	7.6	0.8%	78.2%
Profit (Loss) before Tax	14.5	1.5%	(1.3)	(0.1)%	–
Profit (Loss) Attributable to Owners of Parent	6.0	0.6%	(10.8)	(1.1)%	–

Notes:

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 and impairment losses, etc.

(Yen)

Classification	Fiscal Year Ending December 31, 2025 (Forecast)	Fiscal Year Ended December 31, 2024
ROE (Return on Equity Attributable to Owners of Parent)	1.0%	(1.7)%
Basic Earnings per Share	15.02	(27.06)
DOE (Dividends on Equity Attributable to Owners of Parent)	2.6%	2.6%
Dividends per share		
Interim	20.00	30.00
Year-end	20.00	(Planned) 10.00

In the fiscal year 2025, we expect the pace of growth in the global economy to remain steady on the back of slowing inflation and easing financial conditions, while rising geopolitical risks and evolving trends in monetary and economic policies may contribute to increased uncertainty. While we believe consumer spending in China, including its duty-free retail, is likely to remain subdued, the rest of the global beauty market is expected to grow at a moderate pace throughout the year.

Currently, we are aiming to establish a resilient business model to drive sustainable profitable growth amid volatile market conditions. In the fiscal year 2025, we will advance further in our efforts to address top priority issues laid out in the “Action Plan 2025-2026” towards achieving a core operating profit margin of 7% in 2026. While we expect revenue and profit to decline year-on-year in the China and Travel Retail Businesses, we are committed to achieving significant growth in our profitability by executing strategic product launches and price increases in the Japan Business, while driving strong sales recovery in the Americas Business. In the EMEA and Asia Pacific Businesses, we will focus our efforts on establishing a solid brand foundation to ensure stable and sustainable growth in our business.

As a result of such initiatives, we expect consolidated net sales of ¥995.0 billion for the fiscal year 2025, reflecting a 4% increase year-on-year on a like for like basis, excluding the impact of foreign exchange translation and business transfers. We expect to achieve a core operating profit of ¥36.5 billion with a higher gross profit generated from revenue growth as well as positive results of our cost reduction initiatives, while the impacts of strategic marketing investments and higher personnel expenses due to inflation are also reflected in our forecast. At the same time, we expect a loss of ¥23.0 billion to be recognized as non-recurring items due largely to structural reform expenses. As a result, profit attributable to owners of parent is expected to be ¥6.0 billion.

The above forecasts are based on the following exchange rate assumptions for the major foreign currencies: JPY 145/USD, JPY 155/EUR, and JPY 20/CNY.

(5) Basic Shareholder Return Policy; Cash Dividends

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means, in addition to generating medium-to long-term share price gains. To this end, our fundamental policy is to give highest priority to strategic investments aimed at sustainable growth in order to increase profits and improve capital efficiency, which will lead to medium-to long-term increases in dividends and higher share prices.

We focus on consolidated financial 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 of the metrics that reflect our capital policy for ensuring stable and consistent growth in shareholder returns over the long term.

Based on such policy, we previously maintained our forecast for a year-end dividend of ¥30 per share for the fiscal year 2024 at the time of the announcement of financial results for the first nine months ended September 30, 2024 in November last year, although it remained subject to review according to the Company's financial conditions. However, as a result of careful consideration based on the perspectives towards maximizing long term shareholder returns, and in light of the actual results for the fiscal year 2024 as well as the outlook for our earnings and cash flows going forward, we regrettably have made a decision to reduce the year-end dividend to ¥10 per share based on the above mentioned policy. As a result, for the fiscal year ended December 31, 2024, we declare the annual dividend of ¥40 per share, an interim dividend of ¥30 per share and a year-end dividend of ¥10 per share, with a DOE of 2.6%.

For the fiscal year ending December 31, 2025, we declare an interim and a year-end dividend of ¥20 per share, which amounts to a total annual dividend of ¥40 per share. As a result, we project a DOE of 2.6%. We remain committed to improving shareholder return by completing structural reforms to drive profitable growth as the earliest possible.

2. Basic Approach to Our Selection of Accounting Standards

We have voluntarily adopted International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2022, in order to enhance the Company's global business management by unifying accounting standards across the Group and to improve the international comparability of its financial information in capital markets.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

	As of December 31, 2023	As of December 31, 2024
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	104,685	98,479
Trade and other receivables	149,688	154,305
Inventories	149,646	160,507
Other financial assets	21,956	28,382
Other current assets	44,038	36,125
Total current assets	<u>470,014</u>	<u>477,800</u>
Non-current assets		
Property, plant and equipment	301,838	294,411
Goodwill	62,143	108,013
Intangible assets	137,663	179,390
Right-of-use assets	100,548	104,876
Investments accounted for using equity method	18,449	2,908
Other financial assets	95,321	89,556
Retirement benefit asset	—	10,261
Deferred tax assets	61,187	54,782
Other non-current assets	8,331	9,848
Total non-current assets	<u>785,483</u>	<u>854,048</u>
Total assets	<u><u>1,255,497</u></u>	<u><u>1,331,848</u></u>

	As of December 31, 2023	As of December 31, 2024
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	178,526	152,199
Bonds and borrowings	50,000	107,000
Lease liabilities	21,916	21,223
Other financial liabilities	5,385	6,391
Income taxes payable	3,553	3,413
Provisions	5,847	4,527
Other current liabilities	103,116	103,807
Total current liabilities	<u>368,345</u>	<u>398,562</u>
Non-current liabilities		
Bonds and borrowings	110,559	131,620
Lease liabilities	98,506	103,317
Other financial liabilities	6,482	20,630
Retirement benefit liability	15,055	5,037
Provisions	1,227	1,852
Deferred tax liabilities	2,870	3,640
Other non-current liabilities	12,056	12,544
Total non-current liabilities	<u>246,758</u>	<u>278,642</u>
Total liabilities	<u>615,104</u>	<u>677,205</u>
Equity		
Share capital	64,506	64,506
Capital surplus	74,000	74,138
Treasury shares	(1,591)	(2,325)
Retained earnings	380,208	356,877
Other components of equity	101,624	139,277
Total equity attributable to owners of parent	<u>618,748</u>	<u>632,474</u>
Non-controlling interests	21,644	22,169
Total equity	<u>640,392</u>	<u>654,643</u>
Total liabilities and equity	<u><u>1,255,497</u></u>	<u><u>1,331,848</u></u>

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

Consolidated Statement of Profit or Loss

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
	Millions of yen	Millions of yen
Net sales	973,038	990,586
Cost of sales	259,674	237,394
Gross profit	713,364	753,191
Selling, general and administrative expenses	696,625	751,444
Other operating income	21,023	8,561
Other operating expenses	9,629	2,733
Operating profit	28,133	7,575
Finance income	6,734	8,292
Finance costs	7,574	19,186
Share of profit of investment accounted for using equity method	3,744	2,052
Profit (loss) before tax	31,037	(1,265)
Income tax expense	6,860	8,028
Profit (loss)	24,177	(9,294)
Profit (loss) attributable to		
Owners of parent	21,749	(10,813)
Non-controlling interests	2,427	1,518
Profit (loss)	24,177	(9,294)
Earnings per share		
Basic earnings (loss) per share (yen)	54.43	(27.06)
Diluted earnings (loss) per share (yen)	54.40	(27.06)

Consolidated Statement of Comprehensive Income

	Fiscal year ended December, 31 2023	Fiscal year ended December, 31, 2024
	Millions of yen	Millions of yen
Profit (loss)	24,177	(9,294)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(823)	(273)
Remeasurements of defined benefit plans	6,568	11,816
Share of other comprehensive income of investments accounted for using equity method	68	7
Total of items that will not be reclassified to profit or loss	5,813	11,550
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	30,007	39,722
Cash flow hedges	43	—
Share of other comprehensive income of investments accounted for using equity method	(553)	(835)
Total of items that may be reclassified to profit or loss	29,497	38,886
Other comprehensive income, net of tax	35,311	50,437
Comprehensive income	59,488	41,142
Comprehensive income attributable to		
Owners of parent	55,801	38,375
Non-controlling interests	3,687	2,767
Comprehensive income	59,488	41,142

(3) Consolidated Statement of Changes in Equity

Fiscal Year Ended December 31, 2023 (January 1 to December 31, 2023)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on transition of foreign operations	Financial assets measured at fair value through other comprehensive income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance as of January 1, 2023	64,506	73,560	(2,089)	394,877	73,447	—
Profit (loss)				21,749		
Other comprehensive income					28,176	(706)
Total comprehensive income	—	—	—	21,749	28,176	(706)
Purchase of treasury shares			(8)			
Disposal of treasury shares		17	506			
Dividends				(41,954)		
Changes in ownership interest in subsidiaries		(0)				
Change in scope of consolidation						
Share-based payment transactions		422		48		
Transfer to retained earnings				5,831		706
Other		0		(343)		
Total transactions with owners	—	440	498	(36,419)	—	706
Balance as of December 31, 2023	64,506	74,000	(1,591)	380,208	101,624	—

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Cash flow hedges	Remeasurements of defined benefit plans	Total			
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance as of January 1, 2023	(43)	—	73,404	604,259	21,494	625,754
Profit (loss)			—	21,749	2,427	24,177
Other comprehensive income	43	6,537	34,051	34,051	1,259	35,311
Total comprehensive income	43	6,537	34,051	55,801	3,687	59,488
Purchase of treasury shares			—	(8)		(8)
Disposal of treasury shares			—	524		524
Dividends			—	(41,954)	(1,451)	(43,406)
Changes in ownership interest in subsidiaries			—	(0)	0	—
Change in scope of consolidation			—	—	(4)	(4)
Share-based payment transactions			—	470		470
Transfer to retained earnings		(6,537)	(5,831)	—		—
Other			—	(343)	(2,081)	(2,424)
Total transactions with owners	—	(6,537)	(5,831)	(41,312)	(3,537)	(44,849)
Balance as of December 31, 2023	—	—	101,624	618,748	21,644	640,392

Fiscal Year Ended December 31, 2024 (January 1 to December 31, 2024)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on transition of foreign operations	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of January 1, 2024	64,506	74,000	(1,591)	380,208	101,624	—
Profit (loss)				(10,813)		
Other comprehensive income					37,652	(245)
Total comprehensive income	—	—	—	(10,813)	37,652	(245)
Purchase of treasury shares			(1,047)			
Disposal of treasury shares		(17)	313	(15)		
Dividends				(23,981)		
Changes in ownership interest in subsidiaries		(0)				
Share-based payment transactions		155		380		
Transfer to retained earnings				11,535		245
Other				(437)		
Total transactions with owners	—	138	(734)	(12,517)	—	245
Balance as of December 31, 2024	64,506	74,138	(2,325)	356,877	139,277	—

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Cash flow hedges	Remeasurements of defined benefit plans	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of January 1, 2024	—	—	101,624	618,748	21,644	640,392
Profit (loss)			—	(10,813)	1,518	(9,294)
Other comprehensive income	—	11,781	49,188	49,188	1,248	50,437
Total comprehensive income	—	11,781	49,188	38,375	2,767	41,142
Purchase of treasury shares			—	(1,047)		(1,047)
Disposal of treasury shares			—	280		280
Dividends			—	(23,981)	(1,917)	(25,898)
Changes in ownership interest in subsidiaries			—	(0)	0	—
Share-based payment transactions			—	536		536
Transfer to retained earnings		(11,781)	(11,535)	—		—
Other			—	(437)	(325)	(762)
Total transactions with owners	—	(11,781)	(11,535)	(24,650)	(2,242)	(26,892)
Balance as of December 31, 2024	—	—	139,277	632,474	22,169	654,643

(4) Consolidated Statement of Cash Flows

	Fiscal year ended December, 31 2023	Fiscal year ended December, 31 2024
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Profit (loss) before tax	31,037	(1,265)
Depreciation and amortization	75,492	75,666
Impairment losses (reversal of impairment losses)	8,485	(1,008)
Loss (gain) on disposal of fixed assets	(11,357)	1,186
Loss on transfer of business	6,945	—
Loss allowance for long-term loans receivable	—	12,784
Increase or decrease in retirement benefit asset or liability	(546)	(3,070)
Interest and dividend income	(6,088)	(7,306)
Interest expenses	3,038	4,053
Share of profit of investments accounted for using equity method	(3,744)	(2,052)
Decrease (increase) in trade receivables	35,142	(10,464)
Decrease (increase) in inventories	(2,223)	1,195
Increase (decrease) in trade payables	(23,690)	(30,138)
Other	(24,154)	8,214
Subtotal	88,337	47,792
Interest and dividends received	2,350	6,603
Interest paid	(2,761)	(2,781)
Income taxes refund (paid)	1,099	(3,210)
Net cash provided by (used in) operating activities	89,026	48,403
Cash flows from investing activities:		
Payments into time deposits	(14,137)	(32,784)
Proceeds from withdrawal of time deposits	10,692	29,358
Purchase of property, plant and equipment	(26,703)	(24,859)
Proceeds from sales of property, plant and equipment and intangible assets	14,804	1,456
Purchase of intangible assets	(28,972)	(25,849)
Payments for acquisition of subsidiaries	—	(48,902)
Proceeds from sale of business	68	1,531
Payments for sale of business	(1,700)	—
Proceeds from sale of shares of associates	8,500	12,755
Other	1,912	3,555
Net cash provided by (used in) investing activities:	(35,536)	(83,738)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	19,918	42,000
Proceeds from long-term borrowings	554	51,000
Repayments of long-term borrowings	(15,915)	(30,000)
Proceeds from issuance of bonds	—	15,000
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(8)	(1,047)
Proceeds from disposal of treasury shares	0	0
Dividends paid	(41,908)	(23,979)
Dividends paid to non-controlling interests	(1,410)	(1,960)
Repayments of lease liabilities	(26,432)	(26,376)
Other	(440)	(1,277)
Net cash provided by (used in) financing activities	(75,642)	23,357
Net change in cash and cash equivalents (decrease)	(22,152)	(11,976)
Cash and cash equivalents at beginning of period	119,036	104,685
Effect of exchange rate changes on cash and cash equivalents	7,280	5,770
Net change in cash and cash equivalents included in assets held for sale	521	—
Cash and cash equivalents at end of period	104,685	98,479

(5) Notes Concerning Consolidated Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Change in Accounting Estimates)

The Group has, from the current fiscal year, 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” increased by ¥2,368 million and “Loss before tax” decreased by ¥2,368 million for the current fiscal year.

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

(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 management 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.) and the healthcare business (sale of over-the-counter drugs).

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

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

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

The EMEA Business covers business in Europe, the Middle East and 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 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 fiscal year ended December 31, 2024.

Segment information for the fiscal year ended December 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 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:

Fiscal Year Ended December 31, 2023 (January 1 to December 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	259,900	247,921	67,283	110,294	116,949	132,525
Intersegment sales or transfer	906	3,750	4,286	5,558	6,778	243
Total	260,806	251,671	71,569	115,853	123,727	132,768
Segment profit (loss) i.e. Core operating profit	1,333	6,967	5,069	11,200	3,345	17,111
	Other (Note 2,4)	Total	Adjustments (Note 3)	Consolidation		
Net sales						
Sales to external customers	38,163	973,038	—	973,038		
Intersegment sales or transfer	214,153	235,676	(235,676)	—		
Total	252,316	1,208,715	(235,676)	973,038		
Segment profit (loss) i.e. Core operating profit	(22,824)	22,205	17,636	39,842		

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) adjustments are 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.

Fiscal Year Ended December 31, 2024 (January 1 to December 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	283,776	249,952	71,650	118,547	132,665	107,834
Intersegment sales or transfer	898	4,155	3,848	5,818	8,773	440
Total	284,675	254,107	75,499	124,365	141,439	108,274
Segment profit (loss) i.e. Core operating profit (Note 4)	28,072	12,271	6,006	242	3,677	5,006
	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation		
Net sales						
Sales to external customers	26,158	990,586	—	990,586		
Intersegment sales or transfer	217,087	241,022	(241,022)	—		
Total	243,246	1,231,608	(241,022)	990,586		
Segment profit (loss) i.e. Core operating profit (Note 4)	(24,912)	30,364	5,995	36,359		

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 and the restaurant business, and the healthcare business (sale of health & beauty foods.)
3. Segment profit (loss) adjustments are mainly intersegment transaction eliminations.
4. As stated in "Change in accounting estimates," the Group has, from the current fiscal year, 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 current fiscal year increased by ¥115 million in Japan Business, ¥77 million in China Business, ¥215 million in Asia Pacific Business, ¥228 million in Americas Business, ¥221 million in Travel Retail Business, and ¥1,509 million in Other, respectively.

Adjustments from segment profit to operating profit are as follows:

	Fiscal year ended December, 31 2023	Fiscal year ended December, 31 2024
	Millions of yen	Millions of yen
Segment profit	39,842	36,359
Gain on sale of business	822	—
Loss on sale of business	(7,767)	—
Structural reform expenses	(7,317)	(26,560)
Government grant income on COVID-19	32	—
Impairment losses	(8,342)	(136)
Reversal of impairment losses	—	1,145
Gain on sale of non-current assets	13,253	725
Acquisition-related costs	(428)	(325)
One-time costs related to internal system changes	—	(1,999)
Other	(1,960)	(1,632)
Operating profit	<u>28,133</u>	<u>7,575</u>

“Gain on sale of business” for the fiscal year ended December 31, 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 consolidated statement of profit or loss.

“Loss on sale of business” for the fiscal year ended December 31, 2023 is due to transfer of Shiseido Kuki Factory and Shiseido Vietnam Inc. operating the manufacturing operations of personal care products to FineToday Holdings Co., Ltd. The loss on these transfers is included in “Other operating expenses” in the consolidated statement of profit or loss.

“Structural reform expenses” for the fiscal year ended December 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 consolidated statement of profit or loss.

“Structural reform expenses” for the fiscal year ended December 31, 2024 are mainly the costs associated with the Early Retirement Incentive Plan as part of the business transformation of Shiseido Japan Co., Ltd and related gain on settlement of retirement benefit obligations. The expenses are included in “Cost of sales,” “Selling, general and administrative expenses,” “Other operating income” and “Other operating expenses” in the consolidated statement of profit or loss.

“Impairment losses” for the fiscal year ended December 31, 2023 are the impairment losses of 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 the groups of assets associated with the integration of manufacturing operation 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 consolidated statement of profit or loss.

“Reversal of impairment losses” for the fiscal year ended December 31, 2024 is the reversal of impairment losses related to the manufacturing facilities at Shiseido Osaka Factory, for which impairment losses were recognized in the previous fiscal year, and which has since recovered in profitability. The income is included in “Other operating income” in the consolidated statement of profit or loss.

“Gain on sale of non-current assets” for the fiscal year ended December 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 consolidated statement of profit or loss.

“Gain on sale of non-current assets” for the fiscal year ended December 31, 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 consolidated statement of profit or loss.

“Acquisition-related costs” for the fiscal year ended December 31, 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 fiscal year ended December 31 2024. The expenses are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

“One-time costs related to internal system changes” for the fiscal year ended December 31, 2024 is included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

(Per-Share Data)

(1) Basis for the calculation of basic earnings per share

	Fiscal year ended December, 31 2023	Fiscal year ended December, 31 2024
Profit (loss) attributable to owners of parent (Millions of yen)	21,749	(10,813)
Profit (loss) not attributable to common shareholders of parent (Millions of yen)	—	—
Profit (loss) used for calculating basic earnings per share (Millions of yen)	21,749	(10,813)
Weighted-average number of shares of ordinary shares (Thousands of shares)	399,615	399,570
Basic earnings (loss) per share (Yen)	54.43	(27.06)

(2) Basis for the calculation of diluted earnings per share

	Fiscal year ended December, 31 2023	Fiscal year ended December, 31 2024
Profit (loss) used for calculating basic earnings per share (Millions of yen)	21,749	(10,813)
Profit adjustment (Millions of yen)	—	—
Profit (loss) used for calculating diluted earnings per share (Millions of yen)	21,749	(10,813)
Weighted-average number of shares of ordinary shares (Thousands of shares)	399,615	399,570
Increase in ordinary share		
Share acquisition rights (Thousands of shares)	235	—
Diluted weighted-average number of ordinary shares (Thousands of shares)	399,851	399,570
Diluted earnings (loss) per share (Yen)	54.40	(27.06)

In the current fiscal year, there are 195 thousand dilutive potential ordinary shares. However, as they have an anti-dilutive effect, they have been excluded from the calculation of diluted loss per share.

(Significant Subsequent Events)

Not applicable.