



Consolidated Settlement of Accounts for the First Three Months of the Fiscal Year Ending December 31, 2023 [IFRS]

Shiseido Company, Limited

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Filing date of quarterly securities report: May 12, 2023 (plan)

Start of cash dividend payments: —

Supplementary quarterly materials prepared: Yes

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

1. Performance for the First Three Months of the Fiscal Year Ending December 31, 2023 (From January 1 to March 31, 2023)

* Amounts under one million yen have been rounded down.

(1) Consolidated Operating Results

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

	Net Sales		Core Operating Profit		Operating Profit		Profit		Profit Attributable to Owners of Parent		Total Comprehensive Income	
	%		%		%		%		%		%	
Three Months Ended March 31, 2023	240,009	[2.6]	12,532	[186.3]	10,525	[140.5]	9,192	[61.7]	8,680	[97.3]	14,407	[(43.2)]
Three Months Ended March 31, 2022	234,023	[(1.3)]	4,378	[(52.3)]	4,376	[—]	5,684	[—]	4,399	[—]	25,368	[128.7]

[Reference] Profit before tax

Three months ended March 31, 2023: ¥10,319 million [26.5%]

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

	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Three Months Ended March 31, 2023	21.72	21.71
Three Months Ended March 31, 2022	11.01	11.00

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

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Equity	Equity Attributable to Owner of Parent	Ratio of Equity Attributable to Owner of Parent
As of March 31, 2023	1,265,742	608,131	587,997	46.5%
As of December 31, 2022	1,307,661	625,754	604,259	46.2%

2. Cash Dividends

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

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

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

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

	Net Sales	Core Operating Profit	Profit Before Tax	Profit Attributable to Owners of Parent	Basic Earnings per Share (Yen)
	%	%	%	%	
Fiscal Year 2023	1,000,000 [(6.3)]	60,000 [16.9]	47,000 [(6.8)]	28,000 [(18.1)]	70.08

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

Notes

- (1) Changes in significant subsidiaries during the three months ended March 31, 2023: None
(changes in specific subsidiaries causing a change in the scope of consolidation)
- (2) Changes in accounting policies; changes in accounting estimates
- 1) Changes in accounting policies required by IFRS: None
 - 2) Other changes in accounting policies: None
 - 3) Changes in accounting estimates: None
- (3) Number of shares issued (ordinary shares)
- 1) Number of shares issued (including treasury shares)

As of March 31, 2023:	400,000,000
As of December 31, 2022:	400,000,000
 - 2) Number of treasury shares

As of March 31, 2023:	419,097
As of December 31, 2022:	452,452
 - 3) Average number of shares outstanding during the period

Three months ended March 31, 2023:	399,571,537
Three months ended March 31, 2022:	399,515,677

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

Appropriate use of business forecasts; other special items

(Cautionary note concerning forward-looking statements)

In this report, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Summary of Consolidated Financial Results for the First Three Months (3) Consolidated Forecast and Other Forward-Looking Information" on page 10 for information on preconditions underlying the above outlook and other related information.

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

(1) Consolidated Performance

(Millions of yen)

	Net Sales	Core Operating Profit	Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	EBITDA
Three Months Ended March 31, 2023	240,009	12,532	10,525	10,319	8,680	24,859
Three Months Ended March 31, 2022	234,023	4,378	4,376	8,155	4,399	17,109
Year-on-Year Increase (Decrease)	2.6%	186.3%	140.5%	26.5%	97.3%	45.3%
FX-Neutral	(3.6)%					
Like-for-Like	6.6%					

Notes:

1. Core operating profit is calculated by excluding profit and loss caused by non-recurrent items such as structural reform expenses and impairment losses, etc. from operating profit.
2. EBITDA is calculated as core operating profit plus depreciation and amortization (excluding amortization of right-of-use assets).
3. Like-for-like increase (decrease) in net sales excludes the impacts of foreign exchange translation and all business transfers in the first three months of the fiscal year 2023 and 2022, as well as the impact of all related transfer agreements (“business transfer impacts”).

In the first three months of the fiscal year 2023, while uncertainty continued such as the prolonged conflict in Ukraine and rising prices, as a whole, the transition to post-pandemic new normal and the normalization of economic activities progressed and personal consumption showed signs of improvement.

Japan’s domestic cosmetics market, while consumers became increasingly budget-conscious due to heightened living expenses, steadily recovered thanks to changes in the government’s COVID-19 basic response policy, including leaving mask use to personal discretion as well as increased opportunities to go out of home. In terms of overseas cosmetics markets, the market environment in China was difficult, affected by the re-expansion of infection cases after the lifting of zero-COVID policy by the government, however, the market situation bottomed out in January and has turned to be on a recovery trend since February. In the Europe and Americas regions, consumption continued to recover and the cosmetics market likewise showed strong growth across all categories.

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

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

From the fiscal year 2023, when a full-fledged market recovery is expected, we have launched a new medium-term strategy “SHIFT 2025 and Beyond.” In this strategy, we have set a goal of achieving a core operating profit margin of 12% by 2025 and 15% by 2027, through the enhancement of investment in our focused areas of brands, innovations and people, as well as the improvement of profitability by cost structure transformation. We will further sharpen our intangible assets such as our brands with high quality, innovation, and service, and establish a value-added base management model which provides unique value unmatched by others. In 2023, our first year of this new strategy, we are working to strengthen brand equity by investing in

strategic marketing in order to grow sales surpassing the market growth and improve our market share.

Net sales in the first three months of fiscal year 2023 increased 2.6% year on year to ¥240.0 billion on reported figures, down 3.6% year on year on an FX-neutral basis, or up 6.6% year on year on a like-for-like basis, excluding the impact of FX and business transfers. Net sales on a like-for-like basis decreased year on year in the China Business which was affected by the re-expansion of COVID infection cases in January, and in the Travel Retail Business which was affected by retailer inventory adjustments. Conversely, we achieved steadfast growth year on year in the Japan Business through enhancing the launch of new products capturing the market recovery, and also achieved strong growth in the Americas, EMEA, and Asia Pacific Businesses.

Core operating profit increased by ¥8.2 billion year on year to ¥12.5 billion, thanks to higher sales and continued agile cost management.

Profit attributable to owners of parent increased by ¥4.3 billion year on year to ¥8.7 billion, primarily due to an increase in core operating profit despite the recording of impairment losses and the structural reform expenses associated with the conclusion of agreement to transfer manufacturing operations of Personal Care products.

The EBITDA margin was 10.4%.

Major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements for the first three months of fiscal year 2023 are JPY132.4/USD, JPY142.0/EUR, and JPY19.3/CNY.

[Consolidated Performance]

(Millions of yen)

Classification		Three Months Ended March 31, 2023	% of Total	Three Months Ended March 31, 2022	% of Total	Year-on-Year Increase (Decrease)			
						Amount	Percentage	FX-Neutral	Like-for-Like
Net Sales	Japan Business	61,676	25.7%	57,109	24.4%	4,566	8.0%	8.0%	8.4%
	China Business	53,244	22.2%	51,910	22.2%	1,334	2.6%	(3.9)%	(2.9)%
	Asia Pacific Business	15,386	6.4%	15,409	6.6%	(23)	(0.2)%	(8.0)%	15.7%
	Americas Business	25,991	10.8%	25,188	10.7%	803	3.2%	(8.9)%	29.9%
	EMEA Business	27,763	11.6%	28,485	12.2%	(722)	(2.5)%	(10.5)%	22.1%
	Travel Retail Business	38,590	16.1%	37,195	15.9%	1,394	3.8%	(8.3)%	(3.7)%
	Other	17,355	7.2%	18,723	8.0%	(1,367)	(7.3)%	(7.8)%	(1.3)%
Total		240,009	100.0%	234,023	100.0%	5,985	2.6%	(3.6)%	6.6%

Classification		Total sales including intersegment sales and internal transfers between segments	
		Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net Sales	Japan Business	63,111	58,944
	China Business	53,918	52,027
	Asia Pacific Business	16,140	17,456
	Americas Business	27,132	26,293
	EMEA Business	29,272	31,671
	Travel Retail Business	38,674	37,235
	Other	79,238	74,944
	Subtotal	307,489	298,573
	Adjustments	(67,480)	(64,550)
Total		240,009	234,023

(Millions of yen)

Classification	Three Months Ended March 31, 2023	Ratio to Net Sales	Three Months Ended March 31, 2022	Ratio to Net Sales	Year-on-Year Increase (Decrease)		
					Amount	Percentage	
Core Operating Profit (Loss)	Japan Business	(1,481)	(2.3)%	(4,106)	(7.0)%	2,625	—
	China Business	(2,141)	(4.0)%	(2,828)	(5.4)%	687	—
	Asia Pacific Business	366	2.3%	1,237	7.1%	(870)	(70.4)%
	Americas Business	1,491	5.5%	1,095	4.2%	396	36.2%
	EMEA Business	2,581	8.8%	1,952	6.2%	628	32.2%
	Travel Retail Business	7,492	19.4%	8,118	21.8%	(625)	(7.7)%
	Other	3,424	4.3%	(1,842)	(2.5)%	5,266	—
	Subtotal	11,733	3.8%	3,625	1.2%	8,107	223.7%
	Adjustments	799	—	752	—	46	—
Total	12,532	5.2%	4,378	1.9%	8,154	186.3%	

Notes:

1. The Group has revised its reportable segment classifications from the three months ended March 31, 2023. The business results previously included in the Professional Business segment, are now included in the Other segment. Segment information for the three months ended March 31, 2022 has been restated to reflect the reclassification.
2. The Group has revised its calculation method regarding the part of Intersegment sales or transfer in Americas Business from a net basis to a gross basis from the three months ended March 31, 2023 for the better management of internal transactions. Segment information for the three months ended March 31, 2022 has been restated to reflect the new calculation method.
3. Like-for-like increase (decrease) in net sales excludes foreign exchange translation and business transfer impacts.
4. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations and the restaurant business, etc.
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 launched innovative new products not only in the skincare but also in the makeup category, in line with the recovery in demand due to increased opportunities to go outside and the relaxation of mask use. The success of such efforts has led to a steadfast increase of loyal users as well as strong sales growth of *Clé de Peau Beauté* and *SHISEIDO*. Following the major renewal of lotion and emulsion in September last year, we launched *ELIXIR* brightening series in February this year, which has been selling well. In addition, the number of members and downloads of “Beauty Key,” a new membership service introduced last year, has been steadily increasing thanks to the collaboration with our business partners, and we have continued to strengthen CRM activities.

As a result, net sales were ¥61.7 billion, up 8.0% year on year, or up 8.4% on a like-for-like basis excluding business transfer impacts. Core operating loss was ¥1.5 billion, improving by ¥2.6 billion year on year, primarily due to higher margins associated with an increase in sales and cost management efforts.

China Business

In the China Business, we are shifting from a growth model driven primarily by large-scale promotions to a more sustainable growth model which focuses on value-based brand and product communication tailored to consumer needs. While the market environment was difficult in January, impacted by the re-expansion of the infection cases after the government had lifted the zero-COVID policy, subsequently in February and March, we rolled out marketing activities capturing the market recovery, which led to strong growth of *SHISEIDO* and *Clé de Peau Beauté*, etc., and the offline sales in the first three months of the fiscal year 2023 turned to growth for the first time in six quarters. Meanwhile, e-commerce sales were lower than the previous year primarily due to the overall market contraction of the International Women’s Day.

As a result, net sales were ¥53.2 billion, up 2.6 % year on year on a reported basis, down 3.9% year on year on an FX-neutral basis, or down 2.9% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating loss was ¥2.1 billion, an improvement of ¥0.7 billion year on year, primarily due to effective cost management, etc., despite lower margins from a decline in sales.

Asia Pacific Business

In the countries and regions of the Asia Pacific Business, while the market recovery lagged in Taiwan, strong growth continued in South Korea, Southeast Asia, and other regions. Especially, *NARS*, which has been performing well since last year, and *ANESSA*, which launched limited-edition products, grew strongly and drove overall growth.

As a result, net sales were ¥ 15.4 billion, down 0.2% year on year on a reported basis, down 8.0% year on year on an FX-neutral basis, or up 15.7% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit was down by ¥0.9 billion to ¥0.4 billion, primarily due to higher marketing investment, etc., outweighing the higher margins associated with an increase in sales.

Americas Business

In the Americas Business, through strategic marketing activities and the launch of innovative new products, we firmly captured the continuous expansion of the market. *Drunk Elephant*, which strengthened social media marketing, achieved growth which more than doubled year on year, while *NARS* also grew strongly, gaining the overall market share.

As a result, net sales were ¥26.0 billion, up 3.2% year on year on a reported basis, down 8.9% year on year on an FX-neutral basis, or up 29.9% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit improved by ¥0.4 billion year on year to ¥1.5 billion, primarily due to higher margins associated with an increase in sales.

EMEA Business

In the EMEA Business, *NARS* Light Reflecting Foundation which features skin care function, and *SHISEIDO* BIO-PERFORMANCE Skin Filler, which incorporates advanced hyaluronic acid research technology led the growth. We also steadily increased the number of doors for *Drunk Elephant*, which contributed to the growth in sales.

As a result, net sales were ¥27.8 billion, down 2.5% year on year on a reported basis, down 10.5% year on year on an FX-neutral basis, or up 22.1% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit improved by ¥0.6 billion year on year to ¥2.6 billion, primarily due to higher margins associated with an increase in sales, etc.

Travel Retail Business

In the Travel Retail Business (sales of cosmetics and fragrances primarily through airport and downtown duty-free stores), tourist traffic resumed with the mitigation of impact from COVID-19, and we saw strong growth particularly in Europe and Japan. In Asia, Hainan Island in China continued to grow in consumer purchases through the enhancement of brand and consumer experience at the storefront, however, net sales as a whole were lower year on year due to the significant impact of retailer inventory adjustments especially in South Korea.

As a result, net sales were ¥38.6 billion, up 3.8% year on year on a reported basis, down 8.3% year on year on an FX-neutral basis, or down 3.7% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit declined by ¥0.6 billion year on year to ¥7.5 billion, primarily due to lower margins from a decline in sales.

(2) Financial Position

Total assets decreased by ¥41.9 billion from the end of the previous fiscal year to ¥1,265.7 billion, primarily from a decrease in cash and cash equivalents due to cash dividend payments, a decrease in trade and other receivables, and a decrease in other current assets due to a refund of consumption taxes, etc. Liabilities decreased by ¥24.3 billion to ¥657.6 billion, primarily due to a decrease in trade and other payables which outweighed an increase in short-term borrowings. Equity decreased by ¥17.6 billion to ¥608.1 billion, primarily due to a decrease in retained earnings associated with dividend payments, etc.

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 0.12.

Net cash provided by operating activities in the first three months of the fiscal year 2023 totaled ¥2.9 billion, primarily due to the recording of the profit before tax, etc. Days sales of inventory (DSI) were 153 days. Net cash provided by investing activities was ¥1.1 billion, due to the sale of property, plant and equipment and intangible assets as well as shares of an associate company, which outweighed the payments associated with continued investment in plants and equipment as well as IT systems. Net cash used in financing activities amounted to ¥15.9 billion, primarily due to the payment of cash dividends and repayment of lease liabilities, which outweighed the proceeds from an increase in short-term borrowings.

As a result, cash and cash equivalents at the end of the first three months of the fiscal year 2023 stood at ¥99.3 billion, down ¥19.8 billion from the beginning of the year.

Consolidated Statements of Cash Flows (Summary)

(Billions of yen)

Category	Amount
Cash and cash equivalents at beginning of period	119.0
Net cash provided by (used in) operating activities	2.9
Net cash provided by (used in) investing activities	1.1
Net cash provided by (used in) financing activities	(15.9)
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	(9.4)
Net change in cash and cash equivalents (decrease)	(19.8)
Cash and cash equivalents at end of period	99.3

(3) Consolidated Forecast and Other Forward-Looking Information

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

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Financial Position

	As of December 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	119,036	99,265
Trade and other receivables	182,069	164,198
Inventories	130,942	134,688
Other financial assets	18,498	19,566
Other current assets	54,753	44,905
Subtotal	505,299	462,624
Assets held for sale	18,929	21,671
Total current assets	524,229	484,295
Non-current assets		
Property, plant and equipment	318,339	313,907
Goodwill	57,879	58,510
Intangible assets	123,217	126,415
Right-of-use assets	114,276	109,360
Investments accounted for using equity method	15,535	15,838
Other financial assets	84,701	85,310
Deferred tax assets	63,382	65,664
Other non-current assets	6,098	6,438
Total non-current assets	783,432	781,446
Total assets	1,307,661	1,265,742

	As of December 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	203,770	186,681
Bonds and borrowings	25,990	75,915
Lease liabilities	23,757	23,956
Other financial liabilities	4,744	4,523
Income taxes payable	5,442	5,814
Provisions	8,136	5,643
Other current liabilities	116,180	92,850
Subtotal	388,021	395,385
Liabilities directly associated with assets held for sale	1,541	1,748
Total current liabilities	389,562	397,134
Non-current liabilities		
Bonds and borrowings	140,000	110,000
Lease liabilities	107,441	103,482
Other financial liabilities	4,950	6,607
Retirement benefit liability	25,346	25,646
Provisions	1,328	1,328
Deferred tax liabilities	2,174	2,391
Other non-current liabilities	11,103	11,019
Total non-current liabilities	292,344	260,476
Total liabilities	681,907	657,610
Equity		
Share capital	64,506	64,506
Capital surplus	73,560	73,676
Treasury shares	(2,089)	(1,935)
Retained earnings	394,877	373,282
Other components of equity	73,404	78,467
Total equity attributable to owners of parent	604,259	587,997
Non-controlling interests	21,494	20,134
Total equity	625,754	608,131
Total liabilities and equity	1,307,661	1,265,742

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

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

	Three months ended March 31, 2022	Three months ended March 31, 2023
	Millions of yen	Millions of yen
Net sales	234,023	240,009
Cost of sales	67,242	70,532
Gross profit	166,780	169,476
Selling, general and administrative expenses	164,623	162,601
Other operating income	2,814	3,791
Other operating expenses	595	141
Operating profit	4,376	10,525
Finance income	3,247	1,371
Finance costs	712	2,631
Share of profit of investment accounted for using equity method	1,244	1,053
Profit before tax	8,155	10,319
Income tax expense	2,470	1,126
Profit	5,684	9,192
Profit attributable to		
Owners of parent	4,399	8,680
Non-controlling interests	1,284	511
Profit	5,684	9,192
Earnings per share		
Basic earnings per share (yen)	11.01	21.72
Diluted earnings per share (yen)	11.00	21.71

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

	Three months ended March 31, 2022	Three months ended March 31, 2023
	Millions of yen	Millions of yen
Profit	5,684	9,192
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	29	(203)
Share of other comprehensive income of investments accounted for using equity method	15	17
Total of items that will not be reclassified to profit or loss	<u>45</u>	<u>(186)</u>
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	18,975	6,071
Cash flow hedges	4	0
Share of other comprehensive income of investments accounted for using equity method	658	(670)
Total of items that may be reclassified to profit or loss	<u>19,639</u>	<u>5,400</u>
Other comprehensive income, net of tax	<u>19,684</u>	<u>5,214</u>
Comprehensive income	<u><u>25,368</u></u>	<u><u>14,407</u></u>
Comprehensive income attributable to		
Owners of parent	23,288	13,573
Non-controlling interests	2,080	833
Comprehensive income	<u><u>25,368</u></u>	<u><u>14,407</u></u>

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

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

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

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

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

Equity attributable to owners of parent

	Equity attributable to owners of parent				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on transition of foreign operations	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at January 1, 2023	64,506	73,560	(2,089)	394,877	73,447	—
Profit				8,680		
Other comprehensive income					5,063	(170)
Total comprehensive income	—	—	—	8,680	5,063	(170)
Purchase of treasury shares			(2)			
Disposal of treasury shares			155	(54)		
Dividends				(29,966)		
Share-based payments transactions		116		4		
Transfer to retained earnings				(170)		170
Other				(89)		
Total transactions with owners	—	116	153	(30,275)	—	170
Balance at March 31, 2023	64,506	73,676	(1,935)	373,282	78,510	—

Equity attributable to owners of parent

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

(4) Condensed Quarterly Consolidated Statement of Cash Flow

	Three months ended March 31, 2022	Three months ended March 31, 2023
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Profit before tax	8,155	10,319
Depreciation and amortization	18,718	17,973
Impairment losses (reversal of impairment losses)	—	1,844
Loss (gain) on disposal of fixed assets	(6)	(1,876)
Gain on transfer of business	(1,554)	(872)
Increase (decrease) in retirement benefit liability	616	441
Interest and dividend income	(1,023)	(1,361)
Interest expenses	603	754
Share of profit of investments accounted for using equity method	(1,244)	(1,053)
Decrease (increase) in trade and other receivables	(3,940)	4,268
Decrease (increase) in inventories	(3,120)	(526)
Increase (decrease) in trade and other payables	(3,968)	(11,610)
Other	(5,777)	(13,577)
Subtotal	7,457	4,724
Interest and dividends received	400	522
Interest paid	(446)	(732)
Income taxes refund (paid)	(42,204)	(1,568)
Net cash provided by (used in) operating activities	(34,792)	2,946
Cash flows from investing activities:		
Payments into time deposits	(3,667)	(3,581)
Proceeds from withdrawal of time deposits	2,758	2,121
Purchase of property, plant and equipment	(5,513)	(4,710)
Proceeds from sales of property, plant and equipment and intangible assets	6	5,832
Purchase of intangible assets	(6,281)	(7,730)
Proceeds from transfer of business	1,107	65
Proceeds from sale of shares of associates	—	8,500
Other	2,403	616
Net cash provided by (used in) investing activities:	(9,186)	1,113
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	34,446	19,924
Purchase of treasury shares	(3)	(2)
Proceeds from disposal of treasury shares	89	0
Dividends paid	(11,555)	(28,862)
Dividends paid to non-controlling interests	(450)	(79)
Repayment of lease liabilities	(7,485)	(6,911)
Net cash provided by (used in) financing activities	15,042	(15,931)
Net change in cash and cash equivalents (decrease)	(28,936)	(11,871)
Cash and cash equivalents at beginning of period	156,503	119,036
Effect of exchange rate changes on cash and cash equivalents	4,178	1,523
Net change in cash and cash equivalents included in assets held for sale	230	(9,422)
Cash and cash equivalents at end of period	131,975	99,265

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Change in Presentation)

(Condensed Quarterly Consolidated Statement of Cash Flow)

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

(Segment Information, etc.)

(1) Overview of Reportable Segments

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

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

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

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

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

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

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

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

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

(Changes of reportable segments, etc.)

The Group has revised its reportable segment classifications from the three months ended March 31, 2023. The business results previously included in the Professional Business segment, are now included in the Other segment.

Segment information for the three months ended March 31, 2022 has been restated to reflect the reclassification.

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

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

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

(3) Segment Revenue and Business Result

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

	Three Months Ended March 31, 2022 (January 1 to March 31, 2022)					(Millions of yen)
	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business (Note 4)	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	57,109	51,910	15,409	25,188	28,485	37,195
Intersegment sales or transfer	1,834	116	2,046	1,105	3,186	39
Total	58,944	52,027	17,456	26,293	31,671	37,235
Segment profit (loss) i.e. Core operating profit	(4,106)	(2,828)	1,237	1,095	1,952	8,118
	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation		
Net sales						
Sales to external customers	18,723	234,023	—	234,023		
Intersegment sales or transfer	56,221	64,550	(64,550)	—		
Total	74,944	298,573	(64,550)	234,023		
Segment profit (loss) i.e. Core operating profit	(1,842)	3,625	752	4,378		

Note:

1. The EMEA Business includes the Middle East and African regions.
2. The Other segment includes head office administration departments, IPISA Co., Ltd., manufacturing operations and the restaurant business, etc.
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
4. The Group has revised its calculation method regarding the part of Intersegment sales or transfer in Americas Business from a net basis to a gross basis from the three months ended March 31, 2023 for the better management of internal transactions. Segment information for the three months ended March 31, 2022 has been restated to reflect the new calculation method.

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

(Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business (Note 4)	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	61,676	53,244	15,386	25,991	27,763	38,590
Intersegment sales or transfer	1,435	673	754	1,140	1,509	83
Total	63,111	53,918	16,140	27,132	29,272	38,674
Segment profit (loss) i.e. Core operating profit	(1,481)	(2,141)	366	1,491	2,581	7,492
	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation		
Net sales						
Sales to external customers	17,355	240,009	—	240,009		
Intersegment sales or transfer	61,883	67,480	(67,480)	—		
Total	79,238	307,489	(67,480)	240,009		
Segment profit (loss) i.e. Core operating profit	3,424	11,733	799	12,532		

Note:

1. The EMEA Business includes the Middle East and African regions.
2. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations and the restaurant business, etc.
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
4. The Group has revised its calculation method regarding the part of Intersegment sales or transfer in Americas Business from a net basis to a gross basis from the three months ended March 31, 2023 for the better management of internal transactions.

Adjustments from segment profit to operating profit as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2023
	Millions of yen	Millions of yen
Segment profit	4,378	12,532
Gain on transfer of business	1,554	872
Structural reform expenses	(1,498)	(3,431)
Government grant income on COVID-19	127	23
Loss on COVID-19	(184)	—
Impairment loss	—	(1,844)
Gain on sale of fixed assets	—	2,373
Operating profit	4,376	10,525

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

“Gain on transfer of business” for the three months ended March 31, 2023 is the gain on transfer of assets

which three of the Company's subsidiaries operating the Professional business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., and Shiseido Malaysia Sdn. Bhd.) transferred to Henkel AG & Co. KGaA Group companies. The gain on transfer of business is included in "Other operating income" in condensed quarterly consolidated statement of profit and loss.

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

"Structural reform expenses" for the three months ended March 31, 2023 are mainly the costs associated with the agreement to transfer manufacturing operations of Personal Care products conducted at Shiseido Kuki Factory and Shiseido Vietnam Factory. The expenses are included in "Cost of sales", "Selling, general and administrative expenses" and "Other operating expenses" in condensed quarterly consolidated statement of profit and loss.

"Impairment losses" for the three months ended March 31, 2023 are mainly the impairment losses of assets groups associated with the agreement to transfer manufacturing operations of Personal Care products conducted at Shiseido Kuki Factory and Shiseido Vietnam Factory and the impairment losses due to decline in profitability related to subleases of offices rented by Shiseido Americas Corporation. The impairment losses are included in "Cost of sales" and "Selling, general and administrative expenses" in condensed quarterly consolidated statement of profit and loss.

"Gain on sales of fixed assets" for the three months ended March 31, 2023 is the income arising from the sales of the real estate owned by the company. The income is included in "Other operating income" in condensed quarterly consolidated statement of profit and loss.

(Significant Subsequent Events)

Company split and share transfer of succeeding company accompanying the transfer of the manufacturing operations of personal care products

(1) Overview of loss of control

On April 1, 2023, the manufacturing operations of personal care products conducted at Shiseido Kuki Factory were succeeded by Fine Today Industries Co., Ltd. ("FTI") through an absorption-type company split, followed by a transfer of all of the outstanding shares of FTI to FineToday Holdings Co., Ltd. ("FTH").

This company split and the share transfer were executed based on the transfer agreement between the Company and then K.K. Asian Personal Care Holding (current FTH) signed on August 1, 2022.

Subsequently, based on said agreement, all of the equity interest in the Company's wholly owned subsidiary Shiseido Vietnam Inc., ("SVI") which operates the Vietnam Factory, is planned to be transferred to FTH in the second half of 2023.

The following section details the transfer executed on April 1, 2023.

(2) Breakdown of assets and liabilities at the time of loss of control

Breakdown of assets at the time of loss of control

Current Assets	¥19,690 million
Non-current Assets	¥439 million

Breakdown of liabilities at the time of loss of control

Current Liabilities	¥396 million
Non-current Liabilities	¥670 million

(Final amounts are currently under evaluation.)

(3) Relationship between consideration received and income and expenditure due to sale
The transfer consideration is not material.

(4) Financial impact

As a result of the execution of the transfer of the manufacturing operations of personal care products including the share transfer of FTI and SVI, the Company expects to recognize a loss on transfer etc. of approximately ¥16,000 million for the fiscal year ending December 31, 2023. Of this amount, ¥3,354 million was recorded as a profit or loss in the three months ended March 31, 2023, mainly due to impairment of assets, etc.