August 7, 2024

Consolidated Settlement of Accounts for the Six Months Ended June 30, 2024 [IFRS]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange (Code Number 4911)
URL: https://corp.shiseido.com/en/
Representative: Kentaro Fujiwara, Representative Corporate Executive Officer, President and COO
Contact: Yuki Oshima, Vice President, Investor Relations Department
Tel. +81-3-3572-5111
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Start of cash dividend payments: September 5, 2024 (plan)
Supplementary materials prepared: Yes
Financial results information meeting held: Yes (for institutional investors and analysts, etc.)

1. Performance for the Six Months Ended June 30, 2024 (From January 1, 2024 to June 30, 2024)

* Amounts less than one million yen have been rounded down.

(1) Consolidated Operating Results

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

	Net Sales		Core Operating Profit		Operating Profit		Profit		Profit Attributable to Owners of Parent		Total Comprehensive Income	
		%		%		%		%		%		%
Six Months Ended June 30, 2024	508,536	[2.9]	19,272	[(31.3)]	(2,728)	[−]	206	[(98.3)]	15	[(99.9)]	55,525	[14.9]
Six Months Ended June 30, 2023	494,189	[0.2]	28,039	[59.9]	13,632	[(19.7)]	12,421	[(33.5)]	11,753	[(27.7)]	48,305	[(39.3)]

[Reference] Profit before tax
Six months ended June 30, 2024: ¥4,207 million [(72.7)%]
Six months ended June 30, 2023: ¥15,391 million [(39.9)%]

	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Six Months Ended June 30, 2024	0.04	0.04
Six Months Ended June 30, 2023	29.42	29.40

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

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent
As of June 30, 2024	1,350,040	681,748	660,774	48.9%
As of December 31, 2023	1,255,497	640,392	618,748	49.3%

2. Cash Dividends

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

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

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

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

	Net Sales		Core Operating Profit		Profit Before Tax		Profit Attributable to Owners of Parent		Basic Earnings per Share (Yen)
		%		%		%		%	
Fiscal Year 2024	1,000,000	[2.8]	55,000	[38.0]	32,500	[4.7]	22,000	[1.1]	55.05

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

Notes

(1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 1 company (Company name) DDG Skincare Holdings LLC
Excluded: - companies (Company name)-

(2) Changes in accounting policies; changes in accounting estimates
1) Changes in accounting policies required by IFRS: None
2) Other changes in accounting policies: None
3) Changes in accounting estimates: Yes
Note: For details, please refer to "Changes in Accounting Estimates" under "2. Interim Condensed Consolidated Financial Statements and Notes, (5) Notes Concerning Interim Condensed Consolidated Financial Statements" on page 17.

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

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

2) Number of treasury shares

As of June 30, 2024:	288,954
As of December 31, 2023:	344,199

3) Average number of shares outstanding during the period

Six months ended June 30, 2024:	399,670,068
Six months ended June 30, 2023:	399,584,054

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

Appropriate use of business forecasts; other special items
(Cautionary note concerning forward-looking statements)
In this report, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Summary of Consolidated Financial Results for the Six Months Ended June 30, 2024 (3) Consolidated Forecast and Other Forward-Looking Information" on page 9 for information on preconditions underlying the above outlook and other related information.

Contents

1. Summary of Consolidated Financial Results for the Six Months Ended June 30, 2024

(1) Consolidated Performance

(Millions of yen)

	Net Sales	Core Operating Profit	Operating Profit (Loss)	Profit before Tax	Profit Attributable to Owners of Parent	EBITDA
Six Months Ended June 30, 2024	508,536	19,272	(2,728)	4,207	15	45,471
Six Months Ended June 30, 2023	494,189	28,039	13,632	15,391	11,753	53,239
Year-on-Year Increase (Decrease)	2.9%	(31.3)%	—	(72.7)%	(99.9)%	(14.6)%
FX-Neutral	(4.1)%					
Like-for-Like	(0.5)%					

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

During the first six months of fiscal year 2024, global economic uncertainty remained elevated amid escalating geopolitical risks, rising prices, and the sharp depreciation of the Japanese yen against major currencies. While both China and Europe experienced slower economic growth, the U.S. economy continued to grow at a solid pace on the back of favorable employment conditions, although concerns grew over the economy with signs of slowdown in consumer spending. Japan's economy remained on track for modest recovery during the period.

The domestic cosmetics market remained solid, underpinned by steady demand as well as a recovery in the number of foreign visitors to Japan which exceeded its pre-pandemic levels, although price hikes continued to weigh on household spending. In the overseas cosmetics market, the trends and pace of growth were mixed across regions. The duty-free retail market including Hainan Island continued to be challenged by the shifting trends in consumer behavior, although the impact of retailer inventory adjustments due to tighter regulations had receded steadily during the period. China's cosmetics market continued to grow albeit at a modest pace weighed down by rising household savings and a slowdown in consumer spending amid faltering economic sentiment. Meanwhile, the markets in the U.S. and Europe both maintained steady growth.

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

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

Net sales in the first six months of fiscal year 2024 increased 2.9% to ¥508.5 billion on a reported basis, down 4.1% year-on-year on a FX-neutral basis, or down 0.5% 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 reflecting the changes in purchasing behavior of Chinese tourists, and also in the China Business which was adversely impacted by the slowdown in spending on the back of faltering economic sentiment. Net sales also declined year-on-year in the Americas Business due to the unfavorable impact of lower shipping volumes associated with temporary declines in production. Conversely, in the Japan Business, we delivered robust growth, benefitting from the success of our activities focusing on high-growth and high-profit brands, as well as strategic marketing for creating new markets. Moreover, the EMEA Business also maintained strong momentum while the Asia Pacific Business achieved solid growth during the period.

Core operating profit was ¥19.3 billion, with a year-on-year decline of ¥8.8 billion. The unfavorable impact of a year-on-year sales decline in the Travel Retail, Americas, and China Businesses was partially offset by the revenue growth in the Japan, EMEA, and Asia Pacific Businesses, as well as the positive impacts of structural reforms. Also, we posted a year-on-year decline in profit in the Other segment due to a decrease in intersegment sales to the Travel Retail and China Businesses as well as in the Adjustments, which reflected an increase in the elimination of unrealized gains.

Profit attributable to owners of parent decreased ¥11.7 billion year-on-year to ¥0.0 billion which reflected the impact of a decline in core operating profit as well as the recognition of structural reform expenses in non-recurring items primarily associated with the Early Retirement Incentive Plan in the Japan Business.

The EBITDA margin was 8.9%.

The foreign exchange rates for the major currencies applied to accounting line items (income and expense accounts) in the Company's consolidated financial statements for the first six months of fiscal year 2024 are JPY152.1/USD, JPY164.5/EUR, and JPY21.1/CNY.

[Consolidated Performance]

(Millions of yen)

	Classification	Six Months Ended June 30, 2024	% of Total	Six Months Ended June 30, 2023	% of Total	Year-on-Year Increase (Decrease)			
						Amount	Percentage	FX-Neutral	Like-for-Like
Net Sales	Japan Business	141,518	27.8%	125,157	25.3%	16,360	13.1%	13.1%	13.3%
	China Business	131,671	25.9%	130,609	26.4%	1,062	0.8%	(7.6)%	(6.6)%
	Asia Pacific Business	34,447	6.8%	30,680	6.2%	3,766	12.3%	3.3%	5.9%
	Americas Business	57,258	11.3%	52,828	10.7%	4,430	8.4%	(3.9)%	(5.4)%
	EMEA Business	62,806	12.4%	52,575	10.7%	10,230	19.5%	5.9%	11.8%
	Travel Retail Business	66,850	13.1%	77,473	15.7%	(10,622)	(13.7)%	(22.6)%	(22.7)%
	Other	13,983	2.7%	24,863	5.0%	(10,879)	(43.8)%	(44.9)%	23.8%
	Total	508,536	100.0%	494,189	100.0%	14,347	2.9%	(4.1)%	(0.5)%

	Classification	Total sales including intersegment sales and internal transfers between segments	
		Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net Sales	Japan Business	142,055	125,605
	China Business	133,526	132,122
	Asia Pacific Business	37,029	32,304
	Americas Business	59,980	55,494
	EMEA Business	66,466	55,778
	Travel Retail Business	67,069	77,633
	Other	128,468	136,250
	Subtotal	634,595	615,189
	Adjustments	(126,058)	(121,000)
	Total	508,536	494,189

(Millions of yen)

Classification		Six Months Ended June 30, 2024	Ratio to Net Sales	Six Months Ended June 30, 2023	Ratio to Net Sales	Year-on-Year Increase (Decrease)	
						Amount	Percentage
Core Operating Profit (Loss)	Japan Business	7,948	5.6%	(3,678)	(2.9)%	11,627	—
	China Business	4,945	3.7%	5,498	4.2%	(553)	(10.1)%
	Asia Pacific Business	2,193	5.9%	235	0.7%	1,957	829.9%
	Americas Business	2,603	4.3%	4,059	7.3%	(1,456)	(35.9)%
	EMEA Business	3,739	5.6%	1,250	2.2%	2,489	199.2%
	Travel Retail Business	7,702	11.5%	15,447	19.9%	(7,745)	(50.1)%
	Other	(8,986)	(7.0)%	(3,419)	(2.5)%	(5,567)	—
	Subtotal	20,145	3.2%	19,393	3.2%	751	3.9%
	Adjustments	(873)	—	8,646	—	(9,519)	—
	Total	19,272	3.8%	28,039	5.7%	(8,767)	(31.3)%

Notes:

1. The Group has revised its reportable segment classifications from the six months ended June 30, 2024. The part of business results previously included in the Japan Business segment, are now included in the Other segment.
   Segment information for the six months ended June 30, 2023 has been restated to reflect the reclassification.
2. Like-for-like increase (decrease) in net sales excludes foreign exchange translation, business transfer impacts and the impact of the acquisition of *Dr. Dennis Gross Skincare*.
3. Net sales from the Personal Care Business in the Other segment are no longer recorded with some exceptions from April 1, 2023 due to the transfer of Shiseido Kuki Factory.
4. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations, the restaurant business, and the healthcare business (sale of health & beauty foods as well as over-the-counter drugs.)
5. The ratio of core operating profit (loss) to net sales shows core operating profit or loss as a percentage of total sales including intersegment sales and internal transfers between segments.
6. The core operating profit (loss) adjustment amount is primarily the elimination of transactions between segments.

Results by reportable segment are provided below.

Japan Business

In the Japan Business, we continue to make progress on our strategic efforts to improve profitability though the implementation of a business transformation plan "Mirai Shift NIPPON 2025." During the period, we continued to accelerate growth by focusing our activities on high-growth, high-profit brands and products as well as consumer touchpoints. As a result, we successfully delivered robust growth in core brands led by ***SHISEIDO, Clé de Peau Beauté,*** and ***ELIXIR*** on the back of a steady increase of loyal users. We also advanced our efforts to create a new market of foundation serum through strategic marketing, driving strong sales from SHISEIDO REVITALESSENCE SKIN GLOW Foundation. Moreover, we also benefitted from a steady recovery in inbound tourism consumption on the back of a rising number of foreign visitors to Japan which continued to exceed its pre-pandemic levels.

As a result, we ended the period with net sales of ¥141.5 billion, up 13.1% year-on-year on a reported basis, or up 13.3% year-on-year on a like-for-like basis excluding the business transfer impacts. Core operating profit was ¥7.9 billion with an improvement of ¥11.6 billion from the prior year, thanks to the higher gross profit driven by sales growth as well as increased cost efficiencies.

China Business

In the China Business, we are making a shift from a growth model driven by large-scale promotions to a more sustainable growth model which focuses on value-based brand and product communication tailored to consumer needs. During the period, ***Clé de Peau Beauté*** and ***NARS*** achieved steady increase in year-on-year sales, driving growth overall ahead of the market in the "618" e-commerce promotion. Conversely, however, ***SHISEIDO*** continued to suffer in a challenging environment with the lingering effects of consumer pull back on purchases of Japanese products after the release of treated water.

As a result, net sales were ¥131.7 billion, up 0.8% year-on-year on a reported basis, down 7.6% on a FX-neutral basis, or down 6.6% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit decreased year-on-year by ¥0.6 billion to ¥4.9 billion, with a decline in gross profit due to lower sales partially offset by the positive impacts of structural reforms which included a reduction in cost of sales as well as fixed costs and expenses.

Asia Pacific Business

In the Asia Pacific Business, we delivered solid growth led by Thailand. Overall, ***ANESSA***, ***Drunk Elephant,*** and ***SHISEIDO*** continued to perform strongly, driving the overall growth in the region.

As a result, net sales were ¥34.4 billion, up 12.3% year-on-year on a reported basis, up 3.3% year-on-year on a FX-neutral basis, or up 5.9% 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 ¥2.0 billion to ¥2.2 billion primarily attributable to an increase in gross profit driven by sales growth.

Americas Business

In the Americas Business, while ***SHISEIDO*** and ***narciso rodriguez*** delivered a year-on-year growth in revenue, the Business was adversely affected by the lower shipping volumes due to temporary declines in production primarily in ***NARS*** and ***Drunk Elephant***.

As a result, net sales were ¥57.3 billion, up 8.4% year-on-year on a reported basis, down 3.9% year-on-year on a FX-neutral basis, or down 5.4% 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 ¥1.5 billion to ¥2.6 billion, owing primarily to a lower gross profit driven by a decline in sales.

EMEA Business

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

As a result, net sales were ¥62.8 billion, up 19.5% year-on-year on a reported basis, up 5.9% year-on-year on a FX-neutral basis, or up 11.8% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit increased by ¥2.5 billion year-on-year to ¥3.7 billion, primarily attributable to an increase in gross profit from higher sales.

Travel Retail Business

In the Travel Retail Business (sales of cosmetics and fragrances primarily through airport and downtown duty-free stores), we drove strong recovery in Japan thanks to the rising number of foreign visitors to the country exceeding its pre-pandemic levels. Conversely, in Hainan Island and South Korea, sales were affected by lower shipping volumes owing primarily to changes in purchasing behavior of Chinese tourists.

As a result, net sales were ¥66.9 billion, down 13.7% year-on-year on a reported basis, down 22.6% year-on-year on a FX-neutral basis, or down 22.7% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit decreased by ¥7.7 billion year-on-year to ¥7.7 billion, primarily attributable to a lower gross profit due to a decline in sales.

(2) Financial Position

Total assets increased by ¥94.5 billion from the end of the previous fiscal year to ¥1,350.0 billion, from an increase in asset amount translated into weaker yen and an increase in goodwill and intangible assets associated with the acquisition of DDG Skincare Holdings LLC, which was partially offset by decrease in cash and cash equivalents due to purchase of shares of subsidiaries and decrease in investments accounted for using equity method, etc. Liabilities increased by ¥53.2 billion to ¥668.3 billion, primarily due to an increase in bonds and borrowings. Equity increased by ¥41.4 billion to ¥681.7 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 0.12.

(Cash flow analysis)
Cash and cash equivalents at the end of the first six months of fiscal year 2024 stood at ¥91.9 billion, ¥12.8 billion less than the amount as of the December 31, 2023 of ¥104.7 billion.

(Cash Flows from Operating Activities)
Net cash provided by operating activities in the first six months of fiscal year 2024 decreased by ¥12.1 billion to ¥31.6 billion, primarily due to increase factors such as ¥4.2 billion of the profit before tax, ¥37.5 billion of "Depreciation and amortization" and ¥17.1 billion of "Increase (decrease) in provision for structural reform," while there were decrease factors such as ¥29.6 billion of "Increase (decrease) in trade payables." Days sales of inventory (DSI) were 229 days. "Interest and dividends received" includes a dividends of ¥3.6 billion from FineToday Holdings Co., Ltd (hereinafter "FTH").

(Cash Flows from Investing Activities)
Net cash used in investing activities in the first six months of fiscal year 2024 increased by ¥35.3 billion to ¥59.1 billion, primarily due to payments for acquisition of subsidiaries of ¥49.1 billion, the purchase of intangible assets such as investment in IT systems of ¥13.0 billion and the purchase of property, plant and equipment such as investment in factory equipment of ¥11.9 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 first six months of fiscal year 2024 increased by ¥47.8 billion to ¥6.5 billion, primarily due to the repayment of long-term borrowings of ¥30.0 billion, the repayment of lease liabilities of ¥13.3 billion and the payment of cash dividends of ¥12.0 billion, etc. while the increase was due to short-term borrowings of ¥63.5 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	31.6
Net cash provided by (used in) investing activities	(59.1)
Net cash provided by (used in) financing activities	6.5
Effect of exchange rate changes on cash and cash equivalents	8.1
Net change in cash and cash equivalents included in assets held for sale	—
Net change in cash and cash equivalents (decrease)	(12.8)
Cash and cash equivalents at end of period	91.9

(3) Consolidated Forecast and Other Forward-Looking Information

The consolidated earnings forecast for the fiscal year ending December 31, 2024 remain unchanged. With respect to the outlook for our business environment, we continue to expect positive impacts from several factors, including a further acceleration of growth in the Japan, Americas, EMEA, and Asia Pacific Businesses. On the contrary, however, there is growing uncertainty in China and Travel Retail markets on the back of increasing trends among Chinese consumers being more cautious about spending as well as changing patterns in their purchasing behavior. Nevertheless, we remain committed to achieving a core operating profit of ¥55.0 billion in the fiscal year 2024 through the completion of structural reforms, gross profit maximization and reinforcement of our strategic actions aligned with market dynamics with additional measures to be implemented going forward.

2. Interim Condensed Consolidated Financial Statements and Notes

(1) Interim Condensed Consolidated Statement of Financial Position

	As of December 31, 2023	As of June 30, 2024
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	104,685	91,857
Trade and other receivables	149,688	155,117
Inventories	149,646	167,264
Other financial assets	21,956	24,582
Other current assets	44,038	43,210
Subtotal	470,014	482,032
Assets held for sale	—	198
Total current assets	470,014	482,231
Non-current assets		
Property, plant and equipment	301,838	298,693
Goodwill	62,143	110,840
Intangible assets	137,663	176,369
Right-of-use assets	100,548	100,352
Investments accounted for using equity method	18,449	2,950
Other financial assets	95,321	104,589
Deferred tax assets	61,187	64,598
Other non-current assets	8,331	9,413
Total non-current assets	785,483	867,808
Total assets	1,255,497	1,350,040

	As of December 31, 2023	As of June 30, 2024
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	178,526	146,713
Bonds and borrowings	50,000	103,493
Lease liabilities	21,916	20,753
Other financial liabilities	5,385	5,475
Income taxes payable	3,553	10,157
Provisions	5,847	22,352
Other current liabilities	103,116	111,325
Total current liabilities	368,345	420,271
Non-current liabilities		
Bonds and borrowings	110,559	90,633
Lease liabilities	98,506	100,303
Other financial liabilities	6,482	21,689
Retirement benefit liability	15,055	16,323
Provisions	1,227	1,785
Deferred tax liabilities	2,870	4,255
Other non-current liabilities	12,056	13,028
Total non-current liabilities	246,758	248,020
Total liabilities	615,104	668,291
Equity		
Share capital	64,506	64,506
Capital surplus	74,000	73,722
Treasury shares	(1,591)	(1,335)
Retained earnings	380,208	368,483
Other components of equity	101,624	155,397
Total equity attributable to owners of parent	618,748	660,774
Non-controlling interests	21,644	20,973
Total equity	640,392	681,748
Total liabilities and equity	1,255,497	1,350,040

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

Interim Condensed Consolidated Statement of Profit or Loss
Six Months Ended June 30

	Six months ended June 30, 2023 Restated (Note)	Six months ended June 30, 2024
	Millions of yen	Millions of yen
Net sales	494,189	508,536
Cost of sales	136,527	123,090
Gross profit	357,661	385,446
Selling, general and administrative expenses	336,881	388,607
Other operating income	4,460	1,723
Other operating expenses	11,608	1,290
Operating profit (loss)	13,632	(2,728)
Finance income	2,921	7,180
Finance costs	4,912	2,070
Share of profit of investment accounted for using equity method	3,750	1,826
Profit before tax	15,391	4,207
Income tax expense	2,970	4,001
Profit	12,421	206
Profit attributable to		
Owners of parent	11,753	15
Non-controlling interests	667	190
Profit	12,421	206
Earnings per share		
Basic earnings per share (yen)	29.42	0.04
Diluted earnings per share (yen)	29.40	0.04

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

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

	Six months ended June 30, 2023	Six months ended June 30, 2024
	Millions of yen	Millions of yen
Profit	12,421	206
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(83)	55
Remeasurements of defined benefit plans	—	(142)
Share of other comprehensive income of investments accounted for using equity method	19	0
Total of items that will not be reclassified to profit or loss	(64)	(86)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	36,451	56,241
Cash flow hedges	43	—
Share of other comprehensive income of investments accounted for using equity method	(546)	(835)
Total of items that may be reclassified to profit or loss	35,947	55,406
Other comprehensive income, net of tax	35,883	55,319
Comprehensive income	48,305	55,525
Comprehensive income attributable to		
Owners of parent	46,433	53,686
Non-controlling interests	1,871	1,838
Comprehensive income	48,305	55,525

(3) Interim Condensed Consolidated Statement of Changes in Equity

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

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

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

Six Months Ended June 30, 2024 (From January 1, 2024 to June 30, 2024)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on transition of foreign operations	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of January 1, 2024	64,506	74,000	(1,591)	380,208	101,624	—
Profit				15		
Other comprehensive income					53,773	40
Total comprehensive income	—	—	—	15	53,773	40
Purchase of treasury shares			(2)			
Disposal of treasury shares			257	(14)		
Dividends				(11,989)		
Share-based payment transactions		(275)		383		
Transfer to retained earnings				(102)		(40)
Other		(2)		(17)		
Total transactions with owners	—	(277)	255	(11,740)	—	(40)
Balance as of June 30, 2024	64,506	73,722	(1,335)	368,483	155,397	—

	Equity attributable to owners of parent					
	Other components of equity					
	Cash flow hedge	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of January 1, 2024	—	—	101,624	618,748	21,644	640,392
Profit			—	15	190	206
Other comprehensive income		(142)	53,670	53,670	1,648	55,319
Total comprehensive income	—	(142)	53,670	53,686	1,838	55,525
Purchase of treasury shares			—	(2)		(2)
Disposal of treasury shares			—	243		243
Dividends			—	(11,989)	(1,911)	(13,901)
Share-based payment transactions			—	108		108
Transfer to retained earnings		142	102	—		—
Other			—	(20)	(597)	(618)
Total transactions with owners	—	142	102	(11,660)	(2,509)	(14,169)
Balance as of June 30, 2024	—	—	155,397	660,774	20,973	681,748

(4) Interim Condensed Consolidated Statement of Cash Flows

	Six months ended June 30, 2023	Six months ended June 30, 2024
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Profit before tax	15,391	4,207
Depreciation and amortization	36,344	37,453
Impairment losses	1,899	78
Loss (gain) on disposal of non-current assets	(1,661)	338
Loss on sale of businesses	9,106	—
Increase (decrease) in retirement benefit liability	764	769
Interest and dividend income	(2,860)	(3,627)
Interest expenses	1,390	1,542
Share of profit of investments accounted for using equity method	(3,750)	(1,826)
Decrease (increase) in trade receivables	36,421	(7,263)
Decrease (increase) in inventories	5,625	(782)
Increase (decrease) in trade payables	(43,212)	(29,615)
Increase (decrease) in provisions for structural reform	(1,267)	17,070
Other	(21,085)	8,171
Subtotal	33,105	26,514
Interest and dividends received	1,023	5,261
Interest paid	(1,375)	(1,356)
Income taxes refund	10,924	1,191
Net cash provided by (used in) operating activities	43,678	31,611
Cash flows from investing activities:		
Payments into time deposits	(8,033)	(14,991)
Proceeds from withdrawal of time deposits	6,064	14,339
Purchase of property, plant and equipment	(11,077)	(11,865)
Proceeds from sales of property, plant and equipment and intangible assets	5,832	795
Purchase of intangible assets	(16,148)	(12,964)
Payments for acquisition of subsidiaries	—	(49,106)
Proceeds from sale of businesses	66	1,531
Payments for sale of businesses	(9,510)	—
Proceeds from sale of shares of associates	8,500	12,755
Other	539	441
Net cash provided by (used in) investing activities	(23,766)	(59,063)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and commercial papers	21,329	63,472
Repayments of long-term borrowings	(15,915)	(30,000)
Purchase of treasury shares	(4)	(2)
Proceeds from disposal of treasury shares	0	0
Dividends paid	(29,915)	(11,987)
Dividends paid to non-controlling interests	(1,403)	(1,395)
Repayments of lease liabilities	(15,173)	(13,330)
Other	(185)	(268)
Net cash provided by (used in) financing activities	(41,267)	6,487
Net decrease in cash and cash equivalents	(21,355)	(20,964)
Cash and cash equivalents at beginning of period	119,036	104,685
Effect of exchange rate changes on cash and cash equivalents	5,875	8,136
Net change in cash and cash equivalents included in assets held for sale	100	—
Cash and cash equivalents at end of period	103,656	91,857

(5) Notes Concerning Interim Condensed Consolidated Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Change in Accounting Estimates)

The Group has, from the six months ended June 30, 2024, changed the useful lives of certain software based on the expected economic useful lives, which are more in line with actual conditions.

Due to the change, “Operating profit” and “Profit before tax” increased by ¥1,184 million for the six months ended June 30, 2024.

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

(Change in Accounting Policies)

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

The income tax expense for the six months ended June 30, 2024 is calculated using an estimated average annual effective tax rate.

Furthermore, the Group has made the following change in accounting treatment from the fiscal year ended December 31, 2023, and the interim condensed consolidated financial statements for the six months ended June 30, 2023 have been restated to reflect the change.

(Change in cost aggregation method for inventory)

The Group has changed the scope of expenses to be included as manufacturing cost from the fiscal year ended December 31, 2023.

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

This change in accounting policy is retrospectively applied, and the interim condensed consolidated financial statements for the six months ended June 30, 2023 have been restated to reflect the change.

As a result, compared with the previous method, for the six months ended June 30, 2023, “Cost of sales” increased by ¥2,033 million, “Selling, general and administrative expenses” decreased by ¥2,033 million, while “Operating profit” and “Profit before tax” remain unchanged. Basic earnings per share and diluted earnings per share for the six months ended June 30, 2023 remain unchanged compared with the previous method. As the impact on “Inventories” is immaterial, the Group has not calculated the impact on the interim condensed consolidated financial statements.

(Change in Presentation)

(Interim Condensed Consolidated Statement of Cash Flows)

“Increase (decrease) in provision for structural reform” under “Cash flows from operating activities,” which was included in “Other” in the six months ended June 30, 2023, has been stated as a separate account item from the six months ended June 30, 2024 as the amount is material. In order to reflect this change in presentation, interim condensed consolidated financial statement of cash flows for the six months ended June 30, 2023 has been reclassified. As a result, ¥(1,267) million, which was included in “Other” under “Cash flows from operating activities” in the interim condensed consolidated financial statement of cash flows for the six months ended June 30, 2023 has been reclassified to “Increase (decrease) in provisions for structural reform.”

(Segment Information, etc.)

(1) Overview of Reportable Segments

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

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

The Japan Business mainly comprises domestic business by brand category (Prestige, Fragrance, Premium, etc.).

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

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

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

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

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

Other includes head office administration departments, IPSA Co., Ltd., manufacturing operations, the restaurant business as well as the healthcare business (sale of health & beauty foods as well as over-the-counter drugs, etc.).

(Changes of reportable segments, etc.)

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

Segment information for the six months ended June 30, 2023 has been restated to reflect the reclassification.

(2) Method to determine sales and profit (loss) by reportable segment

Profit by reportable segments is stated on the basis of core operating profit, which is operating profit (loss) calculated by excluding profits or losses incurred by non-ordinary factors (non-recurring items) such as costs and expenses related to structural reforms, impairment losses, acquisitions, etc.

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

(3) Segment Revenue and Business Result

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

Six Months Ended June 30, 2023 (From January 1, 2023 to June 30, 2023) (Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	125,157	130,609	30,680	52,828	52,575	77,473
Intersegment sales or transfer	447	1,513	1,623	2,666	3,202	159
Total	125,605	132,122	32,304	55,494	55,778	77,633
Segment profit (loss) i.e. Core operating profit	(3,678)	5,498	235	4,059	1,250	15,447

	Other (Note 2,4)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	24,863	494,189	—	494,189
Intersegment sales or transfer	111,386	121,000	(121,000)	—
Total	136,250	615,189	(121,000)	494,189
Segment profit (loss) i.e. Core operating profit	(3,419)	19,393	8,646	28,039

Note:
1. The EMEA Business includes the Middle East and Africa regions.
2. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations and the restaurant business, etc.
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
4. Net sales from the Personal Care Business in the Other segment are no longer recorded with some exceptions from April 1, 2023 due to the transfer of Shiseido Kuki Factory.

Six Months Ended June 30, 2024 (From January 1, 2024 to June 30, 2024) (Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	141,518	131,671	34,447	57,258	62,806	66,850
Intersegment sales or transfer	537	1,854	2,581	2,721	3,659	218
Total	142,055	133,526	37,029	59,980	66,466	67,069
Segment profit (loss) i.e. Core operating profit	7,948	4,945	2,193	2,603	3,739	7,702

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	13,983	508,536	—	508,536
Intersegment sales or transfer	114,484	126,058	(126,058)	—
Total	128,468	634,595	(126,058)	508,536
Segment profit (loss) i.e. Core operating profit (Note 4)	(8,986)	20,145	(873)	19,272

Note:
1. The EMEA Business includes the Middle East and Africa regions.
2. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations, the restaurant business, and the healthcare business (sale of health & beauty foods as well as over-the-counter drugs.)
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
4. As stated in "Change in accounting estimates," the Group has, from the six months ended March 31, 2024, changed the useful lives of certain software based on the expected economic useful lives, which are more in line with actual conditions.
   Due to the change, the segment profit from the six months ended June 30, 2024 increased by ¥57 million in Japan Business, ¥38 million in China Business, ¥107 million in Asia Pacific Business, ¥114 million in Americas Business, ¥111 million in Travel Retail Business, and ¥754 million in Other, respectively.

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

	Six months ended June 30, 2023	Six months ended June 30, 2024
	Millions of yen	Millions of yen
Segment profit	28,039	19,272
Gain on sale of business	879	—
Loss on sale of business	(9,985)	—
Structural reform expenses	(5,195)	(20,391)
Government grant income on COVID-19	31	—
Impairment losses	(1,899)	(78)
Gain on sale of non-current assets	2,372	697
Acquisition-related costs	—	(302)
One-time costs related to internal system changes	—	(1,020)
Other	(611)	(904)
Operating profit (loss)	13,632	(2,728)

"Gain on sale of businesses" for the six months ended June 30, 2023 includes the gain on sale of assets from three of the Company's subsidiaries operating the Professional Business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., and Shiseido Malaysia Sdn. Bhd.) to Henkel AG & Co. KGaA Group companies. The gain on the transfer is included in "Other operating income" in the interim condensed consolidated statement of profit or loss.

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

"Structural reform expenses" for the six months ended June 30, 2023 are mainly the costs associated with the conclusion of an agreement to transfer the Personal Care Manufacturing Business operated at Shiseido Kuki Factory and Shiseido Vietnam Factory. The expenses are included in "Cost of sales," "Selling, general and administrative expenses" and "Other operating expenses" in the interim condensed consolidated statement of profit or loss.

"Structural reform expenses" for the six months ended June 30, 2024 are mainly the costs associated with the Early Retirement Incentive Plan as part of the business transformation of Shiseido Japan Co., Ltd. The expenses are included in "Selling, general and administrative expenses" in the interim condensed consolidated statement of profit or loss.

"Impairment losses" for the six months ended June 30, 2023 are the impairment losses on the groups of assets associated with the conclusion of an agreement to transfer the manufacturing operations of personal care products at Shiseido Kuki Factory and Shiseido Vietnam Factory, the impairment losses due to decline in profitability of offices subleased by Shiseido Americas Corp. The impairment losses are included in "Cost of sales" and "Selling, general and administrative expenses" in the interim condensed consolidated statement of profit or loss.

"Gain on sale of non-current assets" for the six months ended June 30, 2023 is the income arising from the sales of the real estate owned by the Company. The income is included in "Other operating income" in the interim condensed consolidated statement of profit or loss.

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

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

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