November 10, 2023

Consolidated Settlement of Accounts for the Nine Months Ended September 30, 2023 [IFRS]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange (Code Number 4911)
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Filing date of quarterly securities report: November 10, 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 Nine Months Ended September 30, 2023 (From January 1 to September 30, 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	%
Nine Months Ended September 30, 2023	722,417	[(5.3)]	36,825	[1.6]	25,826	[(27.6)]	21,655	[(31.8)]	20,517	[(29.4)]	68,079	[(35.9)]
Nine Months Ended September 30, 2022	762,743	[4.7]	36,235	[21.9]	35,660	[(62.7)]	31,745	[(34.8)]	29,046	[(38.2)]	106,166	[42.9]

[Reference] Profit before tax
Nine months ended September 30, 2023: ¥28,721 million [(34.1)%]
Nine months ended September 30, 2022: ¥43,585 million [(53.8)%]

	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Nine Months Ended September 30, 2023	51.34	51.31
Nine Months Ended September 30, 2022	72.70	72.65

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

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Equity	Equity Attributable to Owner of Parent	Ratio of Equity Attributable to Owner of Parent
As of September 30, 2023	1,283,682	648,959	628,509	49.0%
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	—	30.00	—		
Fiscal Year 2023 (Forecast)				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	980,000 [(8.2)]	35,000 [(31.8)]	27,000 [(46.5)]	18,000 [(47.4)]	45.04

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

Notes

(1) Changes in significant subsidiaries during the nine months ended September 30, 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: Yes
3) Changes in accounting estimates: None

Note: Please refer to “2. Condensed Quarterly Consolidated Financial Statements and Notes (5) Notes Concerning Condensed Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 18 for details.

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

As of September 30, 2023:	400,000,000
As of December 31, 2022:	400,000,000

2) Number of treasury shares

As of September 30, 2023:	350,078
As of December 31, 2022:	452,452

3) Average number of shares outstanding during the period

Nine months ended September 30, 2023:	399,603,532
Nine months ended September 30, 2022:	399,535,079

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 Nine Months Ended September 30, 2023 (3) Consolidated Forecast and Other Forward-Looking Information” on page 9 for information on preconditions underlying the above outlook and other related information.

Contents

1. Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2023

(1) Consolidated Performance

(Millions of yen)

	Net Sales	Core Operating Profit	Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	EBITDA
Nine Months Ended September 30, 2023	722,417	36,825	25,826	28,721	20,517	75,142
Nine Months Ended September 30, 2022	762,743	36,235	35,660	43,585	29,046	74,564
Year-on-Year Increase (Decrease)	(5.3)%	1.6%	(27.6)%	(34.1)%	(29.4)%	0.8%
FX-Neutral	(8.9)%					
Like-for-Like	5.0%					

Notes:

1. Core operating profit is calculated as operating profit excluding profits or losses incurred by non-ordinary factors (non-recurring items), such as expenses related to structural reforms, impairment losses, etc.
2. EBITDA is calculated by adding depreciation and amortization expenses to core operating profit (excluding depreciation of right-of-use assets).
3. Like-for-like increase (decrease) in net sales excludes the impacts of foreign exchange translation and the impacts of all business transfers in the first nine months of fiscal year 2023 and 2022, as well as the services provided during the transition period ("business transfer impacts").

In the first nine months of fiscal year 2023, while global uncertainty prevailed amid a prolonged conflict in Ukraine and rising inflation, consumer spending continued to recover at moderate pace across markets throughout the period.

The domestic cosmetics market continued to grow as the Japanese economy stayed on course for recovery from the pandemic with the downgrade of COVID-19 to Class 5 under the Infectious Diseases Control Law, and a subsequent increase in out-of-home activities coupled with a recovery of inbound tourism consumption with the rising number of foreign visitors, while consumers remained cautious in their spending amid rising cost of living. The trends and pace of recovery in the overseas cosmetics market varied across regions. In China, while strong momentum was seen in the first half of the year, due in part to the low base effect from lockdowns targeting Shanghai and elsewhere in the prior year, this was largely offset by the challenges that arose in the third quarter, including a weakening sentiment towards China's economy overall, leading to uncertainty in the region. Also, the duty-free retail market in South Korea and Hainan Island in China continued to experience softness owing primarily to retailer inventory adjustments in light of the tighter regulations. Elsewhere, the cosmetics market in Europe and the Americas saw robust 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 everyone can enjoy a lifetime of 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.

In 2023, when a full-fledged market recovery is expected, we launched a new medium-term strategy

“SHIFT 2025 and Beyond.” Under 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 establishing a value-added 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 to grow sales surpassing the market growth and increase our market share in each region.

Net sales in the first nine months of fiscal year 2023 declined 5.3% year on year to ¥722.4 billion on reported figures, down 8.9% year on year on a FX-neutral basis, or up 5.0% year on year on a like-for-like basis, excluding the impacts from foreign exchange and business transfers. Net sales on a like-for-like basis declined year on year in the Travel Retail Business which continues to be affected by retailer inventory adjustments in light of the tighter regulations, as well as an ongoing trend of retailers shifting back towards the business model with focus on tourists. Also, in contrast to the solid performance seen in the first half of the year, the net sales in the China Business declined year on year on a like-for-like basis in the third quarter, due primarily to the unfavorable impact of the weakening sentiment towards China’s economy as well as consumer pull back on purchases of Japanese products after the release of treated water in Japan. Nevertheless, net sales in the Japan Business delivered steady growth year on year on a like-for-like basis through strategic new product launches and marketing activity enhancements for successfully capturing the market recovery and rising demand from foreign tourists. We also delivered robust sales growth on a like-for-like basis in the Americas, EMEA, and Asia Pacific Businesses.

Core operating profit increased by ¥0.6 billion year on year to ¥36.8 billion. While the ongoing challenges by retail inventory adjustments in the Travel Retail Business continued to weigh on our business, we managed to achieve a year on year growth in net sales on a like-for-like basis through strategic marketing investments aligned with trends in markets. We also accelerated our agile cost management which contributed to profits.

Profit attributable to owners of parent declined ¥8.5 billion year on year to ¥20.5 billion, reflecting the impact of non-recurring items such as an impairment loss, costs on structural reforms and losses on business transfers incurred by the transfer of manufacturing operations of Personal Care products as well as an impairment loss on the integration of two factories in Osaka Prefecture which outweighed an increase in core operating profit.

The EBITDA margin was 10.4%.

The foreign exchange rates for major currencies applied to accounting line items (income and expense accounts) in the Company’s consolidated financial statements for the first nine months of fiscal year 2023 are JPY138.0/USD, JPY149.6/EUR, and JPY19.6/CNY.

[Consolidated Performance]

(Millions of yen)

	Classification	Nine Months Ended September 30, 2023	% of Total	Nine Months Ended September 30, 2022	% of Total	Year-on-Year Increase (Decrease)			
						Amount	Percentage	FX-Neutral	Like-for-Like
Net Sales	Japan Business	191,634	26.5%	178,557	23.4%	13,076	7.3%	7.3%	7.8%
	China Business	178,053	24.7%	171,899	22.5%	6,154	3.6%	1.2%	3.9%
	Asia Pacific Business	48,807	6.8%	48,737	6.4%	70	0.1%	(5.1)%	14.2%
	Americas Business	81,684	11.3%	97,910	12.8%	(16,225)	(16.6)%	(22.3)%	17.9%
	EMEA Business	82,524	11.4%	89,700	11.8%	(7,175)	(8.0)%	(16.4)%	16.0%
	Travel Retail Business	108,530	15.0%	120,137	15.8%	(11,606)	(9.7)%	(15.9)%	(11.3)%
	Other	31,181	4.3%	55,800	7.3%	(24,619)	(44.1)%	(44.2)%	(14.0)%
	Total	722,417	100.0%	762,743	100.0%	(40,325)	(5.3)%	(8.9)%	5.0%

	Classification	Total sales including intersegment sales and internal transfers between segments	
		Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net Sales	Japan Business	195,287	183,270
	China Business	180,626	172,594
	Asia Pacific Business	51,262	50,968
	Americas Business	85,672	101,893
	EMEA Business	87,413	97,762
	Travel Retail Business	108,780	120,275
	Other	199,641	227,524
	Subtotal	908,685	954,289
	Adjustments	(186,267)	(191,546)
	Total	722,417	762,743

(Millions of yen)

	Classification	Nine Months Ended September 30, 2023	Ratio to Net Sales	Nine Months Ended September 30, 2022	Ratio to Net Sales	Year-on-Year Increase (Decrease)	
						Amount	Percentage
Core Operating Profit (Loss)	Japan Business	(203)	(0.1)%	(5,949)	(3.2)%	5,746	—
	China Business	1,973	1.1%	(8,652)	(5.0)%	10,626	—
	Asia Pacific Business	1,668	3.3%	4,083	8.0%	(2,415)	(59.2)%
	Americas Business	6,478	7.6%	6,776	6.7%	(297)	(4.4)%
	EMEA Business	4,398	5.0%	8,598	8.8%	(4,200)	(48.8)%
	Travel Retail Business	18,959	17.4%	26,812	22.3%	(7,852)	(29.3)%
	Other	(3,725)	(1.9)%	7,036	3.1%	(10,761)	—
	Subtotal	29,550	3.3%	38,704	4.1%	(9,154)	(23.7)%
	Adjustments	7,275	—	(2,468)	—	9,744	—
	Total	36,825	5.1%	36,235	4.8%	590	1.6%

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 nine months ended September 30, 2022 has been restated to reflect the reclassification.
2. The Group has revised its calculation method regarding the part of Intersegment sales and internal transfers between segments in the 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 nine months ended September 30, 2022 has been restated to reflect the new calculation method.
3. Net sales from the Personal Care business are no longer recorded with some exceptions from April l, 2023 due to the transfer of Shiseido Kuki Factory.
4. Like-for-like increase (decrease) in net sales excludes foreign exchange translation and business transfer impacts.
5. The Other segment includes head office administration departments, IPSA Co. Ltd., manufacturing operations and the restaurant business, etc.
6. 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.
7. 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 with array of brands to capture the benefit of demand recovery with the relaxation of mask guidelines, and increased opportunities to go outside following the downgrade of COVID-19 to Class 5 under the Infectious Diseases Control Law. For ***Clé de Peau Beauté*** and ***SHISEIDO***, our efforts has led to a steady increase of loyal users as well as strong sales growth. ***ELIXIR*** also continued to show strong growth driven by its renewed products, as did ***ANESSA***, which delivered robust growth buoyed by increased opportunities to go outside. Many of our brands also benefitted from the rising number of foreign visitors entering Japan which drove a gradual recovery in inbound tourism consumption.

As a result, net sales were ¥191.6 billion, up 7.3% year on year, or up 7.8% on a like-for-like basis excluding business transfer impacts. Core operating loss was ¥0.2 billion, returning to profitability in the third quarter with an improvement of ¥5.7 billion year on year, thanks to the higher gross profit driven by an increase in sales as well as our cost management efforts.

China Business

In the China Business, we are making a shift from a growth model primarily driven by large-scale promotions to a more sustainable growth model which focuses on value-based brand and product communication tailored to consumer needs. While solid growth was delivered by the strength of ***SHISEIDO*** and ***Clé de Peau Beauté*** in the first half of the year overall, this was partially offset by the unfavorable impact of the weakening sentiment towards China's economy as well as consumer pull back on purchases of Japanese products after the release of treated water in Japan, leading to a decline in the net sales in the third quarter. The net sales in E-commerce were most notably affected by these developments.

As a result, net sales were ¥178.1 billion, up 3.6% year on year on a reported basis, up 1.2% year on year on an FX-neutral basis, or up 3.9% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit was ¥2.0 billion, an improvement of ¥10.6 billion year on year due primarily to a higher gross profit which reflected an increase in sales during the first half of the year, as well as agile cost management mainly in marketing investments in light of a decline sales seen in the third quarter amid worsening market conditions.

Asia Pacific Business

In the countries and regions of the Asia Pacific Business, Taiwan returned to growth, with the ongoing strength in South Korea and Southeast Asia. Overall, ***NARS*** and ***SHISEIDO*** continued to drive growth in the region.

As a result, net sales increased 0.1% year on year to ¥ 48.8 billion on a reported basis, down 5.1% year on year on a FX-neutral basis, or up 14.2% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit decreased year on year by ¥2.4 billion to 1.7 billion, as gains on gross profit by an increase in net sales was more than offset by rising costs incurred by marketing investments and personnel and other expenses.

Americas Business

In the Americas Business, through strategic marketing activities, we firmly captured opportunities arising from the steady market growth. ***Drunk Elephant***, which enhanced social media marketing, continued to see significant growth while ***NARS*** and ***SHISEIDO*** also grew steadily.

As a result, net sales were ¥81.7 billion, down 16.6% year on year on a reported basis, down 22.3% year on year on an FX-neutral basis, or up 17.9% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit decreased by ¥0.3 billion year on year to ¥6.5 billion, primarily due to higher personnel costs and impacts from business transfers, offsetting the gains on gross profit by an increase in net sales on a like-for-like basis.

EMEA Business

In the EMEA Business, ***NARS*** continued to drive overall growth in sales as we reinforced our digital marketing strategy and accelerated the rollouts of new products. We also enjoyed strong growth delivered by ***narciso rodriguez,*** which benefited from the success of the newly launched ALL OF ME. Sales of ***Drunk Elephant*** and ***Clé de Peau Beauté,*** steadily increased as well, with a growing number of brick-and-mortar footprint.

As a result, net sales were ¥82.5 billion, down 8.0% year on year on a reported basis, down 16.4% year on year on an FX-neutral basis, or up 16.0 % year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit decreased by ¥4.2 billion year on year to ¥4.4 billion, owing primarily to the impact of business transfers.

Travel Retail Business

In the Travel Retail Business (sales of cosmetics and fragrances primarily through airport and downtown duty-free stores), we saw a vigorous recovery in Japan thanks to the rebound in tourist traffic amid the receding impact of COVID-19. Meanwhile, in South Korea and Hainan Island in China, sales declined year on year due to the impact of retailer inventory adjustments in light of the tighter regulations, as well as an ongoing trend of retailers shifting back towards the business model with focus on tourists.

As a result, net sales were ¥108.5 billion, down 9.7% year on year on a reported basis, down 15.9% year on year on an FX-neutral basis, or down 11.3% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit decreased by ¥7.9 billion year on year to ¥19.0 billion, due primarily to lower gross profits from a decline in sales.

(2) Financial Position

Total assets decreased by ¥24.0 billion from the end of the previous fiscal year to ¥1,283.7 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 assets held for sale, which outweighed an increase in assets translated into the weaker yen, an increase in inventories and an increase in intangible assets. Liabilities decreased by ¥47.2 billion to ¥634.7 billion, primarily due to a decrease in trade and other payables. Equity increased by ¥23.2 billion to ¥649.0 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 0.06.

(Cash flow analysis)
Cash and cash equivalents at the end of the first nine months of fiscal year 2023 stood at ¥112.7 billion, down ¥6.3 billion from the beginning balance of ¥119.0 billion.

(Net cash provided by operating activities)
Net cash provided by operating activities in the first nine months of fiscal year 2023 increased by ¥78.9 billion to ¥61.1 billion, primarily due to the recording of profit before tax of ¥28.7 billion, non-cash expense such as depreciation and amortization of ¥55.2 billion and a decrease in trade and other receivables of ¥29.3 billion, despite a decrease in trade and other payables of ¥38.0 billion, a gain on disposal of fixed assets of ¥11.1 billion, etc. Days sales of inventory (DSI) were 195 days.

(Net cash used in investing activities)
Net cash used in investing activities in the first nine months of fiscal year 2023 decreased by ¥6.4 billion to ¥17.2 billion, primarily due to the purchase of intangible assets such as investment in IT systems of ¥22.5 billion as well as purchase of property, plant and equipment such as investment in factory equipment of ¥17.5 billion, etc. which outweighed the proceeds from the sale of shares of an associate company of ¥8.5 billion and the sale of fixed assets of ¥17.4 billion.

(Net cash used in financing activities)
Net cash used in financing activities in the first nine months of fiscal year 2023 increased by ¥39.4 billion to ¥59.0 billion, primarily due to the payment of cash dividends of ¥41.5 billion, the repayment of lease liabilities of ¥19.8 billion, the repayment of long-term borrowings of ¥15.9 billion, etc. which outweighed the increase in short-term borrowings of ¥19.9 billion.

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	61.1
Net cash provided by (used in) investing activities	(17.2)
Net cash provided by (used in) financing activities	(59.0)
Effect of exchange rate changes on cash and cash equivalents	9.1
Net change in cash and cash equivalents included in assets held for sale	(0.2)
Net change in cash and cash equivalents (decrease)	(6.3)
Cash and cash equivalents at end of period	112.7

(3) Consolidated Forecast and Other Forward-Looking Information

The net sales on a like-for-like basis* for the fiscal year 2023 is expected to fall below our previous forecast due primarily to the weakness in the Travel Retail Business and the China Business, which continue to be affected by retailer inventory adjustments in light of tighter regulations, as well as an ongoing trend of retailers shifting back towards the business model with focus on tourists. This was compounded by the weakening sentiment towards China's economy as well as consumer pull back on purchases of Japanese products after the release of treated water in Japan. Overall, however, the net sales are projected to be largely in line with our previous forecast, offset by the positive impacts of foreign exchange translation due to the weaker yen.

The core operating profit for the fiscal year 2023 is expected to fall short of our previous forecast, due to the expected decline in the net sales on a like-for-like basis. We have also revised our forecasts for the profit before tax and profit attributable to owners of parent due in large part to the decline in core operating profit. Additionally, the impact of the gain on the sales of fixed assets of ¥10.0 billion from the sales of the real estates as well as the impairment loss of ¥6.0 billion on the integration of the two factories in Osaka Prefecture are also reflected.

This revision to the consolidated earnings forecast does not impact the Company's dividend forecast for the fiscal year 2023. In addition to the interim dividend of ¥30 already paid, the Company plans to pay a year-end dividend of ¥30 per share. As a result, the annual dividend will be ¥60 per share.

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

Revisions to the Consolidated Earnings Forecast, 2023 (from January 1 to December 31, 2023)

(Millions of yen unless otherwise stated)

	Net Sales	Core Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	Basic Earnings per Share (Yen)
Previous Forecast (A)	1,000,000	60,000	47,000	28,000	70.08
Revised Forecast (B)	980,000	35,000	27,000	18,000	45.04
Change (B-A)	(20,000)	(25,000)	(20,000)	(10,000)	
Change (%)	(2.0)%	(41.7)%	(42.6)%	(35.7)%	
(Reference) Results for the Previous Fiscal Year (Ended December 31, 2022)	1,067,355	51,340	50,428	34,202	85.60

Currency exchange assumptions are as follows;
Previous: USD/JPY: 130 yen, EUR/JPY: 140 yen, CNY/JPY: 19.0 yen
Revised: USD/JPY: 140 yen, EUR/JPY: 150 yen, CNY/JPY: 19.8 yen

Reference Information: Forecast for Consolidated Net Sales by Reportable Segment

The consolidated results forecast for the fiscal year 2023 by reportable segment are presented as follows.

Consolidated Net Sales Forecast for the Fiscal Year 2023 (Full Year) (Billions of yen unless otherwise stated)

Classification	Revised Forecast	Results for Previous Fiscal Year	YoY	YoY FX-Neutral	YoY Like-for-Like	Previous Like-for-Like
Japan Business	265.0	237.6	11.5%	12%	12%	16%
China Business	247.0	258.2	(4.3)%	(7)%	(5)%	8%
Asia Pacific Business	68.0	68.0	0.0%	(5)%	14%	11%
America Business	113.5	137.9	(17.7)%	(23)%	18%	10%
EMEA Business	116.0	128.4	(9.7)%	(18)%	18%	11%
Travel Retail Business	132.0	163.7	(19.3)%	(25)%	(20)%	10%
Other	38.5	73.5	(47.6)%	(48)%	(10)%	20%
Total	980.0	1,067.4	(8.2)%	(12)%	2%	11%

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 previous fiscal year has been restated to reflect the reclassification
2. Like-for-like increase (decrease) in net sales excludes foreign exchange translation and business transfer impacts

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	As of December 31, 2022	As of September 30, 2023
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	119,036	112,736
Trade and other receivables	182,069	154,596
Inventories	130,942	153,407
Other financial assets	18,498	20,325
Other current assets	54,753	40,451
Subtotal	505,299	481,516
Assets held for sale	18,929	1,712
Total current assets	524,229	483,229
Non-current assets		
Property, plant and equipment	318,339	302,842
Goodwill	57,879	65,339
Intangible assets	123,217	138,831
Right-of-use assets	114,276	105,463
Investments accounted for using equity method	15,535	19,315
Other financial assets	84,701	93,982
Deferred tax assets	63,382	66,369
Other non-current assets	6,098	8,308
Total non-current assets	783,432	800,453
Total assets	1,307,661	1,283,682

	As of December 31, 2022	As of September 30, 2023
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	203,770	161,348
Bonds and borrowings	25,990	60,000
Lease liabilities	23,757	24,135
Other financial liabilities	4,744	4,359
Income taxes payable	5,442	7,826
Provisions	8,136	5,790
Other current liabilities	116,180	110,343
Subtotal	388,021	373,802
Liabilities directly associated with assets held for sale	1,541	658
Total current liabilities	389,562	374,461
Non-current liabilities		
Bonds and borrowings	140,000	110,000
Lease liabilities	107,441	100,248
Other financial liabilities	4,950	7,063
Retirement benefit liability	25,346	27,149
Provisions	1,328	1,372
Deferred tax liabilities	2,174	2,597
Other non-current liabilities	11,103	11,829
Total non-current liabilities	292,344	260,261
Total liabilities	681,907	634,723
Equity		
Share capital	64,506	64,506
Capital surplus	73,560	73,764
Treasury shares	(2,089)	(1,618)
Retained earnings	394,877	373,120
Other components of equity	73,404	118,735
Total equity attributable to owners of parent	604,259	628,509
Non-controlling interests	21,494	20,449
Total equity	625,754	648,959
Total liabilities and equity	1,307,661	1,283,682

(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
Nine Months Ended September 30

	Nine months ended September 30, 2022 Restated (Note)	Nine months ended September 30, 2023
	Millions of yen	Millions of yen
Net sales	762,743	722,417
Cost of sales	242,318	197,195
Gross profit	520,424	525,222
Selling, general and administrative expenses	504,300	503,219
Other operating income	22,662	15,484
Other operating expenses	3,126	11,661
Operating profit	35,660	25,826
Finance income	7,379	4,564
Finance costs	2,231	5,892
Share of profit of investment accounted for using equity method	2,776	4,222
Profit before tax	43,585	28,721
Income tax expense	11,839	7,066
Profit	31,745	21,655
Profit attributable to		
Owners of parent	29,046	20,517
Non-controlling interests	2,698	1,138
Profit	31,745	21,655
Earnings per share		
Basic earnings per share (yen)	72.70	51.34
Diluted earnings per share (yen)	72.65	51.31

Note: Please refer to (5) Notes Concerning Condensed Quarterly Consolidated Financial Statements (Changes in Accounting Policies) for details.

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

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
	Millions of yen	Millions of yen
Profit	31,745	21,655
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(208)	(294)
Remeasurements of defined benefit plans	949	—
Share of other comprehensive income of investments accounted for using equity method	15	19
Total of items that will not be reclassified to profit or loss	756	(274)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	72,344	47,060
Cash flow hedges	52	43
Share of other comprehensive income of investments accounted for using equity method	1,268	(405)
Total of items that may be reclassified to profit or loss	73,664	46,699
Other comprehensive income, net of tax	74,421	46,424
Comprehensive income	106,166	68,079
Comprehensive income attributable to		
Owners of parent	101,618	65,579
Non-controlling interests	4,548	2,499
Comprehensive income	106,166	68,079

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Nine Months Ended September 30, 2022 (January 1 to September 30, 2022)

	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 comprehen-sive 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				29,046		
Other comprehensive income					71,721	(167)
Total comprehensive income	—	—	—	29,046	71,721	(167)
Purchase of treasury shares			(5)			
Disposal of treasury shares			256	36		
Dividends				(21,973)		
Changes in ownership interest in subsidiaries		(69)				
Change in scope of consolidation						
Share-based payments transactions		340				
Transfer to retained earnings				797		167
Other				(4)		
Total transactions with owners	—	270	250	(21,144)	—	167
Balance at September 30, 2022	64,506	73,305	(2,087)	380,104	105,149	—

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity			Total		
	Cash flow hedge	Remeasure-ments 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			—	29,046	2,698	31,745
Other comprehensive income	52	965	72,571	72,571	1,849	74,421
Total comprehensive income	52	965	72,571	101,618	4,548	106,166
Purchase of treasury shares			—	(5)		(5)
Disposal of treasury shares			—	292		292
Dividends			—	(21,973)	(3,919)	(25,893)
Changes in ownership interest in subsidiaries			—	(69)	(275)	(345)
Change in scope of consolidation			—	—	20	20
Share-based payments transactions			—	340		340
Transfer to retained earnings		(965)	(797)	—		—
Other			—	(4)		(4)
Total transactions with owners	—	(965)	(797)	(21,421)	(4,175)	(25,596)
Balance at September 30, 2022	(86)	—	105,062	620,891	21,857	642,749

Nine Months Ended September 30, 2023 (January 1 to September 30, 2023)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on transition of foreign operations	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at January 1, 2023	64,506	73,560	(2,089)	394,877	73,447	—
Profit				20,517		
Other comprehensive income					45,288	(269)
Total comprehensive income	—	—	—	20,517	45,288	(269)
Purchase of treasury shares			(7)			
Disposal of treasury shares		31	478			
Dividends				(41,954)		
Change in ownership interest in subsidiaries		(0)				
Change in scope of consolidation						
Share-based payments transactions		173		23		
Transfer to retained earnings				(269)		269
Other				(74)		
Total transactions with owners	—	204	470	(42,274)	—	269
Balance at September 30, 2023	64,506	73,764	(1,618)	373,120	118,735	—

	Equity attributable to owners of parent					
	Other components of equity					
	Cash flow hedge	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at January 1, 2023	(43)	—	73,404	604,259	21,494	625,754
Profit			—	20,517	1,138	21,655
Other comprehensive income	43	—	45,062	45,062	1,361	46,424
Total comprehensive income	43	—	45,062	65,579	2,499	68,079
Purchase of treasury shares			—	(7)		(7)
Disposal of treasury shares			—	509		509
Dividends			—	(41,954)	(1,451)	(43,406)
Change in ownership interest in subsidiaries			—	(0)	0	—
Change in scope of consolidation			—	—	5	5
Share-based payments transactions			—	196		196
Transfer to retained earnings			269	—		—
Other			—	(74)	(2,099)	(2,173)
Total transactions with owners	—	—	269	(41,329)	(3,544)	(44,874)
Balance at September 30, 2023	—	—	118,735	628,509	20,449	648,959

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Profit before tax	43,585	28,721
Depreciation and amortization	56,974	55,202
Impairment losses	14,845	7,978
Loss (gain) on disposal of fixed assets	(3,030)	(11,107)
Loss (gain) on transfer of business	(15,210)	9,097
Increase (decrease) in retirement benefit liability	841	1,510
Interest and dividend income	(3,571)	(4,485)
Interest expenses	1,854	2,325
Share of profit of investments accounted for using equity method	(2,776)	(4,222)
Decrease (increase) in trade and other receivables	(21,259)	29,287
Decrease (increase) in inventories	(4,233)	(2,623)
Increase (decrease) in trade and other payables	(26,973)	(37,950)
Other	4,159	(14,198)
Subtotal	45,205	59,536
Interest and dividends received	990	1,544
Interest paid	(1,394)	(2,187)
Income taxes refund (paid)	(62,608)	2,216
Net cash provided by (used in) operating activities	(17,806)	61,110
Cash flows from investing activities:		
Payments into time deposits	(14,689)	(11,486)
Proceeds from withdrawal of time deposits	17,061	9,144
Purchase of property, plant and equipment	(25,931)	(17,518)
Proceeds from sales of property, plant and equipment and intangible assets	4,697	17,376
Purchase of intangible assets	(21,454)	(22,507)
Proceeds from transfer of business	12,115	67
Payments for transfer of business	—	(528)
Proceeds from sale of shares of associates	—	8,500
Other	4,563	(295)
Net cash provided by (used in) investing activities:	(23,638)	(17,249)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	46,101	19,919
Repayments of long-term borrowings	(365)	(15,915)
Redemption of bonds	(15,000)	—
Purchase of treasury shares	(5)	(7)
Proceeds from disposal of treasury shares	243	0
Dividends paid	(21,373)	(41,502)
Dividends paid to non-controlling interests	(4,900)	(1,400)
Repayment of lease liabilities	(23,681)	(19,792)
Other	(571)	(302)
Net cash provided by (used in) financing activities	(19,553)	(59,001)
Net change in cash and cash equivalents (decrease)	(60,997)	(15,140)
Cash and cash equivalents at beginning of period	156,503	119,036
Effect of exchange rate changes on cash and cash equivalents	13,900	9,082
Net change in cash and cash equivalents included in assets held for sale	(500)	(242)
Cash and cash equivalents at end of period	108,906	112,736

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Changes in Accounting Policies)

(Change in cost aggregation method for inventory)

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

The Group adopted a new Global Cost Control Policy in August 2023 and 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 and loss calculation.

Compared with the previous method, for the nine months ended September 30, 2023, “Cost of sales” increased by ¥3,335 million, “Selling, general and administrative expenses” decreased by ¥3,335 million, and there is no change in “Operating profit” nor “Profit before tax”. Basic earnings per share and diluted earnings per share for the nine months ended September 30, 2023 remain unchanged compared with the previous method. As the impact on "Inventories” is immaterial, the Group has not estimated the affected amount on the “Inventories”.

This change in accounting policy is retrospectively applied, and Condensed Quarterly Consolidated Financial Statements for the nine months ended September 30, 2022 has been restated to reflect the change. As a result, compared with the precious method, for the nine months ended September 30, 2022, “Cost of sales” increased by ¥2,801 million, “Selling, general and administrative expenses” decreased by ¥2,801 million, and there is no change in “Operating profit” nor “Profit before tax”. Basic earnings per share and diluted earnings per share for the nine months ended September 30, 2022 remain unchanged compared with the previous method. As the impact on “inventories” is immaterial, the Group has not estimated the affected amount on the “inventories”.

(Change in Presentation)

(Condensed Quarterly Consolidated Statement of Cash Flows)

(Cash flows from operating activities)

“Interest on other financial liabilities” under “Cash flows from operating activities”, which was stated as a separate account item in the nine months ended September 30, 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 Flows for the nine months ended September 30, 2022 has been reclassified. As a result, ¥81 million stated in “Interest on other financial liabilities” under “Cash flows from operating activities” in the Condensed Quarterly Consolidated Statement of Cash Flows for the nine months ended September 30, 2022 has been reclassified to “Other”.

(Cash flows from financing activities)

“Repayments of long-term accounts payable” under “Cash flows from financing activities”, which was stated as a separate account item in the nine months ended September 30, 2022, has been included in “Other” from the nine months ended September 30, 2023 due to its decreased financial importance. In order to reflect this change in presentation, Condensed Quarterly Consolidated Statement of Cash Flows for the nine months ended September 30, 2022 has been reclassified. As a result, ¥208 million stated in “Repayments of long-term accounts payable” under “Cash flows from financing activities” in the Condensed Quarterly Consolidated Statement of Cash Flows for the nine months ended September 30, 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 nine months ended September 30, 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 profits or losses incurred by non-ordinary factors (non-recurring items) such as structural reform expenses and impairment losses, etc.

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

(3) Segment Revenue and Business Result

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

Nine Months Ended September 30, 2022 (January 1 to September 30, 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	178,557	171,899	48,737	97,910	89,700	120,137
Intersegment sales or transfer	4,712	695	2,231	3,982	8,061	138
Total	183,270	172,594	50,968	101,893	97,762	120,275
Segment profit (loss) i.e. Core operating profit	(5,949)	(8,652)	4,083	6,776	8,598	26,812

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	55,800	762,743	—	762,743
Intersegment sales or transfer	171,723	191,546	(191,546)	—
Total	227,524	954,289	(191,546)	762,743
Segment profit (loss) i.e. Core operating profit	7,036	38,704	(2,468)	36,235

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. Segment information for the nine months ended September 30, 2022 has been restated to reflect the new calculation method.

Nine Months Ended September 30, 2023 (January 1 to September 30, 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	191,634	178,053	48,807	81,684	82,524	108,530
Intersegment sales or transfer	3,652	2,572	2,454	3,988	4,888	249
Total	195,287	180,626	51,262	85,672	87,413	108,780
Segment profit (loss) i.e. Core operating profit	(203)	1,973	1,668	6,478	4,398	18,959

	Other (Note 2,5)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	31,181	722,417	—	722,417
Intersegment sales or transfer	168,460	186,267	(186,267)	—
Total	199,641	908,685	(186,267)	722,417
Segment profit (loss) i.e. Core operating profit	(3,725)	29,550	7,275	36,825

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.
5. Net sales from the Personal Care business are no longer recorded with some exceptions from April 1, 2023 due to the transfer of Shiseido Kuki Factory.

Adjustments from segment profit to operating profit as follows:

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
	Millions of yen	Millions of yen
Segment profit	36,235	36,825
Gain on transfer of business	15,210	887
Loss on transfer of business	―	(9,985)
Structural reform expenses	(3,398)	(5,134)
Government grant income on COVID-19	581	31
Loss on COVID-19	(1,795)	―
Impairment losses	(14,845)	(7,978)
Gain on sales of fixed assets	3,673	12,466
Other	―	(1,285)
Operating profit	35,660	25,826

"Gain on transfer of business" for the nine months ended September 30, 2022 are the gain on transfer of assets which six of the Company's subsidiaries operating the Personal Care business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., Shiseido Malaysia Sdn. Bhd., PT. Shiseido Cosmetics Indonesia, Shiseido Philippines Corporation, and Shiseido (Thailand) Co., Ltd.) transferred to affiliates of FineToday Co., Ltd., the gain on transfer of assets which the Company and four of its subsidiaries operating the Professional Business in Asia Pacific (Shiseido China Co., Ltd., Shiseido Hong Kong Ltd., Shiseido Singapore Co., (Pte.) Ltd., and Shiseido Korea Co., Ltd.) transferred to Henkel AG & Co. KGaA Group companies, and the gain on transfer of all outstanding shares of Shiseido Professional (Thailand) Co., Ltd. to Henkel Group companies. The gain on transfer of business is included in "Other operating income" in the condensed quarterly consolidated statement of profit and loss.

"Gain on transfer of business" for the nine months ended September 30, 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 the condensed quarterly consolidated statement of profit and loss.

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

"Structural reform expenses" for the nine months ended September 30, 2022 are mainly 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 "Cost of sales", "Selling, general and administrative expenses" and "Other operating expenses" in the condensed quarterly consolidated statement of profit and loss.

"Structural reform expenses" for the nine months ended September 30, 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 the condensed quarterly consolidated statement of profit and loss.

"Impairment losses" for the nine months ended September 30, 2022 are mainly the impairment losses associated with group of assets related to the conclusion of agreement to transfer manufacturing operations of personal care products conducted at Shiseido Kuki Factory and Shiseido Vietnam Factory and the impairment losses associated with right-of-use assets due to decline in profitability of offices subleased by

Shiseido Americas Corporation. The impairment losses are included in “Cost of sales” and “Selling, general and administrative expenses” in the condensed quarterly consolidated statement of profit and loss.

“Impairment losses” for the nine months ended September 30, 2023 are 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, the impairment losses due to decline in profitability related to subleases of offices rented by Shiseido Americas Corporation and the impairment losses of group of assets associated with the integration of manufacturing at Shiseido Osaka Factory into Shiseido Osaka Ibaraki Factory. The impairment losses are included in “Cost of sales” and “Selling, general and administrative expenses” in the condensed quarterly consolidated statement of profit and loss.

“Gain on sales of fixed assets” for the nine months ended September 30, 2022 are income arising from the sales of the land and buildings related to office relocation in the Japan Business and the sales of the company housing in the Other segment. The income is included in “Other operating income” in the condensed quarterly consolidated statement of profit and loss.

“Gain on sales of fixed assets” for the nine months ended September 30, 2023 is the income arising from the sales of the real estate owned by the Company and its subsidiaries. The income is included in “Other operating income” in the condensed quarterly consolidated statement of profit and loss.