February 9, 2024

Consolidated Settlement of Accounts for the Fiscal Year Ended December 31, 2023 [IFRS]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange (Code Number 4911)
URL: https://corp.shiseido.com/en/
Representative: Masahiko Uotani, Representative Director, Chairman and CEO
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Annual meeting of shareholders: March 26, 2024 (plan)
Filing date of securities report: March 26, 2024 (plan)
Start of cash dividend payments: March 27, 2024 (plan)
Supplementary quarterly materials prepared: Yes
Financial results information meeting held: Yes (for institutional investors, etc.)

1. Performance for the Fiscal Year Ended December 31, 2023 (From January 1 to December 31, 2023)

* Amounts under one million yen have been rounded down.

(1) Consolidated Operating Results

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

	Net Sales		Core Operating Profit		Operating Profit		Profit		Profit Attributable to Owners of Parent		Total Comprehensive Income	
		%		%		%		%		%		%
Fiscal year Ended December 31, 2023	973,038	[(8.8)]	39,842	[(22.4)]	28,133	[(39.6)]	24,177	[(35.7)]	21,749	[(36.4)]	59,488	[(33.2)]
Fiscal year Ended December 31, 2022	1,067,355	[5.7]	51,340	[20.6]	46,572	[(53.7)]	37,583	[(24.0)]	34,202	[(27.1)]	89,061	[(1.3)]

[Reference] Profit before Tax
Fiscal year Ended December 31, 2023: ¥31,037 million [(38.5)%]
Fiscal year Ended December 31, 2022: ¥50,428 million [(49.1)%]

	Basic Earnings per Share	Diluted Earnings per Share	Return on Equity Attributable to Owners of Parent	Profit before Tax / Total Assets	Core Operating Profit/ Net Sales
	Yen	Yen	%	%	%
Fiscal year Ended December 31, 2023	54.43	54.40	3.6	2.4	4.1
Fiscal year Ended December 31, 2022	85.60	85.54	6.0	3.9	4.8

[Reference] Equity in earnings of affiliates: As of December 31, 2023: ¥3,744 million [133.0%]
As of December 31, 2022: ¥1,607 million [-%]

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

	Total Assets	Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent	Equity Attributable to Owners of Parent per Share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	1,255,497	640,392	618,748	49.3	1,548.20
As of December 31, 2022	1,307,661	625,754	604,259	46.2	1,512.36

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year Ended December 31, 2023	89,026	(35,536)	(75,642)	104,685
Fiscal Year Ended December 31, 2022	46,735	(41,308)	(52,418)	119,036

2. Cash Dividends

	Cash Dividends per Share					Total Dividends Paid (Full Year)	Dividend Payout Ratio (Consolidated)	Ratio of Dividend to Equity Attributable to Owners of Parent (Consolidated)
	Q1	Q2	Q3	Year-End	Full Year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Fiscal Year 2022	—	25.00	—	75.00	100.00	39,954	116.8	7.0
Fiscal Year 2023	—	30.00	—	30.00	60.00	23,978	110.2	3.9
Fiscal Year 2024 (Forecast)	—	30.00	—	30.00	60.00		109.0	

Note: Year-end dividend for the fiscal year 2022 includes an ordinary dividend of ¥25.00 and commemorative dividend of ¥50.00 for the 150th anniversary of our founding.

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

Notes

(1) Changes in significant subsidiaries during fiscal year ended December 31, 2023: None
(changes in specific subsidiaries causing a change in the scope of consolidation)

(2) Changes in accounting policies; changes in accounting estimates

1) Changes in accounting policies required by IFRS: Yes
2) Other changes in accounting policies: Yes
3) Changes in accounting estimates: None

Note: Please refer to "3. Consolidated Financial Statements and Notes (5) Notes Concerning 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 December 31, 2023:	400,000,000
As of December 31, 2022:	400,000,000

2) Number of treasury shares

As of December 31, 2023:	344,199
As of December 31, 2022:	452,452

3) Average number of shares outstanding during the period

Fiscal year ended December 31, 2023:	399,615,958
Fiscal year ended December 31, 2022:	399,538,249

[Reference] Summary of Nonconsolidated Results

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

(1) Nonconsolidated Operating Results

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
		%		%		%		%
Fiscal Year Ended December 31, 2023	259,361	[(15.2)]	(3,730)	[−]	29,459	[(38.3)]	19,346	[(32.0)]
Fiscal Year Ended December 31, 2022	305,969	[11.2]	14,785	[(30.0)]	47,765	[3.1]	28,470	[(72.6)]

	Net Profit per Share	Fully Diluted Net Profit per Share
	Yen	Yen
Fiscal Year Ended December 31, 2023	48.41	48.38
Fiscal Year Ended December 31, 2022	71.26	71.21

(2) Nonconsolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	869,593	511,508	58.7	1,278.08
As of December 31, 2022	905,652	533,379	58.8	1,332.56

[Reference] Equity at year-end:

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

Fiscal year ended December 31, 2022: ¥532,420 million

This report is not subject to audit by a certified public accountant or audit firm.

Appropriate use of business forecasts; other special items

(Cautionary note concerning forward-looking statements)

In this report, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (4) Earnings Forecast for Next Fiscal Year" on page 9 for information on preconditions underlying the above outlook and other related information.

Contents

1. Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2023

(1) Consolidated Performance

(Millions of yen)

	Net Sales	Core Operating Profit	Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	EBITDA
Fiscal Year Ended December 31, 2023	973,038	39,842	28,133	31,037	21,749	91,819
Fiscal Year Ended December 31, 2022	1,067,355	51,340	46,572	50,428	34,202	102,371
Year-on-Year Increase (Decrease)	(8.8)%	(22.4)%	(39.6)%	(38.5)%	(36.4)%	(10.3)%
FX-Neutral	(12.2)%					
Like-for-Like	1.8%					

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 consolidated fiscal years 2023 and 2022, as well as the services provided during the transition period ("business transfer impacts").

In the fiscal year ended December 31, 2023, while economic uncertainty prevailed amid elevated geopolitical risks and rising inflation, consumer spending continued to recover at a moderate pace across markets throughout the period.

The domestic cosmetics market enjoyed steady growth 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 prices. The trends and pace of recovery in the overseas cosmetics market varied across regions. In China, while the market grew strongly in the first half of the year due in part to the low base effect from COVID-19 lockdowns in major cities including Shanghai in the prior year, it lost momentum in the second half of the year amid challenging environment driven by weakening sentiment towards China's economy overall. Also, the duty-free retail market in South Korea and Hainan Island in China continued to experience softness owing primarily to retailer inventory adjustments from 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 aiming to resolve social and environmental issues such as diversity equity and inclusion. We thus strive to realize our vision towards 2030: a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty.

Under the medium-term strategy "SHIFT 2025 and Beyond" that focuses on a three-year period from 2023 to 2025, the Company is strengthening its investments to drive medium-to long-term growth in the following three key focus areas: Brand, Innovation, and People. In this highly volatile external environment of today, our business is in the midst of transformation to achieve our objectives of "Gross Profit Enhancement," "Extensive Cost Reduction and Improvement of Personnel Productivity," and we are advancing our strategic efforts to drive profitability and corporate value over the long-term. With an aim to optimize our cost structure to be aligned with our long-term market perspectives, we are fully committed to completing all actions for cost reduction on a global basis, while optimizing our regional footprint and rebuilding the business model to respond to the uncertain and dynamic business landscape. We will also make strategic marketing investments aligned with trends in markets to drive sustainable growth by leveraging our global brand portfolio.

In 2023, the first year under this medium-term strategy, while we continued our efforts to address various market challenges particularly in China, we successfully managed to launch innovative products across our brand portfolio with an ongoing commitment for brand equity enhancement through strategic marketing investments.

Net sales for the consolidated fiscal year decreased 8.8% year on year to ¥973.0 billion on a reported basis, down 12.2% year on year on a FX-neutral basis, or up 1.8% 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 continued to be affected by retailer inventory adjustments from tighter regulations, as well as an ongoing trend of retailers shifting back its business model 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 decreased year on year on a like-for-like basis, due primarily to the unfavorable impact of consumer pull back on purchases of Japanese products after the release of treated water in Japan as well as the weakening sentiment towards China’s economy in the latter half of the year. Nevertheless, net sales in the Japan Business delivered steady growth on a like-for-like basis, thanks to strategic new product launches capturing market recovery and promotion enhancements, as well as rising demand from inbound tourists. We also delivered robust sales growth on a like-for-like basis in the Americas, EMEA, and Asia Pacific Businesses.

Core operating profit decreased year on year by ¥11.5 billion to ¥39.8 billion. In the Japan Business, however, we posted a year on year increase in core operating profit generated by higher gross profit from stronger sales, returning to profitability in the fiscal year 2023. Likewise, core operating profit in the China Business also returned to profitability with a year on year growth, more than offsetting a year on year decline in net sales thanks to our agile cost management. Conversely, our business was adversely affected by a year on year decline in core operating profit in the Travel Retail Business amid ongoing headwinds from retailer inventory adjustments and other challenges. While profits in the Other declined year on year due to lower margins resulting from a decrease in intersegment sales to the China and Travel Retail Businesses, profits in the Adjustments increased year on year due primarily to the decline in the elimination of unrealized profits on inventories.

Profit attributable to owners of parent declined ¥12.5 billion year on year to ¥21.7 billion, reflecting the impact of a decline in core operating profit as well as the losses and expenses recognized as 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.

The EBITDA margin was 9.4%.

The foreign exchange rates for the major currencies applied to accounting line items (income and expense accounts) in the Company’s consolidated financial statements for the fiscal year ended December 31, 2023 are JPY140.5/USD, JPY152.0/EUR, and JPY19.8/CNY.

[Consolidated Performance]

(Millions of yen)

	Classification	Fiscal Year Ended December 31, 2023	% of Total	Fiscal Year Ended December 31, 2022	% of Total	Year-on-Year Increase (Decrease)			
						Amount	Percentage	FX-Neutral	Like-for-Like
Net Sales	Japan Business	259,900	26.7%	237,565	22.3%	22,334	9.4%	9.4%	10.0%
	China Business	247,921	25.5%	258,226	24.2%	(10,305)	(4.0)%	(6.4)%	(4.6)%
	Asia Pacific Business	67,283	6.9%	68,017	6.4%	(734)	(1.1)%	(6.3)%	12.5%
	Americas Business	110,294	11.4%	137,916	12.9%	(27,621)	(20.0)%	(25.0)%	15.2%
	EMEA Business	116,949	12.0%	128,440	12.0%	(11,490)	(8.9)%	(17.3)%	18.9%
	Travel Retail Business	132,525	13.6%	163,650	15.3%	(31,124)	(19.0)%	(24.1)%	(19.5)%
	Other	38,163	3.9%	73,538	6.9%	(35,374)	(48.1)%	(48.3)%	(11.1)%
	Total	973,038	100.0%	1,067,355	100.0%	(94,317)	(8.8)%	(12.2)%	1.8%

	Classification	Total sales including intersegment sales and internal transfers between segments	
		Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 31, 2022
Net Sales	Japan Business	264,747	244,271
	China Business	251,671	259,870
	Asia Pacific Business	71,569	71,136
	Americas Business	115,853	143,212
	EMEA Business	123,727	137,901
	Travel Retail Business	132,768	163,789
	Other	248,375	311,232
	Subtotal	1,208,715	1,331,414
	Adjustments	(235,676)	(264,059)
	Total	973,038	1,067,355

(Millions of yen)

	Classification	Fiscal Year Ended December 31, 2023	Ratio to Net Sales	Fiscal Year Ended December 31, 2022	Ratio to Net Sales	Year-on-Year Increase (Decrease)	
						Amount	Percentage
Core Operating Profit (Loss)	Japan Business	1,840	0.7%	(13,089)	(5.4)%	14,929	−%
	China Business	6,967	2.8%	(3,941)	(1.5)%	10,908	−%
	Asia Pacific Business	5,069	7.1%	4,716	6.6%	353	7.5%
	Americas Business	11,200	9.7%	7,660	5.3%	3,540	46.2%
	EMEA Business	3,345	2.7%	6,926	5.0%	(3,581)	(51.7)%
	Travel Retail Business	17,111	12.9%	37,678	23.0%	(20,566)	(54.6)%
	Other	(23,330)	(9.4)%	7,075	2.3%	(30,406)	−%
	Subtotal	22,205	1.8%	47,028	3.5%	(24,822)	(52.8)%
	Adjustments	17,636	−	4,311	−	13,324	−
	Total	39,842	4.1%	51,340	4.8%	(11,497)	(22.4)%

Notes:

1. The Group has revised its reportable segment classifications in the fiscal year 2023. As a result, the business results

previously included in the Professional Business segment are now included in the Other segment. Segment information for the fiscal year 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 in the fiscal year 2023 for the better management of internal transactions. Segment information for the fiscal year 2022 has been restated to reflect the new calculation method.
3. Like-for-like increase (decrease) in net sales excludes foreign exchange translation and business transfer impacts.
4. The Other segment includes head office administration departments, IPSA Co. Ltd., manufacturing operations and the restaurant business, etc. Also, 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.
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 successfully launched innovative new products and enhanced marketing activities across many brands to capture rising consumer demand on the back of market recovery and a rebound in out-of-home activities following the downgrade of COVID-19 to Class 5 under the Infectious Diseases Control Law. As a result, ***Clé de Peau Beauté*** and ***SHISEIDO*** delivered robust growth, benefitting from a steady increase of loyal users. ***ELIXIR*** also continued to perform steadily, buoyed by the renewal of an anti-wrinkle cream as well as the launch of an anti-aging cream designed to boost skin firmness by leveraging our unique technology based on advanced dermatological science and research, approaching to the multiple causes of loose skin. We also benefitted from a gradual recovery in inbound tourism consumption with the rising number of foreign visitors to Japan.

As a result, we ended the year with net sales of ¥259.9 billion, up 9.4% year on year on a reported basis, or up 10.0% on a like-for-like basis excluding business transfer impacts. Core operating profit was ¥1.8 billion, returning to profitability with a year on year improvement of ¥14.9 billion, 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 ***SHISEIDO*** and ***Clé de Peau Beauté*** continued to be the key drivers of growth during the first half of the year, this was more than offset by the unfavorable impact of consumer pull back on purchases of Japanese products due to the release of treated water in Japan as well as the weakening sentiment towards China's economy, resulting in a year on year decline in net sales in the region. During "Double 11", the largest e-commerce event in China, our e-commerce sales were most notably affected by the aforementioned developments, underperforming the overall market which also suffered a decline in sales from the prior year.

As a result, net sales were ¥247.9 billion, down 4.0% year on year on a reported basis, down 6.4% year on year on an FX-neutral basis, or down 4.6% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit was ¥7.0 billion, returning to profitability with an improvement of ¥10.9 billion year on year due primarily to higher gross profit driven by an increase in sales during the first half of the year, as well as agile cost management mainly in marketing investments in light of the decline in sales which started to be seen in the second half of the year amid worsening market conditions.

Asia Pacific Business

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

As a result, net sales were ¥ 67.3 billion, down 1.1% year on year on a reported basis, down 6.3% year on year on a FX-neutral basis, or up 12.5% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit increased year on year by ¥0.4 billion to ¥5.1 billion due primarily to higher gross profit driven by an increase in sales.

Americas Business

In the Americas Business, we successfully captured opportunities arising from the steady market growth through strategic marketing activities. As a result, ***Drunk Elephant*** continued to drive robust growth, benefiting from enhanced social media marketing, while ***SHISEIDO*** and ***NARS*** also enjoyed steady growth.

As a result, net sales were ¥110.3 billion, down 20% year on year on a reported basis, down 25.0% year on year on an FX-neutral basis, or up 15.2% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit increased by ¥3.5 billion year on year to ¥11.2 billion, driven primarily by higher gross profit from an increase in sales.

EMEA Business

In the EMEA Business, ***narciso rodriguez*** delivered strong growth, benefiting from the success of the newly launched ***all of me*** while ***NARS*** continued to drive overall growth thanks to our reinforced digital marketing strategy and accelerated rollouts of new products. ***Drunk Elephant*** also enjoyed steady growth in sales underpinned by a growing number of brick-and-mortar footprint as well as our proactive marketing activities.

As a result, net sales were ¥116.9 billion, down 8.9% year on year on a reported basis, down 17.3% year on year on an FX-neutral basis, or up 18.9 % year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit decreased by ¥3.6 billion year on year to ¥3.3 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 ¥132.5 billion, down 19.0% year on year on a reported basis, down 24.1% year on year on an FX-neutral basis, or down 19.5% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit decreased by ¥20.6 billion year on year to ¥17.1 billion, due primarily to lower gross margins from a decline in sales.

(2) Financial Position

Total assets decreased by ¥52.2 billion from the end of the previous fiscal year to ¥1,255.5 billion, primarily from a decrease in cash and cash equivalents due to cash dividend payments, a decrease in trade and other receivables, a decrease in assets held for sale and a decrease in property, plant and equipment, which outweighed an increase in assets translated into the weaker yen, an increase in inventories and an increase in intangible assets. Liabilities decreased by ¥66.8 billion to ¥615.1 billion, primarily due to a decrease in trade and other payables. Equity increased by ¥14.6 billion to ¥640.4 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.

(3) Cash flows

(Cash flow analysis)
Cash and cash equivalents at the end of the fiscal year 2023 stood at ¥104.7 billion, down ¥14.4 billion from the beginning balance of ¥119.0 billion.

(Net cash provided by operating activities)
Net cash provided by operating activities in the fiscal year 2023 increased by ¥42.3 billion to ¥89.0 billion, primarily due to the recording of profit before tax of ¥31.0 billion and non-cash expense such as depreciation and amortization of ¥75.5 billion, despite a gain on disposal of fixed assets of ¥11.4 billion, etc. Days sales of inventory (DSI) were 197 days.

(Net cash used in investing activities)
Net cash used in investing activities in the fiscal year 2023 decreased by ¥5.8 billion to ¥35.5 billion, primarily due to the purchase of intangible assets such as investment in IT systems of ¥29.0 billion as well as purchase of property, plant and equipment such as investment in factory equipment of ¥26.7 billion, etc. which outweighed the sale of fixed assets of ¥14.8 billion and the proceeds from the sale of shares of an associate company of ¥8.5 billion.

(Net cash used in financing activities)
Net cash used in financing activities in the fiscal year 2023 increased by ¥23.2 billion to ¥75.6 billion, primarily due to the payment of cash dividends of ¥41.9 billion, the repayments of lease liabilities of ¥26.4 billion, the repayment of long-term borrowings of ¥15.9 billion and redemption of bonds of ¥10.0 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	89.0
Net cash provided by (used in) investing activities	(35.5)
Net cash provided by (used in) financing activities	(75.6)
Effect of exchange rate changes on cash and cash equivalents	7.3
Net change in cash and cash equivalents included in assets held for sale	0.5
Net change in cash and cash equivalents (decrease)	(14.4)
Cash and cash equivalents at end of period	104.7

(4) Earnings Forecast for Next Fiscal Year

Consolidated Net Sales (Billions of yen)

Classification	Fiscal Year Ending December 31, 2024 (Forecast)	Fiscal Year Ended December 31, 2023	Percentage Change	FX-Neutral	Like-for-like
Net Sales	1,000.0	973.0	2.8%	5%	8%
Japan Business	287.0	259.9	10.4%	10%	11%
China Business	252.5	247.9	1.8%	4%	5%
Asia Pacific Business	73.0	67.3	8.5%	10%	13%
Americas Business	108.0	110.3	(2.1)%	2%	10%
EMEA Business	122.0	116.9	4.3%	9%	13%
Travel Retail Business	136.0	132.5	2.6%	6%	7%
Other	21.5	38.2	(43.7)%	(43)%	(3)%

Notes:

Like-for-like increase (decrease) in net sales excludes the impacts of foreign exchange translation and business transfer impacts in the consolidated fiscal years 2023 and 2024.

Consolidated Profit (Billions of yen)

Classification	Fiscal Year Ending December 31, 2024 (Forecast)	Ratio to Net Sales	Fiscal Year Ended December 31, 2023	Ratio to Net Sales	Percentage Change
Core Operating Profit	55.0	5.5%	39.8	4.1%	38.0%
Profit before Tax	32.5	3.3%	31.0	3.2%	4.7%
Profit Attributable to Owners of Parent	22.0	2.2%	21.7	2.2%	1.1%

Notes:

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

(Yen)

Classification	Fiscal Year Ending December 31, 2024 (Forecast)	Fiscal Year Ended December 31, 2023
ROE (Return on Equity Attributable to Owners of Parent)	3.7%	3.6%
Basic Earnings per Share	55.05	54.43
DOE (Dividends on Equity Attributable to Owners of Parent)	4.0%	3.9%
Dividends per share		
Interim	30.00	30.00
Year-end	30.00	(Planned) 30.00

We expect uncertainty in the current business environment to remain elevated in the fiscal year 2024 amid global inflation, volatility in foreign exchange rates and rising geopolitical risks. However, we expect that the global cosmetics market will continue a steady growth over the course of the year. Notably, we expect that China's beauty market, including travel retail, is in a transition period after years of rapid economic growth, following a path to a stable growth.

Responding to the changing external environment, we will accelerate business transformation pursuing growth from brand equity investments while implementing structural reforms. In 2024, the Group will execute cost reduction measures on a global basis, aiming to deliver positive results as early as possible, while maximizing growth by leveraging our global brand portfolio. We will also reinforce strategic marketing investments to drive revenue growth with a particular focus on the Americas, EMEA and Asia Pacific businesses.

As a result of such initiatives, we expect consolidated net sales of ¥1.0 trillion for the fiscal year 2024, reflecting an 8% increase year on year on a like for like basis, excluding the impact of foreign exchange translation and business transfers, etc. We expect to achieve a core operating profit of ¥55.0 billion with a higher gross profit generated from revenue growth as well as positive results of our cost reduction initiatives, while the impacts of strategic marketing investments and higher personnel expenses due to inflation are also reflected in our forecast. At the same time, we expect a loss of ¥30.0 billion to be recognized as non-recurring items owing largely to structural reform expenses. Profit attributable to owners of parent is expected to be ¥22.0 billion.

The above forecasts are based on the following exchange rate assumptions for the major foreign currencies below: JPY 135/USD, JPY 145/EUR, and JPY 19.5/CNY.

The financial results of DDG Skincare Holdings LLC which became a consolidated subsidiary of the Company in February 2024 have not been reflected in our consolidated earnings forecasts for the fiscal year 2024. We are currently identifying and assessing the fair value of the assets acquired and liabilities assumed. Any information regarding this acquisition that may be considered material will be disclosed as applicable.

(5) Basic Shareholder Return Policy; Cash Dividends

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

We focus on consolidated performance and free cash flow in determining dividends and have set a ratio of dividend on equity attributable to owners of parent (DOE) of 2.5% or higher as one indicator that reflects our capital policy to ensure stable and consistent growth in shareholder returns over the long term. Our policy with respect to share buybacks is to remain flexible and base such decisions on the market environment.

Based on this policy, we plan to declare a year-end dividend of ¥30 per share. As a result, the total annual dividend for the fiscal year ended December 31, 2023 will be ¥60 per share including the interim dividend of ¥30 per share. This will result in a DOE of 3.9%.

For the fiscal year ending December 31, 2024, we plan to declare an interim and a year-end dividend of ¥30 per share, which amounts to a total annual dividend of ¥60 per share. As a result, we project a DOE of 4.0%.

2. Basic Approach to Our Selection of Accounting Standards

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

3. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

	As of December 31, 2022	As of December 31, 2023
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	119,036	104,685
Trade and other receivables	182,069	149,688
Inventories	130,942	149,646
Other financial assets	18,498	21,956
Other current assets	54,753	44,038
Subtotal	505,299	470,014
Assets held for sale	18,929	—
Total current assets	524,229	470,014
Non-current assets		
Property, plant and equipment	318,339	301,838
Goodwill	57,879	62,143
Intangible assets	123,217	137,663
Right-of-use assets	114,276	100,548
Investments accounted for using equity method	15,535	18,449
Other financial assets	84,701	95,321
Deferred tax assets	63,382	61,187
Other non-current assets	6,098	8,331
Total non-current assets	783,432	785,483
Total assets	1,307,661	1,255,497

	As of December 31, 2022	As of December 30, 2023
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	203,770	178,526
Bonds and borrowings	25,990	50,000
Lease liabilities	23,757	21,916
Other financial liabilities	4,744	5,385
Income taxes payable	5,442	3,553
Provisions	8,136	5,847
Other current liabilities	116,180	103,116
Subtotal	388,021	368,345
Liabilities directly associated with assets held for sale	1,541	—
Total current liabilities	389,562	368,345
Non-current liabilities		
Bonds and borrowings	140,000	110,559
Lease liabilities	107,441	98,506
Other financial liabilities	4,950	6,482
Retirement benefit liability	25,346	15,055
Provisions	1,328	1,227
Deferred tax liabilities	2,174	2,870
Other non-current liabilities	11,103	12,056
Total non-current liabilities	292,344	246,758
Total liabilities	681,907	615,104
Equity		
Share capital	64,506	64,506
Capital surplus	73,560	74,000
Treasury shares	(2,089)	(1,591)
Retained earnings	394,877	380,208
Other components of equity	73,404	101,624
Total equity attributable to owners of parent	604,259	618,748
Non-controlling interests	21,494	21,644
Total equity	625,754	640,392
Total liabilities and equity	1,307,661	1,255,497

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

Consolidated Statement of Profit and Loss

	Fiscal year ended December 31, 2022 Restated (Note)	Fiscal year ended December 31, 2023
	Millions of yen	Millions of yen
Net sales	1,067,355	973,038
Cost of sales	327,071	259,674
Gross profit	740,283	713,364
Selling, general and administrative expenses	717,841	696,625
Other operating income	27,573	21,023
Other operating expenses	3,442	9,629
Operating profit	46,572	28,133
Finance income	5,877	6,734
Finance costs	3,627	7,574
Share of profit of investment accounted for using equity method	1,607	3,744
Profit before tax	50,428	31,037
Income tax expense	12,845	6,860
Profit	37,583	24,177
Profit attributable to		
Owners of parent	34,202	21,749
Non-controlling interests	3,381	2,427
Profit	37,583	24,177
Earnings per share		
Basic earnings per share (yen)	85.60	54.43
Diluted earnings per share (yen)	85.54	54.40

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

Consolidated Statement of Comprehensive Income

	Fiscal year ended December, 31 2022	Fiscal year ended December, 31, 2023
	Millions of yen	Millions of yen
Profit	37,583	24,177
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(675)	(823)
Remeasurements of defined benefit plans	11,134	6,568
Share of other comprehensive income of investments accounted for using equity method	24	68
Total of items that will not be reclassified to profit or loss	10,483	5,813
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	40,024	30,007
Cash flow hedges	96	43
Share of other comprehensive income of investments accounted for using equity method	873	(553)
Total of items that may be reclassified to profit or loss	40,994	29,497
Other comprehensive income, net of tax	51,477	35,311
Comprehensive income	89,061	59,488
Comprehensive income attributable to		
Owners of parent	84,722	55,801
Non-controlling interests	4,338	3,687
Comprehensive income	89,061	59,488

(3) Consolidated Statement of Changes in Equity

Fiscal Year Ended December 31, 2022 (January 1 to December 31, 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 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, 2022	64,506	73,035	(2,338)	372,202	33,427	—
Profit				34,202		
Other comprehensive income					40,019	(614)
Total comprehensive income	—	—	—	34,202	40,019	(614)
Purchase of treasury shares			(9)			
Disposal of treasury shares			257	35		
Dividends				(21,973)		
Changes in ownership interest in subsidiaries		(69)				
Change in scope of consolidation						
Share-based payment transactions		594		6		
Transfer to retained earnings				10,404		614
Other				0		
Total transactions with owners	—	524	248	(11,526)	—	614
Balance as of December 31, 2022	64,506	73,560	(2,089)	394,877	73,447	—

	Equity attributable to owners of parent					
	Other components of equity					
	Cash flow hedges	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, 2022	(139)	—	33,288	540,695	21,484	562,179
Profit			—	34,202	3,381	37,583
Other comprehensive income	96	11,018	50,520	50,520	957	51,477
Total comprehensive income	96	11,018	50,520	84,722	4,338	89,061
Purchase of treasury shares			—	(9)		(9)
Disposal of treasury shares			—	293		293
Dividends			—	(21,973)	(4,073)	(26,046)
Changes in ownership interest in subsidiaries			—	(69)	(275)	(345)
Change in scope of consolidation			—	—	20	20
Share-based payment transactions			—	601		601
Transfer to retained earnings		(11,018)	(10,404)	—		—
Other			—	0		0
Total transactions with owners	—	(11,018)	(10,404)	(21,157)	(4,328)	(25,486)
Balance as of December 31, 2022	(43)	—	73,404	604,259	21,494	625,754

Fiscal Year Ended December 31, 2023 (January 1 to December 31, 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				21,749		
Other comprehensive income					28,176	(706)
Total comprehensive income	—	—	—	21,749	28,176	(706)
Purchase of treasury shares			(8)			
Disposal of treasury shares		17	506	—		
Dividends				(41,954)		
Changes in ownership interest in subsidiaries		(0)				
Change in scope of consolidation						
Share-based payment transactions		422		48		
Transfer to retained earnings				5,831		706
Other		0		(343)		
Total transactions with owners	—	440	498	(36,419)	—	706
Balance as of December 31, 2023	64,506	74,000	(1,591)	380,208	101,624	—

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

(4) Consolidated Statement of Cash Flows

	Fiscal year ended December, 31 2022	Fiscal year ended December, 31 2023
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Profit before tax	50,428	31,037
Depreciation and amortization	75,718	75,492
Impairment losses	16,097	8,485
Loss (gain) on disposal of fixed assets	(2,422)	(11,357)
Loss (gain) on transfer of business	(15,294)	6,945
Increase (decrease) in retirement benefit liability	(1,941)	(546)
Interest and dividend income	(5,008)	(6,088)
Interest expenses	2,501	3,038
Share of profit of investments accounted for using equity method	(1,607)	(3,744)
Decrease (increase) in trade receivables	(6,334)	35,142
Decrease (increase) in inventories	(3,348)	(2,223)
Increase (decrease) in trade payables	(12,516)	(23,690)
Other	18,687	(24,154)
Subtotal	114,960	88,337
Interest and dividends received	1,367	2,350
Interest paid	(2,069)	(2,761)
Income taxes refund (paid)	(67,522)	1,099
Net cash provided by (used in) operating activities	46,735	89,026
Cash flows from investing activities:		
Payments into time deposits	(18,006)	(14,137)
Proceeds from withdrawal of time deposits	19,101	10,692
Purchase of property, plant and equipment	(36,289)	(26,703)
Proceeds from sales of property, plant and equipment and intangible assets	5,288	14,804
Purchase of intangible assets	(29,915)	(28,972)
Proceeds from transfer of business	13,778	68
Payments for transfer of business	—	(1,700)
Proceeds from sale of shares of associates	—	8,500
Other	4,733	1,912
Net cash provided by (used in) investing activities:	(41,308)	(35,536)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	73	19,918
Proceeds from ling-term borrowings	—	554
Repayments of long-term borrowings	(730)	(15,915)
Proceeds from issuance of bonds	20,000	—
Redemption of bonds	(15,000)	(10,000)
Purchase of treasury shares	(9)	(8)
Proceeds from disposal of treasury shares	244	0
Dividends paid	(21,969)	(41,908)
Dividends paid to non-controlling interests	(4,663)	(1,410)
Repayments of lease liabilities	(29,704)	(26,432)
Other	(658)	(440)
Net cash provided by (used in) financing activities	(52,418)	(75,642)
Net change in cash and cash equivalents (decrease)	(46,991)	(22,152)
Cash and cash equivalents at beginning of period	156,503	119,036
Effect of exchange rate changes on cash and cash equivalents	10,024	7,280
Net change in cash and cash equivalents included in assets held for sale	(500)	521
Cash and cash equivalents at end of period	119,036	104,685

(5) Notes Concerning Consolidated Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Change 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 fiscal year ended December 31, 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 fiscal year ended December 31, 2023, "Cost of sales" increased by ¥4,545 million, "Selling, general and administrative expenses" decreased by ¥4,545 million, and there is no change in "Operating profit" nor "Profit before tax". Basic earnings per share and diluted earnings per share for the fiscal year ended December 31, 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 Consolidated Financial Statements for the fiscal year ended December 31, 2022 has been restated to reflect the change. As a result, compared with the precious method, for the fiscal year ended December 31, 2022, "Cost of sales" increased by ¥3,880 million, "Selling, general and administrative expenses" decreased by ¥3,880 million, and there is no change in "Operating profit" nor "Profit before tax". Basic earnings per share and diluted earnings per share for the fiscal year ended December 31, 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".

(International Tax Reform-Pillar Two Model Rules)

The Group has applied the temporary exception under the IAS12 amendment on May 23, 2023 to recognizing and disclosing information about deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

The company is currently assessing the impact of the application of the Pillar Two model rules.

(Change in Presentation)

(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 fiscal year ended December 31, 2022, has been included in "Other" from the fiscal year ended December 31, 2023 due to its decreased financial importance. In order to reflect this change in presentation, Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2022 has been reclassified. As a result, ¥115 million stated in "Interest on other financial liabilities" under "Cash flows from operating activities" in the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 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 fiscal year ended December 31, 2022, has been included in "Other" from the fiscal year ended December 31, 2023 due to its decreased financial importance. In order to reflect this change in presentation, Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2022 has been reclassified. As a result, ¥295 million stated in "Repayments of long-term accounts payable" under "Cash flows from financing activities" in the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2022 has been reclassified to "Other".

(Segment Information, etc.)

(1) Overview of Reportable Segments

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

Shiseido's main business is the production and sale of cosmetics. The Company 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 Company'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 fiscal year ended December 31, 2023. The business results previously included in the Professional Business segment, are now included in the Other segment.

Segment information for the fiscal year ended December 31, 2022 has been restated to reflect the reclassification.

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

Profit by reportable segments is stated on the basis of core operating profit, which is operating profit (loss) by excluding 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:

Fiscal Year Ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business (Note 4)	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	237,565	258,226	68,017	137,916	128,440	163,650
Intersegment sales or transfer	6,705	1,643	3,118	5,296	9,461	138
Total	244,271	259,870	71,136	143,212	137,901	163,789
Segment profit (loss) i.e. Core operating profit	(13,089)	(3,941)	4,716	7,660	6,926	37,678

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	73,538	1,067,355	—	1,067,355
Intersegment sales or transfer	237,694	264,059	(264,059)	—
Total	311,232	1,331,414	(264,059)	1,067,355
Segment profit (loss) i.e. Core operating profit	7,075	47,028	4,311	51,340

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 in the fiscal year 2023 for the better management of internal transactions. Segment information for the fiscal year 2022 has been restated to reflect the new calculation method.

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

(Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business (Note 4)	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	259,900	247,921	67,283	110,294	116,949	132,525
Intersegment sales or transfer	4,847	3,750	4,286	5,558	6,778	243
Total	264,747	251,671	71,569	115,853	123,727	132,768
Segment profit (loss) i.e. Core operating profit	1,840	6,967	5,069	11,200	3,345	17,111

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	38,163	973,038	—	973,038
Intersegment sales or transfer	210,212	235,676	(235,676)	—
Total	248,375	1,208,715	(235,676)	973,038
Segment profit (loss) i.e. Core operating profit	(23,330)	22,205	17,636	39,842

Note:
1. The EMEA Business includes Europe, 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. Also, 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.
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 in the fiscal year 2023 for the better management of internal transactions.

Adjustments from segment profit to operating profit are as follows:

	Fiscal year ended December, 31 2022	Fiscal year ended December, 31 2023
	Millions of yen	Millions of yen
Segment profit	51,340	39,842
Gain on transfer of business	15,294	822
Loss on transfer of business	—	(7,767)
Structural reform expenses	(6,568)	(7,745)
Government grant income on COVID-19	592	32
Loss on COVID-19	(1,816)	—
Impairment losses	(16,410)	(8,342)
Reversal of impairment losses	494	—
Gain on sale of fixed assets	3,645	13,253
Other	—	(1,960)
Operating profit	46,572	28,133

"Gain on transfer of business" for the fiscal year ended December 31, 2022 are the gain on transfer of assets which seven 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, Shiseido (Thailand) Co., Ltd, and Shiseido Cosmetics Vietnam

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 AG & Co. KGaA Group companies. The gain on transfer of business is included in "Other operating income" in consolidated statement of profit and loss.

"Gain on transfer of business" for the fiscal year ended December 31, 2023 is the gain on transfer of assets which three of the Company's subsidiaries operating the Professional business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., and Shiseido Malaysia Sdn. Bhd.) transferred to Henkel AG & Co. KGaA Group companies. The gain on transfer of business is included in "Other operating income" in consolidated statement of profit and loss.

"Loss on transfer of business" for the fiscal year ended December 31, 2023 is due to transfer of business which Shiseido Kuki Factory and Shiseido Vietnam Inc. conducted the manufacturing operations of personal care products transferred to FineToday Holdings Co., Ltd. The expenses are included in "Other operating expenses" in consolidated statement of profit and loss.

"Structural reform expenses" for the fiscal year ended December 31, 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 consolidated statement of profit and loss.

"Structural reform expenses" for the fiscal year ended December 31, 2023 are mainly the costs associated with the agreement to transfer manufacturing operations of personal care products conducted at Shiseido Kuki Factory and Shiseido Vietnam Factory. The expenses are included in "Cost of sales", "Selling, general and administrative expenses" and "Other operating expenses" in consolidated statement of profit and loss.

"Impairment losses" for the fiscal year ended December 31, 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 consolidated statement of profit and loss.

"Impairment losses" for the fiscal year ended December 31, 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 of offices subleased 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 consolidated statement of profit and loss.

"Reversal of impairment losses" for the fiscal year ended December 31, 2022 are the reversal of impairment losses of Right-of-use assets associated with the recovery in profitability of offices subleased by Shiseido Americas Corporation. The income is included in "Other operating income" in consolidated statement of profit and loss.

"Gain on sales of fixed assets" for the fiscal year ended December 31, 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 consolidated statement of profit and loss.

"Gain on sales of fixed assets" for the fiscal year ended December 31, 2023 is the income arising from the sales of the real estate owned by the Company and its subsidiaries. The income is included in "Other operating income" in consolidated statement of profit and loss.

(Per-Share Data)

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

	Fiscal year ended December, 31 2022	Fiscal year ended December, 31 2023
Profit attributable to owners of parent (Millions of yen)	34,202	21,749
Profit not attributable to common shareholders of parent (Millions of yen)	—	—
Profit used for calculating basic earnings per share (Millions of yen)	34,202	21,749
Weighted-average number of shares of common stock (Thousands of shares)	399,538	399,615
Basic earnings per share (Yen)	85.60	54.43

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

	Fiscal year ended December, 31 2022	Fiscal year ended December, 31 2023
Profit used for calculating basic earnings per share (Millions of yen)	34,202	21,749
Adjustment to profit (Millions of yen)	—	—
Profit used for calculating diluted earnings per share (Millions of yen)	34,202	21,749
Weighted-average number of shares of common stock (Thousands of shares)	399,538	399,615
Increase in common stock		
Increase from stock options (Thousands of shares)	284	235
Weighted-average number of shares of common stock after dilution (Thousands of shares)	399,822	399,851
Diluted earnings per share (Yen)	85.54	54.40

(Significant Subsequent Events)

(Business combination through acquisition)

On December 22, 2023, the Company entered into an agreement on the acquisition of DDG Skincare Holdings LLC (hereafter, "the Acquiree"), owner of Dr. Dennis Gross Skincare which is the dermatologist-led, science-based prestige skincare brand, via the Company's subsidiary Shiseido Americas Corporation (hereafter, "SAC"). The equity purchase agreement was concluded by SAC, the Acquiree and the shareholders of the Acquiree.

1. Overview of business combination

(1) Name and business description of the Acquiree
Name: DDG Skincare Holdings LLC
Business description: Cosmetics sales

(2) Reason for business combination

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

(3) Form of business combination

Cash share acquisition

(4) Date of acquisition

February 5, 2024

(5) Percentage of equity acquired

100%

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

2. Fair value of consideration transferred

Cash: ¥64,613 million

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

3. Acquisition-related costs

The Company incurred acquisition-related costs of ¥914 million for the fiscal year of 2023 and it is included in “Selling, General and Administrative Expenses” and ¥232 million is estimated for the fiscal year 2024.

4. Assets acquired and liabilities assumed

It is under evaluation.

5. Recognized goodwill

It is under evaluation.