(Translation)

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Notice Concerning the Difference between Consolidated Financial Results and Forecasts, and Dividends from Retained Earnings (Dividend Reduction) for the Fiscal Year Ended December 31, 2024

Shiseido Company, Limited (the "Company") today announced its consolidated financial results for the fiscal year ended December 31, 2024 and hereby reports the difference that arose between the actual results and the previous forecasts announced on November 7, 2024.

Additionally, in light of the financial results for fiscal 2024 and other factors, the Board of Directors today adopted a resolution to revise our previous forecast for the year-end dividend, subject to shareholder approval at the 125th Ordinary General Meeting of Shareholders scheduled to be held on March 26, 2025.

1. The Difference between the Consolidated Earnings Forecasts and the Actual Results for the Fiscal Year Ended December 31, 2024

(1) FY2024 results versus forecasts (from January 1, 2024 to December 31, 2024)

(Millions of yen unless otherwise stated)

	Net Sales	Core Operating Profit	Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	Basic Earnings per Share (Yen)
Previous Forecasts (A)	990,000	35,000	5,000	11,000	6,000	15.01
Actual Results (B)	990,586	36,359	7,575	(1,265)	(10,813)	(27.06)
Change (B−A)	586	1,359	2,575	(12,265)	(16,813)	
Change (%)	0.1%	3.9%	51.5%	-	-	
(Reference) Results for the Previous Fiscal Year (Ended December 31, 2023)	973,038	39,842	28,133	31,037	21,749	54.43

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

(2) Reason for the difference and the recognition of finance costs

In fiscal 2024, operating profit exceeded our previous forecast by 51.5%, as a result of strong performance delivered in the Japan Business as well as global-wide cost management. On the contrary, however, the profit before tax and profit attributable to owners of parent fell short of our expectations owing primarily to the recognition of a provision associated with a seller note* as explained below.

In August 2021, the Company announced the decision to divest three of its prestige makeup brands, including *bareMinerals*, along with the assets related to their businesses (the "Divested Business") to an affiliate (the "Affiliate") of private equity firm Advent International (the "Buyer"). The total purchase price of the Divested Business was 700 million US dollars, of which 350 million US dollars was paid in cash and the remaining 350 million US dollars was differed to be paid in the form of a seller note with a maturity term of 7 years issued by the Affiliate which operates the Divested Business.

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

The seller note includes a clause that would subordinate payment of the amount due to the Company under the seller note to a certain return of capital for the Buyer if the Divested Business does not meet certain metrics based on the financial results in fiscal 2025. Given that the determination date is in the future, there is no way to know with certainty whether this subordination will apply at the end of fiscal 2025 or not. However, even if this subordination does apply in the future, the Affiliate will continue to be held liable for payment of the amount due to the Company after providing the Buyer with the required return of capital, while the subordination is still likely to impact when amounts are paid to the Company under the seller note, and also could impact the aggregate amount that is paid under the seller note.

We currently believe that it is likely that this subordination will apply at the end of fiscal 2025, and, therefore, after consulting with our independent auditor, we have determined that it would be appropriate to recognize a provision on the seller note. As a result, in fiscal 2024, we have recognized a provision of 12.8 billion yen as finance costs which has been reflected in the difference between the actual results and previous forecasts for the profit before tax and profit attributable to owners of parent reported herein.

This recognition of provision in fiscal 2024 has had no impact on cash flow of the Company. Going forward, we will continue to make every effort to collect the outstanding debt on the seller note.

2. Dividends from Retained Earnings (Dividend Reduction)

(1) Details of dividend

	Declared	Previous Forecast	Results for FY2023
Fiscal Year-end	December 31, 2024	December 31, 2024	December 31, 2023
Year-end Dividends per Share	¥10.00	¥30.00	¥30.00
Total Dividends	3,994 million yen	-	11,989 million yen
Effective Date	March 27, 2025	-	March 27, 2024
Source of Dividends	Retained earnings	-	Retained earnings
Interim Dividends per Share	¥30.00	¥30.00	¥30.00
Annual Dividends per Share	¥40.00	¥60.00	¥60.00

(2) Reason for dividend reduction

We focus on consolidated financial performance and free cash flow in determining dividends and have set a dividend on equity attributable to owners of the parent (DOE) of 2.5% or higher as one of the metrics that reflect our capital policy for ensuring stable and consistent growth in shareholder returns over the long term.

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

—End of News Release—