

The figures for these financial statements are prepared in accordance with the accounting principles based on Japanese law. Accordingly, they do not necessarily match the figures in the Annual Report issued by the Company, which present the same statements in a form that is more familiar to foreign readers through certain reclassifications or summarization of accounts.

August 6, 2020



Consolidated Settlement of Accounts for the First Half of the Fiscal Year Ending December 31, 2020 [Japanese Standards]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number 4911)
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Filing date of quarterly securities report: August 7, 2020

Start of cash dividend payments: September 2, 2020

Supplementary quarterly materials prepared: Yes

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

1. Performance for the First Half of the Fiscal Year Ending December 31, 2020 (From January 1 to June 30, 2020)

* 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	Operating Profit	Ordinary Profit	Net Profit Attributable to Owners of Parent
First Half Ended June 30, 2020	417,812 [(26.0)%]	(3,436) [—%]	(6,353) [—%]	(21,376) [—%]
First Half Ended June 30, 2019	564,647 [6.0%]	68,980 [(3.0)%]	67,965 [(6.7)%]	52,452 [10.0%]

Note: Comprehensive income

First half ended June 30, 2020: ¥(24,220) million [—%]

First half ended June 30, 2019: ¥48,997 million [23.1%]

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)
First Half Ended June 30, 2020	(53.51)	—
First Half Ended June 30, 2019	131.33	131.20

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2020	1,171,925	479,825	39.3%
As of December 31, 2019	1,218,795	517,857	40.7%

[Reference] Equity: As of June 30, 2020: ¥460,499 million
As of December 31, 2019: ¥496,437 million

2. Cash Dividends

	Cash Dividends per Share (Yen)				
	Q1	Q2	Q3	Year-End	Full Year
Fiscal Year 2019	—	30.00	—	30.00	60.00
Fiscal Year 2020	—	20.00			
Fiscal Year 2020 (forecast)			—	20.00	40.00

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

3. Forecast for the Fiscal Year Ending December 31, 2020 (From January 1 to December 31, 2020)

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

	Net Sales	Operating Profit	Ordinary Profit	Net Profit Attributable to Owners of Parent	Net Profit per Share (Yen)
Fiscal Year 2020	953,000 [(15.8)%]	0 [(100.0)%]	(6,500) [—%]	(22,000) [—%]	(55.08)

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

Notes

- (1) Changes in significant subsidiaries during the period (changes in specific subsidiaries causing a change in the scope of consolidation): None
- (2) Adoption of special accounting treatment in preparation of consolidated quarterly financial statements: None
- (3) Changes in accounting policies; changes in accounting estimates; restatements
 - 1) Changes in accounting policies due to amendments of accounting standards: None
 - 2) Other changes in accounting policies: None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None
- (4) Shares outstanding (common stock)
 - 1) Number of shares outstanding (including treasury stock)

As of June 30, 2020:	400,000,000
As of December 31, 2019:	400,000,000
 - 2) Number of treasury stocks outstanding

As of June 30, 2020:	542,030
As of December 31, 2019:	564,455
 - 3) Average number of shares over the period

First half ended June 30, 2020:	399,454,298
First half ended June 30, 2019:	399,395,920

Implementation status of quarterly review procedures

This Consolidated Settlement of Accounts for the First Half of the Fiscal Year Ending December 31, 2020 is not subject to quarterly review procedures by a certified public accountant or audit firm.

Appropriate use of business forecasts; other special items

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. Analysis of Operating Results (3) Consolidated Forecast and Other Forward-Looking Information" on page 8 for information on preconditions underlying the above outlook and other related information.

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1. Analysis of Operating Results

(1) Consolidated Performance

(Millions of yen unless otherwise stated)

	Net Sales	Operating Profit (Loss)	Ordinary Profit (Loss)	Net Profit (Loss) Attributable to Owners of Parent	EBITDA
First Half of the Fiscal Year 2020	417,812	(3,436)	(6,353)	(21,376)	13,764
First Half of the Fiscal Year 2019	564,647	68,980	67,965	52,452	95,980
Year-on-Year Increase (Decrease)	(26.0)%	—	—	—	(85.7)%
FX-Neutral	(24.5)%				
Like-for-Like	(24.7)%				

In the first half of the fiscal year 2020, global economic conditions remained challenging, as economic activity stagnated due to the COVID-19 outbreak, and consumer sentiment declined due to worsening business earnings and employment. In the domestic cosmetics market, consumer traffic decreased as a result of consumers staying at home, temporary retail closures, and shortened operating hours following the lifting of the state of emergency. Other factors included restrictions on entry into Japan issued by the Japanese government, such as the cancellation of visas to citizens of approximately 100 countries and regions as well as requests to international airlines to reduce flights, all of which significantly decreased demand from inbound tourists. Growth in overseas cosmetics markets decelerated sharply in line with the spread of COVID-19: from February, in China and the rest of Asia, and from March, in Europe and North America. Meanwhile, in China, new infections slowed from late March, and stay-at-home restrictions were relaxed. As a result, the market began to recover from April.

In 2015, the Shiseido Group (hereafter, “the Group”) launched its medium-to-long-term strategy VISION 2020 in a bid to ensure that it remains vital for the next 100 years. We are shifting all of our activities toward a consumer-oriented focus and working to globally enhance our brand value to gain a competitive advantage as a global beauty company with Japanese heritage.

The fiscal year under review is the final year of VISION 2020, but the business environment is extremely challenging. Despite such circumstances, we are continuing the selection and concentration of our businesses and brands, investing in targeted global brands for sustainable growth, and reviewing expenses throughout the year on a zero basis, while formulating and taking measures to restore business performance.

In the first half of the fiscal year under review, net sales decreased 24.5% year on year on an FX-neutral basis, affected by COVID-19 in all regions and lockdowns of markets during April and May in particular. Like-for-like growth was a negative 24.7%, excluding such factors as the application of the U.S. accounting standard ASC 606, in-advance shipments due to the introduction of a new enterprise resource planning system (hereafter, “ERP”) in 2019, and business acquisitions. When converted into yen, sales decreased 26.0% year on year to ¥417.8 billion.

Operating profit recorded a loss of ¥3.4 billion despite cost-saving measures in response to the rapid deterioration of the market environment. The key factors were a drop in margins resulting from a plunge in sales and deterioration in productivity of factories due to decreased production volume.

Net profit attributable to owners of parent posted a loss of ¥21.4 billion due to the operating loss and extraordinary losses related to COVID-19, such as compensation of employees on leave and maintenance costs for shops and production facilities.

Major foreign currency exchange rates applicable to income and expense accounting line items in the Company’s financial statements for the period under review are JPY108.2/USD, JPY119.2/EUR, and JPY15.4/CNY.

[Consolidated Performance]

(Millions of yen)

Classification		First Half Ended June 30, 2020	% of Total	First Half Ended June 30, 2019	% of Total	Year-on-Year Increase (Decrease)		
						Amount	Percentage	FX-Neutral
Net Sales	Japan Business	150,520	36.0%	221,189	39.2%	(70,669)	(31.9)%	(31.9)%
	China Business	100,038	23.9%	107,684	19.1%	(7,645)	(7.1)%	(2.9)%
	Asia Pacific Business	26,158	6.3%	36,253	6.4%	(10,094)	(27.8)%	(26.6)%
	Americas Business	36,739	8.8%	63,442	11.2%	(26,702)	(42.1)%	(40.9)%
	EMEA Business	34,958	8.4%	48,220	8.5%	(13,262)	(27.5)%	(24.4)%
	Travel Retail Business	51,670	12.4%	63,751	11.3%	(12,081)	(19.0)%	(17.5)%
	Professional Business	5,619	1.3%	7,216	1.3%	(1,596)	(22.1)%	(20.4)%
	Other	12,106	2.9%	16,888	3.0%	(4,781)	(28.3)%	(28.3)%
	Subtotal	417,812	100.0%	564,647	100.0%	(146,834)	(26.0)%	(24.5)%
	Adjustments	—	—	—	—	—	—	—
Total	417,812	100.0%	564,647	100.0%	(146,834)	(26.0)%	(24.5)%	

(Millions of yen)

Classification		Intersegment sales or sales including internal transfers between accounts	
		First Half Ended June 30, 2020	First Half Ended June 30, 2019
Net Sales	Japan Business	165,159	234,172
	China Business	100,538	108,030
	Asia Pacific Business	27,282	37,536
	Americas Business	47,123	86,819
	EMEA Business	39,491	53,414
	Travel Retail Business	51,813	63,879
	Professional Business	5,916	7,541
	Other	89,885	88,782
	Subtotal	527,211	680,177
	Adjustments	(109,399)	(115,530)
Total	417,812	564,647	

(Millions of yen)

Classification	First Half Ended June 30, 2020	Ratio to Net Sales	First Half Ended June 30, 2019	Ratio to Net Sales	Year-on-Year Increase (Decrease)		
					Amount	Percentage	
Operating Profit (Loss)	Japan Business	5,239	3.2%	41,835	17.9%	(36,595)	(87.5)%
	China Business	7,681	7.6%	18,020	16.7%	(10,338)	(57.4)%
	Asia Pacific Business	(630)	(2.3)%	3,161	8.4%	(3,791)	—
	Americas Business	(18,637)	(39.6)%	(3,238)	(3.7)%	(15,399)	—
	EMEA Business	(9,854)	(25.0)%	(4,990)	(9.3)%	(4,863)	—
	Travel Retail Business	7,516	14.5%	17,083	26.7%	(9,567)	(56.0)%
	Professional Business	15	0.3%	229	3.0%	(213)	(93.1)%
	Other	9,398	10.5%	(1,194)	(1.3)%	10,593	—
	Subtotal	730	0.1%	70,906	10.4%	(70,176)	(99.0)%
	Adjustments	(4,166)	—	(1,925)	—	(2,241)	—
Total	(3,436)	(0.8)%	68,980	12.2%	(72,417)	—	

Notes:

1. Group subsidiaries that use U.S. accounting standards have applied ASC 606, Revenue from Contracts with Customers, to the consolidated financial statements from the previous consolidated fiscal year. Subsidiaries subject to application of this standard are private companies in the U.S. and are applying the standard to the financial statements from the end of the previous consolidated fiscal year, as specified in the U.S. accounting standards. Accordingly, the standard was not applied to the consolidated statements of income in the first half of the previous fiscal year.
2. The Group has revised its reportable segment classifications from the fiscal year 2020. The business results of the airport dutyfree business in Japan of The Ginza Co., Ltd., which were previously included in the Japan Business, are now included in the Travel Retail Business, and the business results related to the brand holder functions of **THE GINZA**, the same subsidiary's brand, are now included in the Other segment. In addition, the business results of Bare Escentuals K.K., which operates in Japan, and the business results and other costs associated with the Technology Acceleration Hub, previously included in the Americas Business, are now included in the Other segment. Furthermore, following the transfer of brand holder functions of the **ELIXIR** and **ANESSA** brands from Shiseido Japan Co., Ltd. to Shiseido Co., Ltd., the business results related to the brand holder functions of both brands, previously included in the Japan Business, are now included in the Other segment. The segment information for the previous period has been restated in line with the new method of classification.
3. The Other segment includes head office administration departments, IPSA Co., Ltd., Shiseido Beauty Salon Co., Ltd. and manufacturing operations, as well as the activities of the Frontier Science business, the Restaurant business, etc.
4. The ratio of operating profit (loss) to net sales shows operating profit or loss as a percentage of total sales including intersegment sales, or sales including internal transfers between accounts.
5. The operating profit (loss) adjustment amount is mainly the elimination of transactions between segments.

Results by reportable segment are provided below.

[Japan Business]

The Japan Business saw consumer sentiment decline due to the state of emergency declaration from the spread of COVID-19 and resulting tendency to stay at home, as well as shortened operating hours and reduced consumer traffic at retailers following its lifting. This adversely affected sales, mainly for prestige and cosmetics brands. In addition, a significant decline in the number of tourists to Japan led to a sharp drop in inbound demand.

As a result, net sales decreased by 31.9% year on year to ¥150.5 billion. Net sales decline excluding such factors as the transfer of the *FERZEA* and *Encron* brands in the previous fiscal year, or like-for-like, was 31.8%. Operating profit fell 87.5% year on year to ¥5.2 billion, mainly due to lower margins accompanying a decline in sales and unfavorable product mix, which could not be offset despite drastic cost-reduction measures.

[China Business]

The China Business was largely affected by COVID-19 from the latter half of January. However, due to the decline in infections from late March, nearly all retail stores have resumed operations, marking the fastest recovery among all regions, particularly in mainland China. Net sales growth in the second quarter of the fiscal year 2020 turned positive, mainly for prestige brands. The prestige category recorded especially high sales in e-commerce, an area of strengthened investment which enjoyed substantial growth in this quarter.

As a result, net sales decreased 2.9% on an FX-neutral basis, or 7.1% year on year to ¥100 billion based on reported figures. Operating profit fell 57.4% year on year to ¥7.7 billion, due to lower margins resulting from a decline in sales and higher marketing expenditures, which increased year on year though remained below the original plan.

[Asia Pacific Business]

In the Asia Pacific Business, performance was hit by COVID-19, particularly in Thailand and Taiwan, despite efforts to expand our brands and strengthen e-commerce. Vietnam, on the other hand, saw relatively little impact and showed signs of recovery from May onward.

As a result, net sales decreased 26.6% on an FX-neutral basis, or 27.8% to ¥26.2 billion based on reported figures. Operating loss totaled ¥600 million, versus an operating profit of ¥3.2 billion in the same period of the previous fiscal year, due to lower margins resulting from a decline in sales.

[Americas Business]

In the Americas Business, from March onwards, performance was affected by measures to curb the spread of COVID-19 such as lockdowns and stay-at-home orders, as well as an increase in retailers filing for bankruptcy. Meanwhile, *Drunk Elephant* was solid due to continuously strong e-commerce sales despite the challenging environment.

The above factors resulted in a 40.9% year-on-year net sales decline on an FX-neutral basis, or a 42.1% year-on-year decline to ¥36.7 billion based on reported figures. Net sales excluding the impact from application of U.S. accounting standard ASC 606, in-advance shipments due to the introduction of the new ERP system in 2019, and the acquisition of the U.S. skincare brand *Drunk Elephant*, or like-for-like, declined 45.2%. Operating loss deteriorated by ¥15.4 billion from the previous fiscal year to ¥18.6 billion, mainly due to lower margins accompanying a decline in sales and an increase in expenses associated with the goodwill amortization of the acquired brand.

[EMEA Business]

In EMEA, retailers have resumed operations in almost all markets except Russia and the U.K. In addition, our e-commerce growth outpaced the market, with *SHISEIDO* skincare performing particularly well. Overall, however, performance was strongly affected by the COVID-19 outbreak.

The above factors resulted in a net sales decrease of 24.4% year on year on an FX-neutral basis, or a 27.5%

year-on-year decline to ¥35.0 billion based on reported figures. Operating loss expanded by ¥4.9 billion from the previous fiscal year to ¥9.9 billion, mainly due to a decline in margins accompanying lower sales.

[Travel Retail Business]

The Travel Retail Business (sales of cosmetics and fragrances mainly through airport duty-free stores) was severely hit by large-scale suspensions of international flights and the resulting decline in the number of Chinese travelers worldwide. On the other hand, in addition to relatively strong performance at downtown duty-free shops in South Korea, the number of domestic tourists to Hainan Island in China increased. As a result, momentum also started recovering at downtown duty-free shops in China. While many brands saw weak performance, sales of *Clé de Peau Beauté*, which were sluggish in the same period of the previous fiscal year due to shortages of some products, increased. Sales of *IPSA* and *ANESSA* also grew on the back of new counter openings.

These factors resulted in a net sales decrease of 17.5% year on year on an FX-neutral basis. Based on reported figures, net sales declined 19.0% to ¥51.7 billion. Operating profit contracted 56.0% year on year to ¥7.5 billion, mainly due to lower margins accompanying weaker sales and higher cost of goods caused by increased inventories.

[Professional Business]

The Professional Business was affected by stay-at-home policies and closures of hair salons to which we deliver hair care, styling, color and perm products. Net sales were down 20.4% year on year on an FX-neutral basis, or 22.1% year on year to ¥5.6 billion based on reported figures. Operating profit decreased 93.1% to ¥10 million yen, mainly due to lower margins accompanying a decline in sales.

(2) Consolidated Financial Position

(a) Assets, Liabilities and Net Assets

Total assets decreased by ¥46.9 billion to ¥1,171.9 billion compared to the end of the previous consolidated fiscal year, mainly due to a decline in current assets accompanying lower sales as a result of the COVID-19 outbreak. Total liabilities decreased by ¥8.8 billion to ¥692.1 billion as a result of a decline in current liabilities associated with a decrease in purchases of raw materials, despite an increase in liabilities associated mainly with short-term borrowings for the procurement of working capital. Net assets decreased by ¥38 billion to ¥479.8 billion, owing mainly to a decline in retained earnings and foreign currency translation adjustments.

The debt-to-equity ratio, which indicates the level of interest-bearing debt as a percentage of net equity, was 0.70.

(b) Cash Flows

Net cash used in operating activities totaled ¥16.3 billion in the first half of the fiscal year 2020. Net cash used in investing activities, mainly for investment in plants and equipment, was ¥49.9 billion. Net cash provided by financing activities amounted to ¥58.3 billion due to an increase in borrowings and other factors.

As a result of these activities, cash and cash equivalents as of June 30, 2020 stood at ¥87.7 billion, down ¥9.8 billion from the beginning of the fiscal year.

(3) Consolidated Forecast and Other Forward-Looking Information

The Company previously withdrew its consolidated forecast for the fiscal year ending December 31, 2020 due to uncertainties in the business environment and difficulty in assessing their impact on business results. This time, the Company has decided to disclose a new forecast calculated based on the currently available information and latest performance trends. The present forecast is based on the assumption that socio-economic activities will continue under the influence of COVID-19 in major countries. It does not incorporate the possibility of a state of emergency declaration in Japan or lockdowns in countries of operation due to further spread of COVID-19 in the future. Assumptions regarding the major average foreign currency exchange rates for the full fiscal year are JPY108.0 /USD, JPY120.7/EUR, and JPY15.3/CNY.

Forecast for Consolidated Results for Fiscal Year 2020

(From January 1 to December 31, 2020)

(Millions of yen unless otherwise stated)

	Net Sales	Operating Profit	Ordinary Profit (Loss)	Net Profit (Loss) Attributable to Owners of Parent	Net Profit (Loss) per Share (Yen)
Previous Forecast (A)	—	—	—	—	—
Revised Forecast (B)	953,000	0	(6,500)	(22,000)	(55.08)
Change (B-A)	—	—	—	—	
Percentage Change (%)	—	—	—	—	
[Reference] Results for the Previous Fiscal Year (Ended December 31, 2019)	1,131,547	113,831	108,739	73,562	184.18

Concerning dividends, while the Company forecasts a net loss for the fiscal year ending December 31, 2020 due to COVID-19, it will continue to pay stable dividends. However, since the timing of recovery is uncertain and the Company needs to maintain its liquidity, the interim dividend for 2020 will be reduced by 10 yen from the 30 yen in the previous fiscal year, to 20 yen per share. The year-end dividend forecast will also be reduced by 10 yen to 20 yen. As a result, the annual dividend will be 40 yen per share, down 20 yen from the previous year.

Furthermore, the Company has received a proposal from its CEO and corporate officers to reduce their remuneration as a step for improving profitability in response to the deteriorating market environment. Following discussions by the Executive Remuneration Advisory Committee, the Board of Directors has resolved to reduce the amount of remuneration as follows.

- Executives subject to reductions and reduction amounts
 - President and CEO: 30% of monthly base salary
 - Executive Vice President and executive corporate officers: 15% of monthly base salary
 - Corporate officers, etc.: 10% of monthly base salary
- Period of reduction
 - Five months from August to December 2020

[Reference Information] Consolidated Net Sales Forecast by Reportable Segment

The consolidated results forecast for fiscal year 2020 by reportable segment is presented as follows.

Consolidated Net Sales Forecast for Fiscal Year 2020 (Full Year)

(Billions of yen unless otherwise stated)

Classification	Revised Forecast (A)	% Change (A/B-1)	% Change FX-Neutral	% Change Like-for-Like (Note)	Initial Forecast	(Reference) Results for the Previous Fiscal Year	
						Before Reclassification	After Reclassification (B)
Japan Business	325.5	(24.5)%	(24)%	(24)%	438.0	451.6	430.9
China Business	238.0	10.1%	13%	13%	251.5	216.2	216.2
Asia Pacific Business	59.5	(14.8)%	(13)%	(13)%	73.5	69.8	69.8
Americas Business	94.0	(23.6)%	(22)%	(33)%	140.5	124.3	123.0
EMEA Business	99.0	(16.4)%	(15)%	(15)%	126.0	118.4	118.4
Travel Retail Business	96.0	(21.8)%	(20)%	(20)%	140.0	102.2	122.8
Professional Business	12.5	(14.9)%	(14)%	(14)%	15.0	14.7	14.7
Other	28.5	(20.2)%	(20)%	(20)%	35.5	34.3	35.7
Total	953.0	(15.8)%	(15)%	(16)%	1,220.0	1,131.5	1,131.5

Note:

Excluding the impacts of withdrawal from the dermatological brands *FERZEA* and *Encron* in 2019 in Japan, the acquisition of the U.S. skincare brand *Drunk Elephant*, and other factors.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
ASSETS		
Current Assets:		
Cash and time deposits	110,342	100,006
Notes and accounts receivable	172,905	133,742
Inventories	181,104	194,786
Other current assets	71,012	60,345
Less: Allowance for doubtful accounts	(2,741)	(4,674)
Total current assets	532,623	484,205
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	223,611	222,194
Less: Accumulated depreciation	(101,735)	(100,828)
Buildings and structures, net	121,875	121,365
Machinery, equipment and vehicles	104,566	106,833
Less: Accumulated depreciation	(60,284)	(62,187)
Machinery, equipment and vehicles, net	44,281	44,646
Tools, furniture and fixtures	94,939	96,379
Less: Accumulated depreciation	(53,840)	(56,740)
Tools, furniture and fixtures, net	41,099	39,638
Land	45,040	44,858
Leased assets	9,643	10,335
Less: Accumulated depreciation	(4,394)	(4,470)
Leased assets, net	5,248	5,865
Right-of-use assets	26,395	26,472
Less: Accumulated depreciation	(6,702)	(9,623)
Right-of-use assets, net	19,693	16,849
Construction in progress	37,518	45,789
Total property, plant and equipment	314,757	319,014
Intangible Assets:		
Goodwill	64,499	60,462
Leased assets	536	474
Trademark rights	135,209	134,553
Other intangible assets	48,963	53,793
Total intangible assets	249,209	249,284
Investments and Other Assets:		
Investments in securities	13,915	13,583
Long-term prepaid expenses	16,690	15,042
Deferred tax assets	55,313	53,978
Other investments	36,317	36,856
Less: Allowance for doubtful accounts	(31)	(39)
Total investments and other assets	122,205	119,420
Total Fixed Assets	686,172	687,719
Total Assets	1,218,795	1,171,925

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	31,336	24,120
Electronically recorded obligations – operating	65,601	54,488
Short-term debt	120,496	145,457
Current portion of long-term debt	730	53,822
Current portion of corporate bonds scheduled for redemption	15,000	–
Lease obligations	8,722	7,539
Other payables	89,124	54,824
Accrued income taxes	11,951	5,187
Reserve for sales returns	5,333	4,451
Refund liabilities	9,899	9,420
Accrued bonuses for employees	25,132	12,211
Accrued bonuses for directors	101	31
Provision for liabilities and charges	341	404
Provision for loss on business withdrawal	117	118
Other current liabilities	80,383	67,335
Total current liabilities	464,273	439,414
Long-Term Liabilities:		
Bonds	15,000	35,000
Long-term debt	70,791	67,010
Lease obligations	17,368	15,229
Long-term payables	49,153	52,113
Liability for retirement benefits	69,804	67,846
Allowance for losses on guarantees	350	350
Deferred tax liabilities	2,712	2,710
Other long-term liabilities	11,485	12,424
Total long-term liabilities	236,665	252,685
Total Liabilities	700,938	692,099
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,741	70,741
Retained earnings	371,435	338,083
Treasury stock	(2,591)	(2,491)
Total shareholders' equity	504,092	470,840
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	3,106	2,919
Foreign currency translation adjustments	10,839	6,682
Accumulated adjustments for retirement benefits	(21,600)	(19,942)
Total accumulated other comprehensive income	(7,654)	(10,341)
Stock Acquisition Rights	1,263	1,349
Non-Controlling Interests in Consolidated Subsidiaries	20,156	17,976
Total Net Assets	517,857	479,825
Total Liabilities and Net Assets	1,218,795	1,171,925

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income

Consolidated Quarterly Statements of Income Cumulative for the First Half

	(Millions of yen)	
	First Half Ended June 30, 2019 (January 1 to June 30, 2019)	First Half Ended June 30, 2020 (January 1 to June 30, 2020)
Net Sales	564,647	417,812
Cost of Sales	115,600	100,863
Gross Profit	449,046	316,948
Selling, General and Administrative Expenses	380,065	320,385
Operating Profit (Loss)	68,980	(3,436)
Other Income		
Interest income	612	398
Dividend income	229	96
Equity in earnings of affiliates	142	105
Rental income	377	286
Subsidy income	1,071	2,463
Other	917	533
Total other income	3,351	3,883
Other Expenses		
Interest expense	908	1,243
Foreign exchange loss	2,226	2,450
Other interest on debt	644	661
Other	586	2,444
Total other expenses	4,366	6,800
Ordinary Profit (Loss)	67,965	(6,353)
Extraordinary Gains		
Gain on sales of property, plant and equipment	20	488
Gain on sales of investments in securities	1,222	311
Grant income	—	1,836
Total extraordinary gains	1,243	2,636
Extraordinary Losses		
Loss on disposal of property, plant and equipment	678	1,144
Loss on sales of investments in securities	165	2
Structural reform expenses	1,186	—
Loss on liquidation of subsidiaries and affiliates	466	—
Loss on business withdrawal	—	938
Loss on COVID-19	—	16,619
Total extraordinary losses	2,497	18,704
Profit (Loss) before Income Taxes	66,710	(22,421)
Income Taxes – Current	12,754	(1,216)
Income Taxes for Prior Years	3,607	—
Income Taxes – Deferred	(4,040)	60
Total Income Taxes	12,322	(1,156)
Quarterly Net Profit (Loss)	54,388	(21,265)
Quarterly Net Profit Attributable to Non-Controlling Interests	1,935	110
Quarterly Net Profit (Loss) Attributable to Owners of Parent	52,452	(21,376)

**Consolidated Quarterly Statements of Comprehensive Income
Cumulative for the First Half**

(Millions of yen)

	First Half Ended June 30, 2019 (January 1 to June 30, 2019)	First Half Ended June 30, 2020 (January 1 to June 30, 2020)
Quarterly Net Profit (Loss)	54,388	(21,265)
Other Comprehensive Income		
Unrealized gains (losses) on available-for-sale securities	(504)	(193)
Foreign currency translation adjustments	(6,875)	(4,427)
Adjustment for retirement benefits	1,982	1,660
Share of other comprehensive income of associates accounted for under the equity method	7	5
Total other comprehensive income (loss)	(5,390)	(2,955)
Quarterly Comprehensive Income	48,997	(24,220)
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	47,431	(24,062)
Quarterly comprehensive income attributable to non-controlling interests	1,566	(157)

(3) Consolidated Quarterly Statements of Cash Flows

	(Millions of yen)	
	First Half Ended June 30, 2019 (January 1 to June 30, 2019)	First Half Ended June 30, 2020 (January 1 to June 30, 2020)
Cash Flows from Operating Activities:		
Profit (Loss) before income taxes	66,710	(22,421)
Depreciation and amortization	26,828	30,086
Amortization of goodwill	887	3,581
(Gain) Loss on disposal of property, plant and equipment	658	656
(Gain) Loss on sales of investments in securities	(1,057)	(309)
Grant income	—	(1,836)
Loss on COVID-19	—	16,619
Increase (Decrease) in allowance for doubtful accounts	448	1,952
Increase (Decrease) in reserve for sales returns	(1,203)	(879)
Increase (Decrease) in refund liabilities	255	(386)
Increase (Decrease) in accrued bonuses for employees	(14,223)	(12,787)
Increase (Decrease) in accrued bonuses for directors	(150)	(69)
Increase (Decrease) in provision for liabilities and charges	9	64
Increase (Decrease) in provision for loss on business withdrawal	(922)	—
Increase (Decrease) in liability for retirement benefits	1,047	584
Interest and dividend income	(842)	(494)
Interest expense	908	1,243
Other interest on debt	644	661
Equity in (earnings) losses of affiliates	(142)	(105)
(Increase) Decrease in notes and accounts receivable	(7,340)	37,377
(Increase) Decrease in inventories	(22,594)	(15,587)
Increase (Decrease) in notes and accounts payable	3,944	(35,374)
Other	3,242	4,280
Subtotal	57,110	6,856
Interest and dividends received	1,052	702
Interest paid	(578)	(1,246)
Interest paid on other debt	(644)	(596)
Grant received	—	1,208
Loss paid on COVID-19	—	(16,005)
Income tax paid	(36,279)	(7,247)
Net cash provided by (used in) operating activities	20,659	(16,328)

	(Millions of yen)	
	First Half Ended June 30, 2019 (January 1 to June 30, 2019)	First Half Ended June 30, 2020 (January 1 to June 30, 2020)
Cash Flows from Investing Activities:		
Transfers to time deposits	(8,693)	(8,018)
Proceeds from maturity of time deposits	10,268	8,389
Acquisition of investments in securities	(355)	(3)
Proceeds from sales of investment in securities	4,649	430
Acquisition of property, plant and equipment	(55,100)	(38,424)
Proceeds from sales of property, plant and equipment	30	534
Acquisition of intangible assets	(10,129)	(9,201)
Payments of long-term prepaid expenses	(3,510)	(3,553)
Other	(413)	(13)
Net cash provided by (used in) investing activities	(63,254)	(49,859)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term debt and commercial papers	(2,762)	25,258
Proceeds from long-term debt	44,024	50,000
Repayment of long-term debt	(365)	(365)
Proceeds from issuance of bonds	—	20,000
Redemption of bonds	—	(15,000)
Repayment of lease obligations	(2,190)	(5,870)
Repayment of long-term accounts payable	(822)	(968)
Acquisition of treasury stock	(12)	(9)
Disposal of treasury stock	55	44
Cash dividends paid	(10,071)	(11,953)
Cash dividends paid to non-controlling interests	(5,092)	(2,847)
Net cash provided by (used in) financing activities	22,762	58,289
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,430)	(1,891)
Net Change in Cash and Cash Equivalents (Decrease)	(21,263)	(9,790)
Cash and Cash Equivalents at Beginning of Period	111,767	97,466
Decrease in Cash and Cash Equivalents Resulting from Exclusion of Subsidiaries from Consolidation	(24)	—
Cash and Cash Equivalents at End of Period	90,479	87,676

(4) Notes Concerning Consolidated Quarterly Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Consolidated Quarterly Statements of Income)

Grant Income

First half of the fiscal year 2020 (From January 1 to June 30, 2020)

Income mainly from grants and subsidies provided by governments and local municipalities for the employment maintenance and compensation of employees in relation to COVID-19.

Loss on Business Withdrawal

First half of the fiscal year 2020 (From January 1 to June 30, 2020)

Expenses for discontinuation of some brands.

Loss on COVID-19

First half of the fiscal year 2020 (From January 1 to June 30, 2020)

Loss mainly from fixed costs due to the suspension of in-store employee dispatchment and the low operation of factories, and cancellation costs of events, at the request of various governments to prevent the spread of COVID-19. The breakdown is as follows.

Salaries and allowances for employees	10,358	(Millions of yen)
Fixed costs for factories and stores	4,473	''
<u>Cancellation costs, penalties, and others</u>	<u>1,787</u>	<u>''</u>
Total	16,619	''

(Note in the Event of Major Changes in Shareholders' Equity)

Not applicable.

(Additional Information)

(Accounting estimates associated with the spread of COVID-19)

The Group reflects accounting estimates such as fixed asset impairment and recoverability of deferred tax asset based on information available at the time that the Consolidated Quarterly Financial Statements are prepared. Accounting estimates assume a gradual recovery from the impact of COVID-19 in terms of Group performance from the second half of 2020, where impact varies by region and business.

However, due to uncertainties in the application of such assumption to the estimates above, unexpected changes in the recovery time for COVID-19 or its impact on the economic environment may affect the financial position, operating results and cash flows of the Group in the future.