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.

November 10, 2020

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

Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number 4911)
URL: https://corp.shiseido.com/en/
Representative: Masahiko Uotani, Representative Director, President and CEO
Contact: Harumoto Kitagawa, Vice President, Investor Relations Department
Tel. +81-3-3572-5111
Filing date of quarterly securities report: November 11, 2020
Start of cash dividend payments: —
Supplementary quarterly materials prepared: Yes
Quarterly financial results information meeting held: Yes (Conference call for institutional investors, analysts, etc.)

1. Performance for the First Nine Months of the Fiscal Year Ending December 31, 2020 (From January 1 to September 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 Nine Months Ended September 30, 2020	653,675	[(22.8)%]	8,906	[(91.4)%]	5,568	[(94.5)%]	(13,668)	[—%]
First Nine Months Ended September 30, 2019	846,625	[5.1%]	103,324	[1.9%]	100,718	[(1.9)%]	72,458	[13.2%]

Note: Comprehensive income
First nine months ended September 30, 2020: ¥(14,544) million [—%]
First nine months ended September 30, 2019: ¥65,977 million [1.5%]

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)
First Nine Months Ended September 30, 2020	(34.22)	—
First Nine Months Ended September 30, 2019	181.42	181.24

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2020	1,172,009	481,432	39.3%
As of December 31, 2019	1,218,795	517,857	40.7%

[Reference] Equity: As of September 30, 2020: ¥460,859 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: None

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	915,000 [(19.1)%]	(10,000) [—%]	(15,000) [—%]	(30,000) [—%]	(75.10)

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) Number of shares issued (common stock)

1) Number of shares issued (including treasury shares)

As of September 30, 2020:	400,000,000
As of December 31, 2019:	400,000,000

2) Number of treasury shares

As of September 30, 2020:	537,494
As of December 31, 2019:	564,455

3) Average number of shares outstanding during the period

First nine months ended September 30, 2020:	399,456,586
First nine months ended September 30, 2019:	399,404,058

Implementation status of quarterly review procedures
This Consolidated Settlement of Accounts for the First Nine Months 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 (2) 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)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit (Loss) Attributable to Owners of Parent	EBITDA
First Nine Months of the Fiscal Year 2020	653,675	8,906	5,568	(13,668)	43,400
First Nine Months of the Fiscal Year 2019	846,625	103,324	100,718	72,458	144,821
Year-on-Year Increase (Decrease)	(22.8)%	(91.4)%	(94.5)%	—	(70.0)%
FX-Neutral	(21.8)%				
Like-for-Like	(22.5)%				

In the first nine months 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 corporate earnings and employment. In the domestic cosmetics market, consumer traffic dropped as a result of temporary retail closures under a state of emergency and shortened operating hours following its lifting. In addition, sales appeared weaker year on year due to a rush demand last September related to a consumption tax hike. Other factors included restrictions on entry into Japan issued by the Japanese government, such as the cancellation of visas to citizens of approximately 150 countries and regions as well as reductions in international flights, all of which significantly decreased demand from inbound tourists. 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 the United States. Although the number of new COVID-19 cases temporarily stabilized in summer, it resurged from September, mainly in Europe and the United States, and the situation remains challenging amid reinforced measures restricting economic activity. 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, however, as outlined above, 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 nine months of the fiscal year under review, net sales decreased 21.8% year on year on an FX-neutral basis, affected by the spread of COVID-19 across all regions. Like-for-like growth was a negative 22.5%, excluding such factors as the application of the U.S. accounting standard ASC 606 and business acquisitions. Based on reported figures, sales decreased 22.8% year on year to ¥653.7 billion. Meanwhile, in the third quarter sales picked up for skincare products, the Group’s focus category. Other positive factors included stronger sales of prestige brands in China and Travel Retail in Asia, as well as acceleration of e-commerce. As a result, momentum recovered from the second quarter, and quarterly sales decreased 18.4% like-for-like.

Operating profit declined 91.4% year on year to ¥8.9 billion, despite efforts to reduce costs in response to the rapid deterioration in market conditions. The key factors were a drop in margins resulting from weaker sales, deterioration in productivity of factories due to decreased production volume, and revision in inventory provision in line with enhanced management of inventory optimization. On a quarterly basis, the third quarter generated

¥12.3 billion in operating profit, a significant recovery compared to the ¥9.9 billion operating loss in the second quarter. The improvement was mainly due to growth in sales of the above-mentioned focus categories and rigorous Group-wide cost-management initiatives.

Net profit attributable to owners of parent posted a loss of ¥13.7 billion due to the operating loss and extraordinary losses related to COVID-19, such as compensation of employees on leave and maintenance costs for stores 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 JPY107.5/USD, JPY120.8/EUR, and JPY15.4/CNY.

[Consolidated Performance]

(Millions of yen)

Classification		First Nine Months Ended September 30, 2020	% of Total	First Nine Months Ended September 30, 2019	% of Total	Year-on-Year Increase (Decrease)		
						Amount	Percentage	FX-Neutral
Net Sales	Japan Business	226,815	34.7%	335,044	39.6%	(108,229)	(32.3)%	(32.3)%
	China Business	155,030	23.7%	158,522	18.7%	(3,492)	(2.2)%	0.6%
	Asia Pacific Business	43,277	6.6%	53,658	6.3%	(10,380)	(19.3)%	(18.7)%
	Americas Business	65,846	10.1%	92,493	10.9%	(26,647)	(28.8)%	(27.5)%
	EMEA Business	60,241	9.2%	76,176	9.0%	(15,934)	(20.9)%	(19.7)%
	Travel Retail Business	75,573	11.6%	93,629	11.1%	(18,056)	(19.3)%	(18.1)%
	Professional Business	9,020	1.4%	10,966	1.3%	(1,945)	(17.7)%	(16.5)%
	Other	17,869	2.7%	26,134	3.1%	(8,264)	(31.6)%	(31.6)%
	Subtotal	653,675	100.0%	846,625	100.0%	(192,950)	(22.8)%	(21.8)%
	Adjustments	—	—	—	—	—	—	—
	Total	653,675	100.0%	846,625	100.0%	(192,950)	(22.8)%	(21.8)%

(Millions of yen)

Classification		Intersegment sales or sales including internal transfers between accounts	
		First Nine Months Ended September 30, 2020	First Nine Months Ended September 30, 2019
Net Sales	Japan Business	248,072	354,761
	China Business	155,695	159,007
	Asia Pacific Business	44,958	55,350
	Americas Business	82,793	122,744
	EMEA Business	66,882	84,748
	Travel Retail Business	75,771	93,821
	Professional Business	9,474	11,485
	Other	133,987	132,181
	Subtotal	817,637	1,014,100
	Adjustments	(163,961)	(167,474)
	Total	653,675	846,625

(Millions of yen)

Classification		First Nine Months Ended September 30, 2020	Ratio to Net Sales	First Nine Months Ended September 30, 2019	Ratio to Net Sales	Year-on-Year Increase (Decrease)	
						Amount	Percentage
Operating Profit (Loss)	Japan Business	3,623	1.5%	66,430	18.7%	(62,807)	(94.5)%
	China Business	11,373	7.3%	23,925	15.0%	(12,552)	(52.5)%
	Asia Pacific Business	2,136	4.8%	5,467	9.9%	(3,330)	(60.9)%
	Americas Business	(19,767)	(23.9)%	(8,468)	(6.9)%	(11,298)	—
	EMEA Business	(8,503)	(12.7)%	(3,436)	(4.1)%	(5,067)	—
	Travel Retail Business	12,001	15.8%	24,824	26.5%	(12,823)	(51.7)%
	Professional Business	268	2.8%	432	3.8%	(164)	(38.0)%
	Other	12,679	9.5%	(3,062)	(2.3)%	15,742	—
	Subtotal	13,810	1.7%	106,112	10.5%	(92,301)	(87.0)%
	Adjustments	(4,903)	—	(2,788)	—	(2,115)	—
	Total	8,906	1.4%	103,324	12.2%	(94,417)	(91.4)%

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 nine months 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 duty-free 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 reduced consumer traffic as a result of temporary retail closures under a state of emergency declared due to the spread of COVID-19 and shortened operating hours following the lifting of that emergency, although e-commerce continued double-digit growth. In addition, sales appeared weaker year on year due to a rush demand last September related to a consumption tax hike. All these factors negatively affected sales, mainly for prestige and premium brands. Furthermore, a significant decline in the number of tourists to Japan led to a sharp drop in inbound demand.

As a result, net sales decreased 32.3% year on year to ¥226.8 billion. Operating profit fell 94.5% year on year to ¥3.6 billion, mainly due to lower margins accompanying a decline in sales, unfavorable product mix, and revision in inventory provision in line with enhanced management of inventory optimization, 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. Consequently, sales growth, driven mainly by prestige brands, outpaced the pre-COVID-19 level of the previous year, with online prestige sales growing over 40% in the third quarter.

As a result, the China Business was the only segment where net sales grew on an FX-neutral basis, up 0.6%. Based on reported figures, net sales declined 2.2% year on year to ¥155.0 billion. Operating profit contracted 52.5% year on year to ¥11.4 billion, due to higher marketing expenses, 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 South Korea and Thailand, despite efforts to expand our brands and strengthen e-commerce. Vietnam, on the other hand, saw relatively little impact, with sales for the first nine months significantly outperforming year on year.

As a result, net sales decreased 18.7% on an FX-neutral basis, or 19.3% year on year to ¥43.3 billion based on reported figures. Operating profit declined 60.9% year on year to ¥2.1 billion.

[Americas Business]
In the Americas Business, from March onward, performance was affected by measures to curb the spread of COVID-19 such as lockdowns and stay-at-home orders, and an increase in retailers filing for Chapter 11 (Chapter 11 of the United States Bankruptcy Code). Meanwhile, ***Drunk Elephant*** posted solid results as e-commerce sales grew by more than 70% despite a drop in offline sales.

The above factors resulted in a 27.5% year-on-year net sales decline on an FX-neutral basis, or a 28.8% year-on-year decrease to ¥65.8 billion based on reported figures. Net sales excluding the impact from application of the U.S. accounting standard ASC 606 and the acquisition of the U.S. skincare brand ***Drunk Elephant***, or like-for-like, declined 35.2%. Operating loss deteriorated by ¥11.3 billion from the previous fiscal year to ¥19.8 billion, mainly due to lower margins accompanying a decline in sales and an increase in expenses associated with goodwill amortization of the acquired brand.

[EMEA Business]
In EMEA, the number of new COVID-19 cases temporarily stabilized in summer but resurged from September onward, with increased measures such as night-time curfews restricting economic activities. Against this backdrop, the cosmetics market overall saw significant growth in e-commerce. Our e-commerce business outpaced the market, with ***SHISEIDO*** skincare performing particularly well. Overall, however, performance was strongly affected by the COVID-19 outbreak.

As a result, net sales decreased 19.7% year on year on an FX-neutral basis, or 20.9% to ¥60.2 billion based on reported figures. Operating loss expanded by ¥5.1 billion from the previous fiscal year to ¥8.5 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 travelers worldwide. Meanwhile, consumer purchases in Asia grew by over 50%, as the number of domestic tourists to Hainan Island in China and demand at South Korean downtown duty-free shops and in e-commerce remained high. While many brands saw weak performance, ***Clé de Peau Beauté*** posted growth, as did ***IPSA*** and ***ANESSA*** on the back of new counter openings.

These factors resulted in a net sales decrease of 18.1% year on year on an FX-neutral basis. Based on reported figures, net sales declined 19.3% to ¥75.6 billion. Operating profit contracted 51.7% year on year to ¥12.0 billion, mainly due to lower margins accompanying weaker sales and higher depreciation-related expenses 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 16.5% year on year on an FX-neutral basis, or 17.7% year on year to ¥9.0 billion based on reported figures. Operating profit decreased 38.0% year on year to ¥0.3 billion, mainly due to lower margins accompanying a decline in sales.

(2) Consolidated Forecast and Other Forward-Looking Information

Consumer sentiment in Japan has been weaker than expected, while in Europe and the United States, COVID-19 cases have been on the rise, with restrictions on movement and other measures being strengthened. Under these circumstances, net sales for the third quarter fell short of the Company's projections announced in August. Considering that delay in market recovery will continue to a certain extent also in the fourth quarter, the Company has made a downward revision to its sales forecast for the full fiscal year as follows.

Regarding profit, the Company assumes that it will maintain the previously announced break-even forecast for operating profit on an underlying basis thanks to continued comprehensive cost reductions, despite a decrease in gross profit due to lower sales. However, it also anticipates impacts from expedited measures such as inventory optimization in the Japan Business and reform of the Americas Business aimed at strengthening the business foundation toward 2021. As a result, the forecast has been revised as follows.

Assumptions regarding the major average foreign currency exchange rates for the full fiscal year are JPY107.1 /USD, JPY121.9/EUR, and JPY15.4/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 (Loss)	Ordinary Profit (Loss)	Net Profit (Loss) Attributable to Owners of Parent	Net Profit (Loss) per Share (Yen)
Previous Forecast (A)	953,000	0	(6,500)	(22,000)	(55.08)
Revised Forecast (B)	915,000	(10,000)	(15,000)	(30,000)	(75.10)
Change (B-A)	(38,000)	(10,000)	(8,500)	(8,000)	
Percentage Change (%)	(4.0)%	—	—	—	
[Reference] Results for the Previous Fiscal Year (Ended December 31, 2019)	1,131,547	113,831	108,739	73,562	184.18

[Reference Information] Forecast for Consolidated Net Sales by Reportable Segment

The consolidated results forecast for the 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)	Previous Forecast	(Reference) Results for the Previous Fiscal Year	
						Before Reclassification	After Reclassification (B)
Japan Business	300.0	(30)%	(30)%	(30)%	325.5	451.6	430.9
China Business	233.0	8%	10%	10%	238.0	216.2	216.2
Asia Pacific Business	58.0	(17)%	(15)%	(15)%	59.5	69.8	69.8
Americas Business	94.0	(24)%	(22)%	(34)%	94.0	124.3	123.0
EMEA Business	94.5	(20)%	(19)%	(19)%	99.0	118.4	118.4
Travel Retail Business	97.5	(21)%	(19)%	(19)%	96.0	102.2	122.8
Professional Business	12.0	(18)%	(17)%	(17)%	12.5	14.7	14.7
Other	26.0	(27)%	(27)%	(27)%	28.5	34.3	35.7
Total	915.0	(19)%	(18)%	(19)%	953.0	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 September 30, 2020
ASSETS		
Current Assets:		
Cash and time deposits	110,342	109,953
Notes and accounts receivable	172,905	143,259
Inventories	181,104	186,680
Other current assets	71,012	49,349
Less: Allowance for doubtful accounts	(2,741)	(4,049)
Total current assets	532,623	485,194
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	223,611	223,984
Less: Accumulated depreciation	(101,735)	(102,560)
Buildings and structures, net	121,875	121,423
Machinery, equipment and vehicles	104,566	108,566
Less: Accumulated depreciation	(60,284)	(63,523)
Machinery, equipment and vehicles, net	44,281	45,043
Tools, furniture and fixtures	94,939	99,557
Less: Accumulated depreciation	(53,840)	(59,262)
Tools, furniture and fixtures, net	41,099	40,294
Land	45,040	44,848
Leased assets	9,643	10,624
Less: Accumulated depreciation	(4,394)	(4,764)
Leased assets, net	5,248	5,860
Right-of-use assets	26,395	28,116
Less: Accumulated depreciation	(6,702)	(9,959)
Right-of-use assets, net	19,693	18,157
Construction in progress	37,518	46,579
Total property, plant and equipment	314,757	322,207
Intangible Assets:		
Goodwill	64,499	57,577
Leased assets	536	443
Trademark rights	135,209	133,439
Other intangible assets	48,963	53,582
Total intangible assets	249,209	245,043
Investments and Other Assets:		
Investments in securities	13,915	13,350
Long-term prepaid expenses	16,690	14,506
Deferred tax assets	55,313	55,086
Other investments	36,317	36,661
Less: Allowance for doubtful accounts	(31)	(39)
Total investments and other assets	122,205	119,565
Total fixed assets	686,172	686,815
Total Assets	1,218,795	1,172,009

(Millions of yen)

	As of December 31, 2019	As of September 30, 2020
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	31,336	21,383
Electronically recorded obligations – operating	65,601	36,742
Short-term debt	120,496	147,901
Current portion of long-term debt	730	53,010
Current portion of corporate bonds scheduled for redemption	15,000	-
Lease obligations	8,722	8,324
Other payables	89,124	57,306
Accrued income taxes	11,951	6,590
Reserve for sales returns	5,333	4,651
Refund liabilities	9,899	8,334
Accrued bonuses for employees	25,132	20,010
Accrued bonuses for directors	101	47
Provision for liabilities and charges	341	388
Provision for loss on business withdrawal	117	79
Other current liabilities	80,383	72,314
Total current liabilities	464,273	437,086
Long-Term Liabilities:		
Bonds	15,000	35,000
Long-term debt	70,791	67,010
Lease obligations	17,368	16,055
Long-term payables	49,153	52,552
Liability for retirement benefits	69,804	67,002
Allowance for losses on guarantees	350	350
Deferred tax liabilities	2,712	2,776
Other long-term liabilities	11,485	12,742
Total long-term liabilities	236,665	253,490
Total Liabilities	700,938	690,577
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,741	70,741
Retained earnings	371,435	337,726
Treasury stock	(2,591)	(2,470)
Total shareholders' equity	504,092	470,504
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	3,106	2,993
Foreign currency translation adjustments	10,839	6,377
Accumulated adjustments for retirement benefits	(21,600)	(19,016)
Total accumulated other comprehensive income	(7,654)	(9,645)
Stock Acquisition Rights	1,263	1,376
Non-Controlling Interests in Consolidated Subsidiaries	20,156	19,196
Total Net Assets	517,857	481,432
Total Liabilities and Net Assets	1,218,795	1,172,009

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

Consolidated Quarterly Statements of Income Cumulative for the First Nine Months

(Millions of yen)

	First Nine Months Ended September 30, 2019 (January 1 to September 30, 2019)	First Nine Months Ended September 30, 2020 (January 1 to September 30, 2020)
Net Sales	846,625	653,675
Cost of Sales	178,238	166,326
Gross Profit	668,387	487,349
Selling, General and Administrative Expenses	565,063	478,442
Operating Profit	103,324	8,906
Other Income		
Interest income	954	547
Dividend income	238	106
Equity in earnings of affiliates	286	206
Rental income	467	492
Subsidy income	1,074	2,637
Other	1,421	954
Total other income	4,442	4,945
Other Expenses		
Interest expense	1,585	1,705
Foreign exchange loss	3,428	2,787
Other interest on debt	954	993
Other	1,079	2,796
Total other expenses	7,047	8,283
Ordinary Profit	100,718	5,568
Extraordinary Gains		
Gain on sales of fixed assets	649	489
Gain on sales of investments in securities	2,166	691
Grant income	-	5,224
Total extraordinary gains	2,816	6,404
Extraordinary Losses		
Loss on disposal of fixed assets	935	2,926
Loss on sales of investments in securities	165	1
Loss on valuation of investment securities	-	499
Structural reform expenses	1,469	-
Loss on liquidation of subsidiaries and affiliates	466	-
Loss on business withdrawal	-	937
Loss on COVID-19	-	18,119
Total extraordinary losses	3,036	22,484
Profit (Loss) before Income Taxes	100,498	(10,511)
Income Taxes – Current	22,803	2,801
Income Taxes for Prior Years	3,607	-
Income Taxes – Deferred	(1,101)	(891)
Total Income Taxes	25,309	1,910
Quarterly Net Profit (Loss)	75,188	(12,421)
Quarterly Net Profit Attributable to Non-Controlling Interests	2,729	1,247
Quarterly Net Profit (Loss) Attributable to Owners of Parent	72,458	(13,668)

Consolidated Quarterly Statements of Comprehensive Income
Cumulative for the First Nine Months

(Millions of yen)

	First Nine Months Ended September 30, 2019 (January 1 to September 30, 2019)	First Nine Months Ended September 30, 2020 (January 1 to September 30, 2020)
Quarterly Net Profit (Loss)	75,188	(12,421)
Other Comprehensive Income		
Unrealized gains (losses) on available-for-sale securities	(1,109)	(54)
Foreign currency translation adjustments	(10,796)	(4,663)
Adjustment for retirement benefits	2,686	2,589
Share of other comprehensive income of associates accounted for under the equity method	8	6
Total other comprehensive income (loss)	(9,211)	(2,122)
Quarterly Comprehensive Income	65,977	(14,544)
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	63,807	(15,659)
Quarterly comprehensive income attributable to non-controlling interests	2,169	1,115

(3) Notes Concerning Consolidated Quarterly Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Consolidated Quarterly Statements of Income)

Grant Income

First nine months of the fiscal year 2020 (From January 1 to September 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 nine months of the fiscal year 2020 (From January 1 to September 30, 2020)
Expenses for discontinuation of some brands.

Loss on COVID-19

First nine months of the fiscal year 2020 (From January 1 to September 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	11,239	(Millions of yen)
Fixed costs for factories and stores	4,987	〃
Cancellation costs, penalties, and others	1,892	〃
Total	18,119	〃

(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 assets based on information available at the time that the Consolidated Quarterly Financial Statements are prepared. Accounting estimates assume an overall recovery from the impact of COVID-19 within 2023 in terms of Group performance, 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.

(Significant Subsequent Events)

The Company and certain domestic consolidated subsidiaries decided to revise the retirement benefit plans in October 2020, and the lump-sum payment plan will be converted to the existing defined benefit pension plan (corporate pension fund) and the existing defined contribution pension plan from January 2021.

The Company previously had three retirement benefit plans (lump-sum payment plan, defined benefit pension plan (corporate pension fund), and defined contribution pension plan). However, these plans will be transferred and integrated into the two plans mentioned above, and moreover, the conditions of the integrated two plans are partially revised.

Regarding these revisions, the Company will apply “Accounting for Transfer between Retirement Benefit Plans” (ASBJ Guidance No. 1, December 16, 2016) and “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (Practical Issues Task Force (PITF) No. 2, February 7, 2007).

The prior service cost (reduction of retirement benefit obligation) to be recorded in the fourth quarter consolidated accounting period is estimated to be ¥25,899 million.