

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 presents the same statements in a form that is more familiar to foreign readers through certain reclassifications or summarization of accounts.

May 12, 2021



Consolidated Settlement of Accounts for the First Quarter of the Fiscal Year Ending December 31, 2021 [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
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Filing date of quarterly securities report: May 14, 2021 (plan)

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 Quarter of the Fiscal Year Ending December 31, 2021 (From January 1 to March 31, 2021)

* 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 Quarter Ended March 31, 2021	244,011 [7.5%]	10,884 [67.6%]	13,854 [128.9%]	(1,527) [—%]
First Quarter Ended March 31, 2020	226,893 [(17.1)%]	6,496 [(83.3)%]	6,052 [(84.7)%]	1,402 [(95.8)%]

Note: Comprehensive income

First quarter ended March 31, 2021: ¥20,057 million [—%]

First quarter ended March 31, 2020: ¥(1,862) million [—%]

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)
First Quarter Ended March 31, 2021	(3.82)	—
First Quarter Ended March 31, 2020	3.51	3.51

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As of March 31, 2021	1,212,040	518,667	40.8%
As of December 31, 2020	1,204,229	506,593	40.2%

Reference: Equity: As of March 31, 2021: ¥494,307 million
As of December 31, 2020: ¥484,289 million

2. Cash Dividends

	Cash Dividends per Share (Yen)				
	Q1	Q2	Q3	Year-End	Full Year
Fiscal Year 2020	—	20.00	—	20.00	40.00
Fiscal Year 2021	—				
Fiscal Year 2021 (Forecast)		20.00	—	30.00	50.00

Note: Revision to the most recently disclosed dividend forecast: None

3. Forecast for the Fiscal Year Ending December 31, 2021 (From January 1 to December 31, 2021)

(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 2021	1,067,000 [15.9%]	27,000 [80.4%]	27,000 [180.1%]	35,500 [—%]	88.87

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 March 31, 2021:	400,000,000
As of December 31, 2020:	400,000,000
 - 2) Number of treasury shares

As of March 31, 2021:	527,000
As of December 31, 2020:	534,198
 - 3) Average number of shares outstanding during the period

First quarter ended March 31, 2021:	399,469,982
First quarter ended March 31, 2020:	399,450,760

Implementation status of quarterly review procedures

This Consolidated Settlement of Accounts for the First Quarter of the Fiscal Year Ending December 31, 2021 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)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit (Loss) Attributable to Owners of Parent	EBITDA
First Quarter Ended March 31, 2021	244,011	10,884	13,854	(1,527)	31,538
First Quarter Ended March 31, 2020	226,893	6,496	6,052	1,402	24,005
Year-on-Year Increase (Decrease)	7.5%	67.6%	128.9%	—	31.4%
FX-Neutral	6.0%				

Note: EBITDA incorporates “Impairment Loss” and depreciation included in “Loss on COVID-19,” recorded under “Extraordinary Losses.”

In the first quarter of the fiscal year 2021, 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 Japan cosmetics market, consumer traffic decreased as a result of consumers staying at home and shortened operating hours in the retail sector under declared state of emergency. Other factors included a sharp drop in visitors to Japan, which significantly decreased inbound demand. Globally, although some countries and regions showed signs of recovery, the impact of the outbreak continued overall, particularly affecting the makeup market. Meanwhile, China’s economy largely recovered, with the cosmetics market maintaining growth.

In 2021, the Shiseido Group (hereafter, the “Group”) has launched its medium-to-long-term strategy WIN 2023 and Beyond, reflecting market changes caused by the COVID-19 pandemic. We are currently implementing a global transformation, positioning Skin Beauty as our core business. Amid rapid changes in the external environment, we are building a foundation as a Skin Beauty company and to that end, we are shifting from a focus on topline growth to a strategy that emphasizes profitability and cash flow management.

We have positioned 2021 as a year of “Groundwork” to realize WIN 2023 and are moving forward with structural reforms centering on our business portfolio, digital transformation, and solidifying the financial base through inventory reductions and other initiatives.

In the first quarter of the fiscal year 2021, net sales grew in all regions except Japan, up 6.0% year on year on an FX-neutral basis. Based on reported figures, net sales increased 7.5% year on year to ¥244.0 billion, driven by our skin beauty brands, an area of focused investment, and continued growth of e-commerce, particularly in the prestige category.

Operating profit increased 67.6% year on year to ¥10.9 billion due to improved margins resulting from stronger sales and appropriate resource allocation in line with market changes, particularly for marketing investments and other SG&A.

Net profit attributable to owners of parent posted a loss of ¥1.5 billion mainly due to an impairment loss on trademark rights recorded as a result of partial termination of a license agreement with DOLCE&GABBANA S.R.L. Excluding such global transformation impacts, the net profit from existing businesses was positive at ¥13.8 billion.

The EBITDA margin was maintained at double digits, reaching 12.9%.

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 JPY106.6/USD, JPY127.9/EUR, and JPY16.4/CNY.

Consolidated Performance

(Millions of yen)

Classification	First Quarter Ended March 31, 2021	% of Total	First Quarter Ended March 31, 2020	% of Total	Year-on-Year Increase (Decrease)			
					Amount	Percentage	FX-Neutral	
Net Sales	Japan Business	75,286	30.8%	85,673	37.8%	(10,386)	(12.1)%	(12.1)%
	China Business	65,349	26.8%	44,514	19.6%	20,834	46.8%	41.1%
	Asia Pacific Business	16,527	6.8%	15,083	6.6%	1,443	9.6%	6.4%
	Americas Business	24,371	10.0%	23,292	10.3%	1,079	4.6%	6.8%
	EMEA Business	24,440	10.0%	20,439	9.0%	4,000	19.6%	12.3%
	Travel Retail Business	27,982	11.5%	27,795	12.2%	187	0.7%	2.5%
	Professional Business	3,608	1.5%	2,877	1.3%	730	25.4%	23.0%
	Other	6,445	2.6%	7,216	3.2%	(771)	(10.7)%	(10.7)%
	Subtotal	244,011	100.0%	226,893	100.0%	17,117	7.5%	6.0%
	Adjustments	—	—	—	—	—	—	—
Total	244,011	100.0%	226,893	100.0%	17,117	7.5%	6.0%	

(Millions of yen)

Classification	Intersegment sales or sales including internal transfers between accounts		
	First Quarter Ended March 31, 2021	First Quarter Ended March 31, 2020	
Net Sales	Japan Business	84,694	92,744
	China Business	65,552	44,622
	Asia Pacific Business	17,136	15,670
	Americas Business	31,646	29,605
	EMEA Business	26,464	23,152
	Travel Retail Business	28,088	27,852
	Professional Business	3,762	3,048
	Other	50,928	45,707
	Subtotal	308,274	282,403
	Adjustments	(64,262)	(55,509)
Total	244,011	226,893	

(Millions of yen)

Classification	First Quarter Ended March 31, 2021	Ratio to Net Sales	First Quarter Ended March 31, 2020	Ratio to Net Sales	Year-on-Year Increase (Decrease)		
					Amount	Percentage	
Operating Profit (Loss)	Japan Business	4,933	5.8%	7,833	8.4%	(2,900)	(37.0)%
	China Business	1,970	3.0%	5,282	11.8%	(3,312)	(62.7)%
	Asia Pacific Business	1,445	8.4%	1,064	6.8%	381	35.8%
	Americas Business	(6,109)	(19.3)%	(9,082)	(30.7)%	2,972	—
	EMEA Business	(910)	(3.4)%	(6,463)	(27.9)%	5,553	—
	Travel Retail Business	4,721	16.8%	4,974	17.9%	(253)	(5.1)%
	Professional Business	444	11.8%	60	2.0%	384	639.7%
	Other	8,622	16.9%	4,681	10.2%	3,941	84.2%
	Subtotal	15,118	4.9%	8,351	3.0%	6,767	81.0%
	Adjustments	(4,233)	—	(1,854)	—	(2,378)	—
Total	10,884	4.5%	6,496	2.9%	4,388	67.6%	

Notes:

1. The Group has revised its reportable segment classifications from the fiscal year 2021. The business results of global service functions related to digital strategy, previously included in the Americas Business, are now included in the Other segment, and expenses related mainly to the supply network functions, previously included in the Other segment, are now partially included in the Japan Business. The segment information for the previous period has been restated in line with the new method of classification.
2. 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.
3. 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.
4. The operating profit (loss) adjustment amount is mainly the elimination of transactions between segments.

Results by reportable segment are provided below.

Japan Business

In the Japan Business, we focused on strengthening our products, particularly in the skin beauty category, in line with new consumer needs prompted by the COVID-19 pandemic. In addition, we expanded points of contact with a large number of consumers through various omnichannel initiatives in collaboration with business partners, such as Omise Plus, a dedicated e-commerce platform for cosmetics specialty stores launched in March, live commerce events, and virtual counseling. As a result, e-commerce sales grew year on year. Meanwhile, as COVID-19 cases resurged and a new state of emergency was declared, shortened operating hours in the retail sector and a decline in consumer sentiment due to a tendency to stay at home negatively affected sales. Furthermore, a significant reduction in the number of visitors to Japan led to a sharp drop in inbound demand.

As a result, net sales decreased 12.1% year on year to ¥75.3 billion. Operating profit declined 37.0% year on year to ¥4.9 billion, mainly due to lower margins accompanying weaker sales, which could not be offset despite relentless cost-reduction measures.

China Business

The China Business was largely affected by COVID-19 in the first quarter of the previous fiscal year. This year, both offline and online sales grew strongly, accelerating even in comparison with the fiscal year 2019. Higher marketing investments, mainly for skin beauty brands such as *SHISEIDO*, *Clé de Peau Beauté*, and *IPSA*, coupled with promotions for International Women's Day in March and Shiseido's 40th anniversary of business activities in China, also contributed to growth.

As a result, net sales surged 41.1% on an FX-neutral basis, or 46.8% year on year to ¥65.3 billion based on reported figures. Operating profit contracted 62.7% year on year to ¥2.0 billion due to such factors as partial increases in COGs and marketing investments, which outweighed improved margins accompanying higher sales.

Asia Pacific Business

In the Asia Pacific Business, while the impact of COVID-19 continued in some countries and regions, there were signs of recovery overall. As a result, we increased our market share in Taiwan and other major markets, and Vietnam and Singapore recorded double-digit growth. In addition, e-commerce sales doubled, driven by *SHISEIDO* and other brands, thanks to proactive expansion into major e-commerce platforms in various regions.

As a result, net sales increased 6.4% on an FX-neutral basis, or 9.6% year on year to ¥16.5 billion based on reported figures. Operating profit rose 35.8% year on year to ¥1.4 billion, mainly due to higher margins accompanying an increase in sales.

Americas Business

In the Americas Business, the spread of COVID-19 particularly affected offline channels and the makeup category. Against this backdrop, *NARS* grew year on year due to new virtual store openings and other measures to strengthen digital marketing. In addition, *SHISEIDO* and fragrance brands also performed well on the back of increased promotions.

As a result, net sales were up 6.8% on an FX-neutral basis, or 4.6% year on year to ¥24.4 billion based on reported figures. Operating loss recovered by ¥3.0 billion year on year to ¥6.1 billion, mainly due to higher margins accompanying an increase in sales, improved efficiency of personnel expenses, and lower amortization costs.

EMEA Business

In the EMEA Business, performance was still affected by the spread of COVID-19, but we made progress in expanding our *Clé de Peau Beauté* and *Drunk Elephant* brands. In addition, e-commerce sales continued to grow significantly thanks to online counseling and digital promotions.

As a result, net sales increased 12.3% on an FX-neutral basis, or 19.6% year on year to ¥24.4 billion based on reported figures. Operating loss contracted by ¥5.6 billion year on year to ¥0.9 billion, mainly due to higher margins associated with an increase in sales and improved efficiency of marketing investments.

Travel Retail Business

The Travel Retail Business (sales of cosmetics and fragrances mainly through airport and downtown duty-free stores) was affected by a considerable reduction of international flights and the resulting decline in the number of travelers worldwide. Meanwhile, consumer purchases in Asia grew year on year as we increased the number of stores and strengthened promotions through Hainan Island in China, where the number of domestic tourists continues to increase. Another positive factor was new counter openings, mainly for *IPSA* and *ELIXIR*.

As a result, net sales grew 2.5% on an FX-neutral basis, or 0.7% year on year to ¥28.0 billion based on reported figures. Operating profit decreased 5.1% year on year to ¥4.7 billion mainly due to low profitability of the duty-free business in Japan, despite higher margins accompanying increased sales in Asia.

Professional Business

In the Professional Business, we deliver professional products such as hair care, styling, color and perm products to hair salons in Japan, China, and the Asia Pacific. In the first quarter of the fiscal year 2021, the impact of COVID-19 continued in some countries and regions, but recovery in consumer traffic to hair salons and strengthened e-commerce promotions had an overall positive effect.

As a result, net sales were up 23.0% on an FX-neutral basis, or 25.4% year on year to ¥3.6 billion based on reported figures. Operating profit increased 639.7% year on year to ¥0.4 billion, mainly due to improved margins associated with higher sales.

(2) Financial Position

1) Assets, Liabilities and Net Assets

Total assets increased by ¥7.8 billion from the end of the previous fiscal year to ¥1,212.0 billion. This was attributable to an increase in tangible fixed assets, mainly due to investment in plants and equipment, while trademark rights decreased as a result of partial termination of a license agreement with DOLCE&GABBANA S.R.L. Liabilities decreased by ¥4.3 billion to ¥693.4 billion, mainly due to a decline in current liabilities resulting from payments on property, plant and equipment. Net assets increased by ¥12.1 billion to ¥518.7 billion, mainly due to an increase in foreign currency translation adjustments.

The net debt-to-equity ratio, which indicates the ratio of interest-bearing debt to shareholders' equity, was 0.41.

2) Cash Flows

Net cash provided by operating activities during the first quarter of the fiscal year 2021 totaled ¥28.3 billion. Net cash used in investing activities, mainly for investment in plants and equipment, was ¥40.4 billion. Net cash used in financing activities amounted to ¥15.5 billion, chiefly due to dividend payments.

As a result of these activities, cash and cash equivalents at the end of the first quarter stood at ¥113.6 billion, down ¥22.7 billion from the beginning of the year.

Consolidated Statements of Cash Flows (Summary)

		(Billions of yen)
Category		Amount
Cash and cash equivalents at beginning of period		136.3
Net cash provided by operating activities		28.3
Net cash used in investing activities		(40.4)
Net cash used in financing activities		(15.5)
Effect of exchange rate changes on cash and cash equivalents		4.8
Net change in cash and cash equivalents		(22.7)
Cash and cash equivalents at end of period		113.6

(3) Consolidated Forecast and Other Forward-Looking Information

The Company has revised its consolidated forecast for the fiscal year ending December 31, 2021, previously announced on February 9, 2021, as described below.

Though the Company does not expect any changes to its forecast for net sales and profit of existing businesses announced in February 2021, it forecasts a decrease in net sales and operating profit in the second half of the year as a result of the Personal Care business (the “Business”) transfer and joint venture establishment, and continued distribution of personal care products to the succeeding company following the transfer. Accordingly, net sales are expected at ¥1,067.0 billion, down ¥33.0 billion from the previous forecast, and operating profit is expected at ¥27.0 billion, down ¥8.0 billion.

Net profit attributable to owners of parent will be affected by the following factors: ¥87.0 billion recorded as extraordinary gains mainly due to a gain on transfer of shares of the Personal Care business, and ¥35.0 billion recorded as extraordinary losses mainly due to an impairment loss on trademark rights resulting from partial termination of a license agreement with DOLCE&GABBANA S.R.L. In addition, the Company expects other impacts such as organizational reform in EMEA. As a result, the net profit forecast has been revised to ¥35.5 billion, up ¥24.0 billion from the previous forecast.

The above forecasts are based on the following major foreign currency exchange rate assumptions for the fiscal year 2021: JPY105/USD, JPY127/EUR, and JPY16/CNY.

This revision of the consolidated results forecast does not impact the Company’s dividend forecast for the fiscal year 2021.

Please see the “Notice of Revision of the Consolidated Forecast for the Fiscal Year Ending December 31, 2021, and Recording of Extraordinary Profit and Extraordinary Loss” and presentation materials disclosed on our corporate website for further details:

<https://corp.shiseido.com/en/ir/library/tanshin/>

Forecast for Consolidated Results for the Fiscal Year 2021

(From January 1 to December 31, 2021)

(Millions of yen unless otherwise stated)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit (Loss) Attributable to Owners of Parent	Net Profit (Loss) per Share (Yen)
Previous Forecast (A)	1,100,000	35,000	31,000	11,500	28.79
Revised Forecast (B)	1,067,000	27,000	27,000	35,500	88.87
Change (B–A)	(33,000)	(8,000)	(4,000)	24,000	
Change (%)	(3.0)%	(22.9)%	(12.9)%	208.7%	
Results for the Previous Fiscal Year (Ended December 31, 2020)	920,888	14,963	9,638	(11,660)	(29.19)

Reference Information: Forecast for Consolidated Net Sales by Reportable Segment

The consolidated results forecast for the fiscal year 2021 by reportable segment is presented as follows.

Consolidated Net Sales Forecast for the Fiscal Year 2021 (Full Year) (Billions of yen unless otherwise stated)

Classification	Revised Forecast (A)	% Change (A/C-1)	% Change FX-Neutral	Previous Forecast (B)	Change from Previous Forecast (A-B)	Results for Previous Fiscal Year (C)
Japan Business	325.0	7%	7%	346.0	(21.0)	303.0
China Business	282.5	20%	17%	313.5	(31.0)	235.8
Asia Pacific Business	64.5	9%	11%	66.5	(2.0)	59.2
Americas Business	116.5	27%	29%	116.5	—	91.4
EMEA Business	106.0	12%	8%	106.0	—	94.3
Travel Retail Business	106.5	8%	10%	106.5	—	98.5
Professional Business	14.5	14%	14%	14.5	—	12.8
Other	51.5	99%	99%	30.5	21.0	25.9
Total	1,067.0	16%	15%	1,100.0	(33.0)	920.9

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2020	As of March 31, 2021
ASSETS		
Current Assets:		
Cash and time deposits	130,013	129,817
Notes and accounts receivable	144,728	153,671
Short-term investments in securities	21,000	2,000
Inventories	170,031	167,215
Other current assets	52,634	43,746
Less: Allowance for doubtful accounts	(3,644)	(4,301)
Total current assets	514,763	492,148
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	251,762	257,266
Less: Accumulated depreciation	(103,831)	(106,658)
Buildings and structures, net	147,931	150,608
Machinery, equipment and vehicles	118,883	125,074
Less: Accumulated depreciation	(63,344)	(65,588)
Machinery, equipment and vehicles, net	55,538	59,486
Tools, furniture and fixtures	102,657	107,894
Less: Accumulated depreciation	(60,680)	(65,948)
Tools, furniture and fixtures, net	41,976	41,945
Land	44,605	46,336
Leased assets	10,671	10,976
Less: Accumulated depreciation	(5,251)	(5,198)
Leased assets, net	5,420	5,777
Right-of-use assets	29,133	37,783
Less: Accumulated depreciation	(10,870)	(13,005)
Right-of-use assets, net	18,262	24,778
Construction in progress	27,308	37,273
Total property, plant and equipment	341,044	366,205
Intangible Assets:		
Goodwill	54,429	56,614
Leased assets	403	372
Trademark rights	131,636	121,187
Other intangible assets	54,922	56,133
Total intangible assets	241,392	234,308
Investments and Other Assets:		
Investments in securities	13,527	14,279
Long-term prepaid expenses	14,125	14,126
Deferred tax assets	42,501	54,516
Other investments	37,015	36,592
Less: Allowance for doubtful accounts	(140)	(136)
Total investments and other assets	107,029	119,377
Total Fixed Assets	689,466	719,891
Total Assets	1,204,229	1,212,040

(Millions of yen)

	As of December 31, 2020	As of March 31, 2021
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	21,187	22,654
Electronically recorded obligations – operating	55,740	52,628
Short-term debt	56,491	56,076
Current portion of long-term debt	10,730	730
Lease obligations	8,344	9,698
Other payables	75,695	63,512
Accrued income taxes	7,374	10,378
Reserve for sales returns	6,227	6,411
Refund liabilities	10,518	11,687
Accrued bonuses for employees	15,024	18,502
Accrued bonuses for directors	165	52
Provision for liabilities and charges	545	587
Provision for loss on business withdrawal	725	673
Other current liabilities	84,208	77,411
Total current liabilities	352,977	331,007
Long-Term Liabilities:		
Bonds	65,000	65,000
Long-term debt	167,861	180,913
Lease obligations	15,872	21,515
Long-term payables	52,968	52,791
Liability for retirement benefits	27,189	26,684
Allowance for losses on guarantees	350	350
Deferred tax liabilities	2,944	3,261
Other long-term liabilities	12,472	11,850
Total long-term liabilities	344,658	362,366
Total Liabilities	697,635	693,373
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,741	70,741
Retained earnings	339,817	330,261
Treasury stock	(2,455)	(2,425)
Total shareholders' equity	472,610	463,083
Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	3,054	3,327
Foreign currency translation adjustments	5,257	24,152
Accumulated adjustments for retirement benefits	3,366	3,742
Total accumulated other comprehensive income	11,678	31,223
Stock Acquisition Rights	1,399	1,413
Non-Controlling Interests in Consolidated Subsidiaries	20,905	22,946
Total Net Assets	506,593	518,667
Total Liabilities and Net Assets	1,204,229	1,212,040

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

**Quarterly Consolidated Statements of Income
Cumulative for the First Quarter**

	(Millions of yen)	
	First Quarter Ended March 31, 2020 (January 1 to March 31, 2020)	First Quarter Ended March 31, 2021 (January 1 to March 31, 2021)
Net Sales	226,893	244,011
Cost of Sales	49,794	62,652
Gross Profit	177,098	181,359
Selling, General and Administrative Expenses	170,602	170,474
Operating Profit	6,496	10,884
Non-operating Income		
Interest income	248	165
Dividend income	2	0
Equity in earnings of affiliates	61	82
Rental income	156	143
Subsidy income	2,372	1,681
Foreign exchange gain	-	1,509
Other	269	544
Total non-operating income	3,111	4,127
Non-operating Expenses		
Interest expense	709	502
Foreign exchange loss	1,988	-
Other interest on debt	300	334
Other	556	322
Total non-operating expenses	3,554	1,158
Ordinary Profit	6,052	13,854
Extraordinary Gains		
Gain on sales of fixed assets	486	12
Grant income	-	611
Gain on sales of investment securities	5	67
Total extraordinary gains	492	691
Extraordinary Losses		
Loss on disposal of fixed assets	919	628
Impairment loss	-	15,338
Loss on COVID-19	-	914
Loss on valuation of investment securities	-	4
Total extraordinary losses	919	16,887
Quarterly Profit (Loss) before Income Taxes	5,625	(2,341)
Income Taxes – Current	(1,815)	9,855
Income Taxes – Deferred	5,439	(11,547)
Total Income Taxes	3,623	(1,691)
Quarterly Net Profit (Loss)	2,001	(649)
Quarterly Net Profit Attributable to Non-Controlling Interests	599	877
Quarterly Net Profit (Loss) Attributable to Owners of Parent	1,402	(1,527)

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

	(Millions of yen)	
	First Quarter Ended March 31, 2020 (January 1 to March 31, 2020)	First Quarter Ended March 31, 2021 (January 1 to March 31, 2021)
Quarterly Net Profit (Loss)	2,001	(649)
Other Comprehensive Income		
Valuation difference on available-for-sale securities	9	301
Foreign currency translation adjustments	(4,609)	20,030
Adjustment for retirement benefits	730	376
Share of other comprehensive income of associates accounted for under the equity method	4	0
Total other comprehensive income (loss)	(3,864)	20,707
Quarterly Comprehensive Income	(1,862)	20,057
(Breakdown)		
Quarterly Comprehensive income attributable to owners of parent	(1,993)	18,016
Quarterly Comprehensive income attributable to non-controlling interests	131	2,040

(3) Notes to Quarterly Consolidated Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Additional Information)

Regarding company splits and other changes accompanying the Personal Care business transfer, which was stated in the significant subsequent events for the previous period, ¥87.0 billion is expected to be recorded as a gain on transfer of all shares of the newly established company and assets related to the Personal Care business in the third quarter of the fiscal year 2021.

(Quarterly Consolidated Statements of Income)

Grant Income

First quarter of the fiscal year 2021 (From January 1 to March 31, 2021)

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.

Impairment Loss

First quarter of the fiscal year 2021 (From January 1 to March 31, 2021)

The Company recognized an impairment loss on the trademark rights of overseas subsidiary.

Use	Type	Location
Assets for business use	Trademark rights	Paris, France

The Group organizes its business-use assets into groups according to minimum independent cash-flow-generating units, based on business classifications.

Our subsidiary Beauté Prestige International S.A.S. and DOLCE&GABBANA S.R.L. have agreed to partially terminate an exclusive global license agreement which had been recorded as a business-use assets. Subsequently, the profitability of the trademark rights has declined and the Company no longer expects to recover its investment. The book value after the deduction of related liability is therefore reduced to the recoverable amount, and a reduction of ¥15,338 million is recorded as an extraordinary loss. The recoverable amount is determined by value in use after the deduction of related liability and is estimated at zero.

Loss on COVID-19

First quarter of the fiscal year 2021 (From January 1 to March 31, 2021)

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

Salaries and allowances for employees	584	(Millions of yen)
<u>Fixed costs for stores</u>	<u>330</u>	<u>"</u>
Total	914	"

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

Not applicable.

(Significant Subsequent Events)

Partial Termination of License

On April 28, 2021, our subsidiary Beauté Prestige International S.A.S. (hereafter, “BPI”; Headquarters: Paris, France) and DOLCE&GABBANA S.R.L. (hereafter, “D&G”; Headquarters: Milan, Italy) have agreed to partially terminate an exclusive global license agreement regarding the product development, manufacturing, distribution and marketing of its beauty products.

Such termination, which is subject to specific closing conditions, would be effective on December 31, 2021 for all activities and markets with the exception of activities carried out in France. License termination in France is under discussion to consider options given by D&G and will occur through proper local information and consultation processes with employee representatives in full alignment with French labor law.

In addition, both parties are currently considering the continued production and distribution of D&G beauty products on a worldwide scale for a minimum 12-month period.

(1) Reason for partial termination of license for Shiseido

This termination decision is in line with the Company’s medium-to-long-term strategy WIN 2023 and Beyond, developed in response to the COVID-19 business impact.

(2) Date of partial termination of license

December 31, 2021, subject to closing conditions

(3) Content of the agreement

Agreement regarding partial termination of an exclusive global license agreement

(4) Future outlook

The Company no longer expects to recover its investment in trademark rights and the book value after the deduction of related liability is reduced to the recoverable amount. The reduction of ¥15,338 million is recorded as an impairment loss in the first quarter of the fiscal year 2021. Extraordinary losses including such items as the impairment loss in the first quarter, expenses related to partial termination of the license, and retirement premiums are expected to total approximately ¥35,000 million for the fiscal year 2021.