

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.

August 5, 2021



Consolidated Settlement of Accounts for the First Half of the Fiscal Year Ending December 31, 2021 [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 6, 2021 (plan)

Start of cash dividend payments: September 3, 2021

Supplementary quarterly materials prepared: Yes

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

1. Performance for the First Half of the Fiscal Year Ending December 31, 2021 (From January 1 to June 30, 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 Half Ended June 30, 2021	507,687 [21.5%]	23,012 [—%]	28,052 [—%]	(17,278) [—%]
First Half Ended June 30, 2020	417,812 [(26.0)%]	(3,436) [—%]	(6,353) [—%]	(21,376) [—%]

Note: Comprehensive income

First half ended June 30, 2021: ¥6,063 million [—%]

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

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)
First Half Ended June 30, 2021	(43.25)	—
First Half Ended June 30, 2020	(53.51)	—

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2021	1,138,698	501,299	42.2%
As of December 31, 2020	1,204,229	506,593	40.2%

Reference: Equity: As of June 30, 2021: ¥480,091 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	—	20.00			
Fiscal Year 2021 (Forecast)			—	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: None

Please refer to “1. Analysis of Operating Results (3) Consolidated Forecast and Other Forward-Looking Information” on page 7 for details on the consolidated results forecast for the fiscal year 2021.

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 June 30, 2021:	400,000,000
As of December 31, 2020:	400,000,000
 - 2) Number of treasury shares

As of June 30, 2021:	523,245
As of December 31, 2020:	534,198
 - 3) Average number of shares outstanding during the period

First half ended June 30, 2021:	399,473,162
First half ended June 30, 2020:	399,454,298

Implementation status of quarterly review procedures

This Consolidated Settlement of Accounts for the First Half 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 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 7 for information on preconditions underlying the above outlook and other related information.

Contents

1. Analysis of Operating Results	2
(1) Consolidated Performance	2
(2) Financial Position	7
(3) Consolidated Forecast and Other Forward-Looking Information	7
2. Quarterly Consolidated Financial Statements	8
(1) Quarterly Consolidated Balance Sheets	8
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	10
(3) Consolidated Quarterly Statements of Cash Flows.....	12
(4) Notes to Quarterly Consolidated Financial Statements	14
(Note on Assumptions of a Going Concern).....	14
(Quarterly Consolidated Statements of Income)	14
(Note in the Event of Major Changes in Shareholders' Equity)	15
(Significant Subsequent Events).....	15

1. Analysis of Operating Results

(1) Consolidated Performance

(Millions of yen)

	Net Sales	Operating Profit (Loss)	Ordinary Profit (Loss)	Net Loss Attributable to Owners of Parent	EBITDA
First Half Ended June 30, 2021	507,687	23,012	28,052	(17,278)	38,880
First Half Ended June 30, 2020	417,812	(3,436)	(6,353)	(21,376)	13,764
Year-on-Year Increase (Decrease)	21.5%	—	—	—	182.5%
FX-Neutral	17.7%				

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

In the first half of the fiscal year 2021, global economic conditions remained challenging, as economic activity stagnated due to the COVID-19 outbreak, and consumer sentiment was low due to worsening corporate earnings and employment. In the Japan cosmetics market, consumer traffic was sluggish as a result of consumers staying at home and shortened operating hours in the retail sector under declared states of emergency. Other factors included a drop in visitors to Japan, which affected inbound demand. Globally, although the impact of the outbreak continued overall, progress in vaccination rollout, particularly in Europe and the United States, drove recovery across all cosmetic categories, even makeup, which had struggled.

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 strategic emphasis on 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 half of the fiscal year 2021, net sales were up 17.7% year on year on an FX-neutral basis, or 21.5% year on year to ¥507.7 billion based on reported figures. Weak momentum in Japan, where economic conditions remained challenging, was offset by strong growth in other regions, such as China, EMEA, and the Americas. Furthermore, sales were 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 ¥26.4 billion year on year to ¥23.0 billion due to higher margins resulting from stronger sales and cost management in line with market changes, particularly for marketing investments and other SG&A.

Net profit attributable to owners of parent posted a loss of ¥17.3 billion mainly due to an extraordinary loss 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 ¥24.6 billion.

EBITDA grew ¥25.1 billion year on year to ¥38.9 billion, while the EBITDA margin reached 7.7%.

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 JPY108.0/USD, JPY129.9/EUR, and JPY16.7/CNY.

Consolidated Performance

(Millions of yen)

Classification		First Half Ended June 30, 2021	% of Total	First Half Ended June 30, 2020	% of Total	Year-on-Year Increase (Decrease)		
						Amount	Percentage	FX- Neutral
Net Sales	Japan Business	148,803	29.3%	150,520	36.0%	(1,716)	(1.1)%	(1.1)%
	China Business	144,147	28.4%	100,038	23.9%	44,109	44.1%	34.6%
	Asia Pacific Business	31,342	6.2%	26,158	6.3%	5,183	19.8%	13.8%
	Americas Business	53,889	10.6%	36,739	8.8%	17,149	46.7%	46.3%
	EMEA Business	51,415	10.1%	34,958	8.4%	16,457	47.1%	35.0%
	Travel Retail Business	57,877	11.4%	51,670	12.4%	6,207	12.0%	11.6%
	Professional Business	7,418	1.5%	5,619	1.3%	1,798	32.0%	27.6%
	Other	12,792	2.5%	12,106	2.9%	685	5.7%	5.7%
	Subtotal	507,687	100.0%	417,812	100.0%	89,875	21.5%	17.7%
	Adjustments	—	—	—	—	—	—	—
Total	507,687	100.0%	417,812	100.0%	89,875	21.5%	17.7%	

(Millions of yen)

Classification		Intersegment sales or sales including internal transfers between accounts	
		First Half Ended June 30, 2021	First Half Ended June 30, 2020
Net Sales	Japan Business	169,398	165,159
	China Business	144,622	100,538
	Asia Pacific Business	32,560	27,282
	Americas Business	67,900	46,058
	EMEA Business	56,078	39,491
	Travel Retail Business	58,087	51,813
	Professional Business	7,707	5,916
	Other	99,216	90,782
	Subtotal	635,571	527,043
	Adjustments	(127,884)	(109,231)
Total	507,687	417,812	

(Millions of yen)

Classification	First Half Ended June 30, 2021	Ratio to Net Sales	First Half Ended June 30, 2020	Ratio to Net Sales	Year-on-Year Increase (Decrease)		
					Amount	Percentage	
Operating Profit (Loss)	Japan Business	9,178	5.4%	4,773	2.9%	4,404	92.3%
	China Business	86	0.1%	7,681	7.6%	(7,594)	(98.9)%
	Asia Pacific Business	1,214	3.7%	(630)	(2.3)%	1,845	—
	Americas Business	(9,110)	(13.4)%	(18,788)	(40.8)%	9,677	—
	EMEA Business	(320)	(0.6)%	(9,854)	(25.0)%	9,533	—
	Travel Retail Business	8,322	14.3%	7,516	14.5%	805	10.7%
	Professional Business	687	8.9%	15	0.3%	671	—
	Other	14,424	14.5%	10,015	11.0%	4,409	44.0%
	Subtotal	24,483	3.9%	730	0.1%	23,753	—
	Adjustments	(1,471)	—	(4,166)	—	2,695	—
Total	23,012	4.5%	(3,436)	(0.8)%	26,448	—	

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 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 investment in the skin beauty category, in line with new consumer needs prompted by the COVID-19 pandemic, and achieved market share gains mainly in skincare and base makeup. In addition, we engaged with a large number of consumers through various omnichannel initiatives in collaboration with business partners, such as live commerce events and online video counseling. Consequently, e-commerce sales grew year on year. Meanwhile, as COVID-19 cases resurged, sales were hit by a downturn in consumer traffic, resulting from shortened operating hours in the retail sector due to declared states of emergency and a decline in consumer sentiment due to a tendency to stay at home.

As a result, net sales decreased 1.1% year on year to ¥148.8 billion, while operating profit was up 92.3% year on year to ¥9.2 billion, mainly due to higher margins accompanying an increase in intercompany sales, improved efficiency of advertising expenses due to focused investment in digital media, and strict cost management.

China Business

In the China Business, both offline and online sales grew strongly, accelerating even in comparison with the fiscal year 2019. This robust growth was aided by boosted marketing investments, mainly in skin beauty brands such as **SHISEIDO** and **Clé de Peau Beauté**. In particular, our major brands performed well during the online 6.18 shopping festival with improved rankings, allowing us to gain market share.

As a result, net sales grew 34.6% on an FX-neutral basis, or 44.1% year on year to ¥144.1 billion based on reported figures. Operating profit contracted 98.9% year on year to ¥0.1 billion, particularly due to higher COGs. However, based on internal managerial accounting, operating margin grew year on year, mostly driven by increased 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 share in all major markets. In addition, e-commerce sales grew significantly, driven by **SHISEIDO** and other prestige brands, thanks to proactive expansion into major e-commerce platforms in various regions.

As a result, net sales increased 13.8% on an FX-neutral basis, or 19.8% year on year to ¥31.3 billion based on reported figures. Operating profit rose ¥1.8 billion year on year to ¥1.2 billion, mainly due to higher margins accompanying an increase in sales.

Americas Business

In the Americas, while the impact of COVID-19 continued, vaccination rollout drove the recovery of the cosmetics market, including makeup, which had struggled. In this market environment, **NARS** grew its share due to new virtual store openings and other measures in strengthening digital marketing. In addition, **SHISEIDO** and fragrance brands also performed well on the back of increased promotions.

As a result, net sales soared 46.3% on an FX-neutral basis, or 46.7% year on year to ¥53.9 billion based on reported figures. This was partly due to the closure of the Americas distribution center in accordance with the lockdown in the previous year. Operating loss recovered by ¥9.7 billion year on year to ¥9.1 billion, mainly due to higher margins accompanying an increase in sales and improved profitability from reductions in fixed costs of the commercial business.

EMEA Business

In EMEA, while impacts from the spread of COVID-19 continued, vaccination rollout drove market recovery, mainly in skincare and fragrances. We succeeded in capturing this turnaround to deliver solid growth through further rollout of our **Clé de Peau Beauté** and **Drunk Elephant** brands and a significant expansion in e-commerce sales thanks to online video counseling and digital promotions.

As a result, net sales surged 35.0% on an FX-neutral basis, or 47.1% year on year to ¥51.4 billion based on

reported figures. Operating loss contracted by ¥9.5 billion year on year to ¥0.3 billion, mainly due to higher margins associated with an increase in sales, improved profitability of the commercial business, and efficiency of advertising expenses due to focused investment in digital media.

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 remarkably year on year through Hainan Island in China, where the number of domestic tourists continued to increase. To capture the demand, we increased the number of stores and strengthened digital communication centered on social media.

As a result, net sales grew 11.6% on an FX-neutral basis, or 12.0% year on year to ¥57.9 billion based on reported figures. Operating profit increased 10.7% year on year to ¥8.3 billion mainly due to higher margins accompanying increased sales.

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 half 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 27.6% on an FX-neutral basis, or 32.0% year on year to ¥7.4 billion based on reported figures. Operating profit rose ¥0.7 billion year on year to ¥0.7 billion, mainly due to increased margins associated with higher sales.

(2) Financial Position

1) Assets, Liabilities, and Net Assets

Total assets decreased by ¥65.5 billion from the end of the previous fiscal year to ¥1,138.7 billion. This was attributable to a decrease in trademark rights as a result of partial termination of a license agreement with DOLCE&GABBANA S.R.L., while tangible fixed assets increased mainly due to investment in plants and equipment. Liabilities decreased by ¥60.2 billion to ¥637.4 billion, mainly due to a decline in long-term payables resulting from the partial termination of the above agreement. Net assets decreased by ¥5.3 billion to ¥501.3 billion, mainly due to a decline in retained earnings.

The net debt-to-equity ratio, which indicates the ratio of interest-bearing debt to shareholders' equity, was 0.39.

2) Cash Flows

Net cash provided by operating activities during the first half of the fiscal year 2021 totaled ¥67.8 billion, largely from a decrease in working capital due to inventory reductions. Net cash used in investing activities was ¥51.4 billion, mostly due to investment in plants and equipment which outweighed proceeds from the sale of idle fixed assets. Net cash used in financing activities amounted to ¥35.8 billion, chiefly due to repayments of borrowings.

As a result of these activities, cash and cash equivalents at the end of the first half stood at ¥122.7 billion, down ¥13.7 billion from the beginning of the year.

(3) Consolidated Forecast and Other Forward-Looking Information

In the first half of the fiscal year 2021, the Company achieved steady growth by capturing market recovery overseas despite a challenging environment in Japan, which was impacted by declared states of emergency. In addition, the Company succeeded in transforming the COVID-19 crisis into an opportunity and established a resilient financial base, appropriately managing expenses and reducing fixed costs, among other measures. Consequently, net sales and operating profit for the first half exceeded expectations. In addition, we are progressing as planned with our global transformation initiatives such as structural reforms centered on rebuilding our business portfolio, accelerating DX, and improving cash management through inventory reductions and other measures.

Regarding the market environment going forward, at this time the Company finds it difficult to assess trends and possible impacts from uncertainties. While economic activity may be expected to recover thanks to vaccination rollout, it may also be further affected by the global spread of COVID-19 variants, constraints due to lockdowns and stay-at-home tendencies, and the risk of economic recession.

Given such circumstances, the Company has decided to maintain its consolidated forecast for the fiscal year ending December 31, 2021 announced on May 12, 2021. We are currently assessing various scenarios for the external environment and market trends, as well as their impact on our business, and will announce a new forecast at the appropriate timing.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2020	As of June 30, 2021
ASSETS		
Current Assets:		
Cash and time deposits	130,013	134,903
Notes and accounts receivable	144,728	144,418
Short-term investments in securities	21,000	-
Inventories	170,031	165,519
Other current assets	52,634	42,853
Less: Allowance for doubtful accounts	(3,644)	(4,353)
Total current assets	514,763	483,341
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	251,762	256,162
Less: Accumulated depreciation	(103,831)	(108,095)
Buildings and structures, net	147,931	148,066
Machinery, equipment and vehicles	118,883	126,792
Less: Accumulated depreciation	(63,344)	(66,856)
Machinery, equipment and vehicles, net	55,538	59,936
Tools, furniture and fixtures	102,657	109,782
Less: Accumulated depreciation	(60,680)	(68,740)
Tools, furniture and fixtures, net	41,976	41,041
Land	44,605	46,414
Leased assets	10,671	11,054
Less: Accumulated depreciation	(5,251)	(5,241)
Leased assets, net	5,420	5,813
Right-of-use assets	29,133	38,000
Less: Accumulated depreciation	(10,870)	(13,570)
Right-of-use assets, net	18,262	24,430
Construction in progress	27,308	35,619
Total property, plant and equipment	341,044	361,323
Intangible Assets:		
Goodwill	54,429	54,698
Leased assets	403	353
Trademark rights	131,636	72,682
Other intangible assets	54,922	57,068
Total intangible assets	241,392	184,803
Investments and Other Assets:		
Investments in securities	13,527	12,478
Long-term prepaid expenses	14,125	13,596
Deferred tax assets	42,501	54,587
Other investments	37,015	28,598
Less: Allowance for doubtful accounts	(140)	(30)
Total investments and other assets	107,029	109,230
Total Fixed Assets	689,466	655,357
Total Assets	1,204,229	1,138,698

(Millions of yen)

	As of December 31, 2020	As of June 30, 2021
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	21,187	23,701
Electronically recorded obligations – operating	55,740	46,295
Short-term debt	56,491	42,561
Current portion of long-term debt	10,730	730
Current portion of corporate bonds scheduled for redemption	-	15,000
Lease obligations	8,344	10,399
Other payables	75,695	67,969
Accrued income taxes	7,374	11,350
Reserve for sales returns	6,227	3,708
Refund liabilities	10,518	10,987
Accrued bonuses for employees	15,024	19,398
Accrued bonuses for directors	165	106
Provision for liabilities and charges	545	406
Provision for loss on business withdrawal	725	622
Provision for structural reforms	-	5,613
Other current liabilities	84,208	82,151
Total current liabilities	352,977	341,004
Long-Term Liabilities:		
Bonds	65,000	50,000
Long-term debt	167,861	180,476
Lease obligations	15,872	20,597
Long-term payables	52,968	4,797
Liability for retirement benefits	27,189	26,071
Allowance for losses on guarantees	350	350
Deferred tax liabilities	2,944	3,298
Other long-term liabilities	12,472	10,804
Total long-term liabilities	344,658	296,395
Total Liabilities	697,635	637,399
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,741	70,741
Retained earnings	339,817	314,513
Treasury stock	(2,455)	(2,410)
Total shareholders' equity	472,610	447,351
Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	3,054	2,921
Foreign currency translation adjustments	5,257	25,721
Accumulated adjustments for retirement benefits	3,366	4,096
Total accumulated other comprehensive income	11,678	32,739
Stock Acquisition Rights	1,399	1,419
Non-Controlling Interests in Consolidated Subsidiaries	20,905	19,788
Total Net Assets	506,593	501,299
Total Liabilities and Net Assets	1,204,229	1,138,698

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

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

	(Millions of yen)	
	First Half Ended June 30, 2020 (January 1 to June 30, 2020)	First Half Ended June 30, 2021 (January 1 to June 30, 2021)
Net Sales	417,812	507,687
Cost of Sales	100,863	125,003
Gross Profit	316,948	382,683
Selling, General and Administrative Expenses	320,385	359,671
Operating Profit(Loss)	(3,436)	23,012
Non-operating Income		
Interest income	398	395
Dividend income	96	220
Equity in earnings of affiliates	105	123
Rental income	286	294
Subsidy income	2,463	3,148
Foreign exchange gain	-	1,926
Other	533	878
Total non-operating income	3,883	6,986
Non-operating Expenses		
Interest expense	1,243	1,014
Foreign exchange loss	2,450	-
Other interest on debt	661	472
Other	2,444	459
Total non-operating expenses	6,800	1,946
Ordinary Profit(Loss)	(6,353)	28,052
Extraordinary Gains		
Gain on sales of fixed assets	488	532
Grant income	1,836	1,110
Gain on sales of investment securities	311	328
Total extraordinary gains	2,636	1,971
Extraordinary Losses		
Loss on disposal of fixed assets	1,144	983
Impairment loss	-	18,907
Structural reform expenses	-	23,412
Loss on COVID-19	16,619	3,237
Loss on revaluation of investments in securities	-	4
Loss on business withdrawal	938	-
Loss on sales of investment securities	2	-
Total extraordinary losses	18,704	46,546
Quarterly Loss before Income Taxes	(22,421)	(16,522)
Income Taxes – Current	(1,216)	11,187
Income Taxes – Deferred	60	(11,427)
Total Income Taxes	(1,156)	(240)
Quarterly Net Loss	(21,265)	(16,282)
Quarterly Net Profit Attributable to Non-Controlling Interests	110	996
Quarterly Net Loss Attributable to Owners of Parent	(21,376)	(17,278)

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

	(Millions of yen)	
	First Half Ended June 30, 2020 (January 1 to June 30, 2020)	First Half Ended June 30, 2021 (January 1 to June 30, 2021)
Quarterly Net Loss	(21,265)	(16,282)
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(193)	(150)
Foreign currency translation adjustments	(4,427)	21,763
Adjustment for retirement benefits	1,660	731
Share of other comprehensive income of associates accounted for under the equity method	5	0
Total other comprehensive income (loss)	(2,955)	22,345
Quarterly Comprehensive Income	(24,220)	6,063
(Breakdown)		
Quarterly Comprehensive income attributable to owners of parent	(24,062)	3,782
Quarterly Comprehensive income attributable to non-controlling interests	(157)	2,280

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half Ended June 30, 2020 (January 1 to June 30, 2020)	First Half Ended June 30, 2021 (January 1 to June 30, 2021)
Cash Flows from Operating Activities:		
Loss before income taxes	(22,421)	(16,522)
Depreciation and amortization	30,086	30,974
Amortization of goodwill	3,581	3,571
Impairment loss	-	18,907
(Gain) Loss on disposal of fixed assets	656	451
(Gain) Loss on sales of investments in securities	(309)	(328)
Grant income	(1,836)	(1,110)
Loss on COVID-19	16,619	3,237
Structural reform expenses	-	23,412
Increase (Decrease) in allowance for doubtful accounts	1,952	423
Increase (Decrease) in reserve for sales returns	(879)	(2,517)
Increase (Decrease) in refund liabilities	(386)	(207)
Increase (Decrease) in accrued bonuses for employees	(12,787)	3,809
Increase (Decrease) in accrued bonuses for directors	(69)	(58)
Increase (Decrease) in provision for liabilities and charges	64	(157)
Increase (Decrease) in provision for loss on business withdrawal	-	(106)
Increase (Decrease) in liability for retirement benefits	584	(298)
Interest and dividend income	(494)	(615)
Interest expense	1,243	1,014
Other interest on debt	661	472
Equity in (earnings) losses of affiliates	(105)	(123)
(Increase) Decrease in notes and accounts receivable	37,377	7,602
(Increase) Decrease in inventories	(15,587)	12,564
Increase (Decrease) in notes and accounts payable	(35,374)	(2,033)
Other	4,280	2,284
Subtotal	6,856	84,644
Interest and dividends received	702	802
Interest paid	(1,246)	(996)
Interest paid on other debt	(596)	(492)
Grant received	1,208	1,228
Loss paid on COVID-19	(16,005)	(2,789)
Structural reform expenses paid	-	(10,747)
Income taxes paid	(7,247)	(3,815)
Net cash provided by (used in) operating activities	(16,328)	67,833

(Millions of yen)

	First Half Ended June 30, 2020 (January 1 to June 30, 2020)	First Half Ended June 30, 2021 (January 1 to June 30, 2021)
Cash Flows from Investing Activities:		
Transfers to time deposits	(8,018)	(17,151)
Proceeds from maturity of time deposits	8,389	20,649
Acquisition of investments in securities	(3)	(4)
Proceeds from sales of investment in securities	430	453
Acquisition of property, plant and equipment	(38,424)	(53,214)
Proceeds from sales of property, plant and equipment and intangible assets	534	55
Acquisition of intangible assets	(9,201)	(8,577)
Payments of long-term prepaid expenses	(3,553)	(2,270)
Proceeds from sales of investment property	-	7,910
Other	(13)	718
Net cash provided by (used in) investing activities	(49,859)	(51,431)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term debt and commercial papers	25,258	(15,121)
Proceeds from long-term debt	50,000	10,000
Repayment of long-term debt	(365)	(10,365)
Proceeds from issuance of bonds	20,000	-
Redemption of bonds	(15,000)	-
Repayment of lease obligations	(5,870)	(5,281)
Repayment of long-term accounts payable	(968)	(3,435)
Acquisition of treasury stock	(9)	(14)
Disposal of treasury stock	44	33
Cash dividends paid	(11,953)	(7,987)
Cash dividends paid to non-controlling interests	(2,847)	(3,686)
Other	-	10
Net cash provided by (used in) financing activities	58,289	(35,847)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,891)	5,784
Net Change in Cash and Cash Equivalents (Decrease)	(9,790)	(13,661)
Cash and Cash Equivalents at Beginning of Period	97,466	136,347
Cash and Cash Equivalents at End of Period	87,676	122,686

(4) Notes to Quarterly Consolidated Financial Statements (Note on Assumptions of a Going Concern)

Not applicable.

(Quarterly Consolidated Statements of Income)

Grant Income

First half of the fiscal year 2021 (From January 1 to June 30, 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 half of the fiscal year 2021 (From January 1 to June 30, 2021)

The Company recognizes an impairment loss on the following asset groups.

Use	Location	Type	Impairment loss (Millions of yen)
Assets for business use	Paris, France	Trademark rights	15,581
	Subtotal		15,581
	Kakegawa-shi, Shizuoka Pref.	Buildings and structures	1,829
		Machinery and equipment	1,445
		Other	51
	Subtotal		3,326
Total			18,907

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 ¥15,581 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.

In addition, following the decision to discontinue production of hyaluronic acid, the book value of factory asset groups related to the hyaluronic acid business was reduced to the recoverable amount, and the amount of the reduction is recorded as an extraordinary loss.

The recoverable amount is determined by value in use and is estimated at zero.

Structural Reform Expenses

First half of the fiscal year 2021 (From January 1 to June 30, 2021)

Mainly expenses related to partial termination of an exclusive global license agreement with DOLCE&GABBANA S.R.L. and retirement premiums, etc. of ¥18,342 million, retirement premiums, etc. of ¥3,326 million related to organizational reform in Europe, and transfer incentive, etc. of ¥1,244 million related to transfer of the Personal Care business.

Loss on COVID-19

First half of the fiscal year 2021 (From January 1 to June 30, 2021)

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

Salaries and allowances for employees	2,708	(Millions of yen)
Fixed costs for stores	528	"
Total	3,237	"

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

Not applicable.

(Significant Subsequent Events)

(Company split and other changes accompanying the transfer of the Personal Care business)

On July 1, 2021, the Personal Care business (the "Business") and its subsidiaries in Japan (Shiseido Japan Co., Ltd. ("SJ") and FT Shiseido Co., Ltd. (the "Former FTS") were succeeded by Fine Today Shiseido Co., Ltd. (the "New FTS") through a company split from the Company, and all of the outstanding shares of the New FTS were transferred to Oriental Beauty Holding Co., Ltd. ("OBH"). Also, two Chinese subsidiaries, Shiseido China Co., Ltd. ("SCH") and Shanghai Zotos Citic Cosmetics Co., Ltd. ("SZC"), transferred their assets of the Business to an affiliate of OBH.

On September 1, 2021, the Company further plans to transfer the assets of the Business of its subsidiary Shiseido Hong Kong Ltd. and Asia Pacific subsidiaries, Shiseido Singapore Co., (Pte.) Ltd., Shiseido Korea Co., Ltd., and Shiseido Cosmetics Vietnam Co., Ltd.

On July 2021, the Group received ¥152,498 million for the transfer of all outstanding shares and assets related to the above. Additionally, on July 1, 2021, the Company acquired 35% of the shares of K.K. Asian Personal Care Holding, the wholly owning parent company of OBH.

Excluding the above noted subsidiaries, six of the Company's subsidiaries that develop business in Asia (Taiwan Shiseido Co., Ltd., FLELIS International Inc., Shiseido Thailand Co., Ltd., Shiseido Malaysia Sdn. Bhd., Shiseido Philippines Corporation, and PT. Shiseido Cosmetics Indonesia) are planning to transfer assets of the Business in 2022 and thereafter.

All operations of the company split, share transfer, asset transfer and share purchase are pursuant to the Purchase Agreement between the Company and OBH dated February 3, 2021.

The following section details the company split and share transfer of the Business in Japan executed on July 1 and asset transfer related to the Business of two Chinese subsidiaries. Regarding the asset transfer planned on September 1, gain or loss on the transfer is expected to be insignificant.

Company Split and Share Transfer of the Business in Japan, and Asset Transfer Related to the Business of Two Chinese Subsidiaries

1. Overview of business divestiture

(1) Name of divested company and company to which shares are transferred

a. Name of divested company of the Business in Japan through company split

Fine Today Shiseido Co., Ltd.

b. Name of company to which shares are transferred

Oriental Beauty Holding Co., Ltd.

c. Name of company to which assets related to the Business of two Chinese subsidiaries are transferred

Shanghai FTS Cosmetics Co., Ltd.

(2) Details of divested business

Personal Care business

(3) Reasons for business divestiture and objectives of share transfer

We have positioned Skin Beauty as our core business. In view of this strategy, the Company has considered various strategic options for further growth and development of the Business, and as a result determined that a transfer of the Business will promote further development of its brands and employees and bolster investment in its growth, resulting in flexible strategies and rapid decision-making attuned to the mass business segment, nurturing of human resources exceptional in value creation, and benefits for consumers and business partners.

(4) Date of Company split, share transfer, and asset transfer

a. Company split and share transfer of the Business in Japan

Effective date of company split	July 1, 2021
Effective date of share transfer	July 1, 2021

b. Asset transfer related to the Business of two Chinese subsidiaries

Date of asset transfer	July 1, 2021
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(5) Outline of other transactions including legal formality

Company split of the Business in Japan	The Company, SJ, and the Former FTS are the splitting companies, and the New FTS is the succeeding company that assumes the rights and obligations related to the Business in Japan.
Share transfer of the succeeding company	Share transfer of the succeeding company with consideration received as cash
Asset transfer related to the Business of two Chinese subsidiaries	Asset transfer related to the Business of SCH and SZC

2. Overview of accounting treatment

(1) Amount of gain on transfer

Gain on transfer of business	¥73,500 million
Gain on change in equity	¥13,500 million

(The Company plans to record the transfer in the fiscal year ending December 31, 2021. Final amounts are currently under evaluation.)

(2) Appropriate book value of assets and liabilities related to transferred business and its breakdown

Current Assets:	¥21,635 million
Fixed Assets:	¥470 million
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Total Assets	¥22,105 million
Current Liabilities:	¥11,310 million
Long-Term Liabilities:	¥573 million
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Total Liabilities	¥11,883 million

(Final amounts are currently under evaluation.)

(3) Accounting treatment

As the Company continues to invest a substantial 35% of the transferred business in the consolidated financial statements, any gain or loss on transfer which is recognized in the non-consolidated financial statements is accounted for through elimination of unrealized gains and losses in accordance with ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." In addition, any difference between the increase in the equity of the divesting company related to the affiliated company and decrease in the equity of the divesting company related to the transferred business is accounted for as a gain on change in equity.

3. Reportable segments included in business divestiture

Japan Business, China Business

4. Approximate profit or loss related to the Business recorded in Quarterly Consolidated Statements of Income for the first half of the fiscal year 2021

Net Sales	¥53,626 million
Operating Profit	¥4,060 million

The estimated amount of the above profit and loss is the total amount of profit and loss related to the Business to be transferred by September 1, 2021.

5. Overview of continuing involvement

The Company has entered into manufacturing agreements and product procurement agreements for the manufacture of products related to the Personal Care business.