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 the summarization of accounts.

August 8, 2019

Consolidated Settlement of Accounts for the First Half of the Fiscal Year Ending December 31, 2019 [Japanese Standards]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number: 4911)
URL: https://www.shiseidogroup.com/
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: August 9, 2019
Start of cash dividend payments: September 3, 2019
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, 2019 (From January 1 to June 30, 2019)

* 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, 2019	564,647 [6.0%]	68,980 [(3.0)%]	67,965 [(6.7)%]	52,452 [10.0%]
First Half Ended June 30, 2018	532,596 [12.8%]	71,111 [105.1%]	72,807 [112.9%]	47,666 [153.5%]

Note: Comprehensive income
First half ended June 30, 2019: ¥48,997 million [23.1%]
First half ended June 30, 2018: ¥39,808 million [116.5%]

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)
First Half Ended June 30, 2019	131.33	131.20
First Half Ended June 30, 2018	119.32	119.18

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2019	1,069,266	505,411	45.5%
As of December 31, 2018	1,009,618	468,462	44.4%

[Reference] Equity: As of June 30, 2019: ¥486,033 million
As of December 31, 2018: ¥448,580 million

2. Cash Dividends

	Cash Dividends per Share (Yen)				
	Q1	Q2	Q3	Year-End	Full Year
Fiscal Year 2018	—	20.00	—	25.00	45.00
Fiscal Year 2019	—	30.00			
Fiscal Year 2019 (forecast)			—	30.00	60.00

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

3. Forecast for the Fiscal Year Ending December 31, 2019 (From January 1 to December 31, 2019)

(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 2019	1,164,000 [6.3%]	120,000 [10.8%]	116,000 [5.9%]	83,000 [35.2%]	207.81

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: Yes
2) Other changes in accounting policies: None
3) Changes in accounting estimates: None
4) Restatements: None

Group subsidiaries that have adopted IFRS standards have implemented IFRS 16, Leases, from the first quarter of the fiscal year 2019. See "2. Consolidated Quarterly Financial Statements (4) Notes Concerning Consolidated Quarterly Financial Statements (Changes in Accounting Policies)" on page 16 for further details.

(4) Shares outstanding (common stock)

1) Number of shares outstanding (including treasury stock)

As of June 30, 2019:	400,000,000
As of December 31, 2018:	400,000,000

2) Number of treasury stock outstanding

As of June 30, 2019:	585,677
As of December 31, 2018:	618,049

3) Average number of shares over the period

First half ended June 30, 2019:	399,395,920
First half ended June 30, 2018:	399,481,487

Implementation status of quarterly review procedures

This Consolidated Settlement of Accounts for the First Half of the Fiscal Year Ending December 31, 2019 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.

Contents

1. Analysis of Operating Results

(1) Consolidated Performance

(Millions of yen unless otherwise stated)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit Attributable to Owners of Parent	Net Profit per Share (Yen)
First Half of Fiscal Year 2019	564,647	68,980	67,965	52,452	131.33
First Half of Fiscal Year 2018	532,596	71,111	72,807	47,666	119.32
Percentage Change Increase (Decrease)	6.0%	(3.0)%	(6.7)%	10.0%	10.1%
Percentage Change Increase (Decrease) FX-neutral	7.5%				

For the first half of fiscal year 2019, economic conditions in Japan continued along a path of moderate recovery. This included signs of a positive turnaround in consumer spending underpinned by improvement in employment and income gains. The domestic cosmetics market was also firm thanks to a similar ongoing trend of recovery and inbound demand supported by the continued increase in overseas tourists to Japan. Meanwhile, in overseas cosmetics markets, growth in Europe remained weak with varied performance from country to country. Growth in the Americas contracted, mainly in makeup, while growth in China and the rest of Asia continued to expand steadily.

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.

Fiscal year 2019 is the second year of the latter three-year period known as the second phase of VISION 2020. We are working to accomplish the new strategy to accelerate growth. To achieve this, we are concentrating marketing investments on prestige brands, a key driver of growth, and "Made in Japan" cosmetics and personal care brands, and are promoting greater investments in digital marketing and innovation. In addition, we are working on building supply capability and improving profitability in the Americas and EMEA, both of which are challenges that need to be addressed.

Net sales in the first half of fiscal year 2019 increased 7.5% year on year on a local currency basis. When converted into yen, net sales rose 6.0% year on year to ¥564.6 billion, achieving like-for-like growth of 7.3% driven by expansion in all regions. However, this excludes the impact of withdrawal from the amenity goods business and from advanced shipment along with the implementation of a new enterprise resource planning system (hereafter "ERP") in the Americas Business. Sales growth accelerated on a quarterly basis to 9.0% in the second quarter, compared to 5.5% growth in the first quarter, on a like-for-like basis. We engaged in strategic cross-border marketing aimed mainly at Chinese consumers across the entire Asian region, spurring growth in China and Travel Retail.

Operating profit decreased 3.0% year on year to ¥69.0 billion, reflecting increased investments in marketing, R&D, and people, which offset an increase in gross profit accompanying the increase in net sales. This was in line with the plan. We concentrated marketing investment in digital, and succeeded in improving the marketing ROI. The operating profit margin was 12.2%, maintaining continued double-digit profitability.

Net profit attributable to owners of parent rose to ¥52.5 billion, an increase of 10.0% year on year, thanks to a decline in tax expenses.

Net sales, operating profit, and net profit attributable to owners of parent all reached record highs in the second quarter.

The major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements are JPY110.1/USD, JPY124.3/EUR, and JPY16.2/CNY for the first half of the fiscal year.

[Consolidated Performance]

(Millions of yen)

Classification		First Half Ended June 30, 2019	% of Total	First Half Ended June 30, 2018	% of Total	Year-on-Year Increase (Decrease)		
						Amount	% Change	FX-neutral
Net Sales	Japan Business	231,885	41.1%	230,760	43.3%	1,125	0.5%	0.5%
	China Business	107,684	19.1%	92,895	17.4%	14,789	15.9%	20.5%
	Asia Pacific Business	36,253	6.4%	33,335	6.3%	2,917	8.8%	12.0%
	Americas Business	64,074	11.3%	58,841	11.0%	5,232	8.9%	8.4%
	EMEA Business	48,220	8.5%	46,859	8.8%	1,361	2.9%	9.0%
	Travel Retail Business	53,055	9.4%	45,261	8.5%	7,794	17.2%	17.3%
	Professional Business	7,216	1.3%	7,256	1.4%	(39)	(0.5)%	1.3%
	Other	16,256	2.9%	17,385	3.3%	(1,129)	(6.5)%	(6.5)%
	Subtotal	564,647	100.0%	532,596	100.0%	32,050	6.0%	7.5%
	Adjustments	—	—	—	—	—	—	—
	Total	564,647	100.0%	532,596	100.0%	32,050	6.0%	7.5%

(Millions of yen)

Classification		Intersegment sales or sales including internal transfers between accounts	
		First Half Ended June 30, 2019	First Half Ended June 30, 2018
Net Sales	Japan Business	252,709	246,313
	China Business	108,030	93,087
	Asia Pacific Business	37,536	34,365
	Americas Business	87,451	75,753
	EMEA Business	53,414	52,917
	Travel Retail Business	53,183	45,341
	Professional Business	7,541	7,599
	Other	77,483	69,203
	Subtotal	677,351	624,583
	Adjustments	(112,704)	(91,987)
	Total	564,647	532,596

(Millions of yen)

Classification		First Half Ended June 30, 2019	Ratio to Net Sales	First Half Ended June 30, 2018	Ratio to Net Sales	Year-on-Year Increase (Decrease)	
						Amount	% Change
Operating Profit (Loss)	Japan Business	48,280	19.1%	51,496	20.9%	(3,216)	(6.2)%
	China Business	18,020	16.7%	15,637	16.8%	2,382	15.2%
	Asia Pacific Business	3,161	8.4%	4,461	13.0%	(1,299)	(29.1)%
	Americas Business	(5,253)	(6.0)%	(7,215)	(9.5)%	1,962	—
	EMEA Business	(4,990)	(9.3)%	(5,013)	(9.5)%	22	—
	Travel Retail Business	11,954	22.5%	11,093	24.5%	860	7.8%
	Professional Business	229	3.0%	320	4.2%	(90)	(28.3)%
	Other	(495)	(0.6)%	2,823	4.1%	(3,318)	—
	Subtotal	70,906	10.5%	73,603	11.8%	(2,696)	(3.7)%
	Adjustments	(1,925)	—	(2,491)	—	566	—
	Total	68,980	12.2%	71,111	13.4%	(2,130)	(3.0)%

Notes:

1. The Group has revised its reportable segment classification method in line with its internal management structure, effective from the first quarter of the consolidated fiscal year. Shiseido Beauty Salon Co., Ltd., which was previously included in the Professional Business, is now included in the Other segment. Shiseido Astech Co., Ltd. and Hanatsubaki Factory Co., Ltd., which were previously included in the Japan Business, are now included in the Other segment. The segment information for the first half of the previous fiscal year has been restated in line with the new method of classification.
2. The Group has revised its reportable segment classification method in line with its internal management structure, effective from the third quarter of the previous consolidated fiscal year. The results of IPSA Co., Ltd., which were previously included in the Japan Business, are now included in the Other segment. The segment information for the first half of the previous fiscal year 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., manufacturing operations as well as the activities of the Frontier Science business (cosmetic raw materials and pharmaceuticals), the Restaurant business, etc.
4. The ratio of operating profit (loss) to net sales shows operating profit 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]

In the Japan Business, we continued to see strong sales growth in the "skin trinity category" in which we have continued to increase marketing investments. We maintained high growth in ***SHISEIDO***, which was driven by the performance of ***ULTIMUNE*** serum; ***HAKU***, which launched "Medicated Brightening Care-Hybrid Foundation"; and ***ELIXIR***, which contributed to continued high performance with lotions, emulsions and wrinkle-reducing cream. We also secured steady inbound demand by strengthening cross-border marketing throughout Asia despite the impact from unfavorable weather from early spring onward in addition to the decline in buyer sales caused by yen appreciation and a new e-commerce law in China. The above performance resulted in a 0.5% year-on-year increase in net sales, to ¥231.9 billion. Net sales growth excluding the impact of our withdrawal from the amenity goods business was 1.5% year on year. Operating profit fell 6.2% year on year to ¥48.3 billion, mainly due to an increase of investment in marketing, brand development, and people.

[China Business]

In the China Business, the strong performance of prestige brands such as ***SHISEIDO***, ***Clé de Peau Beauté***, ***IPSA*** and ***NARS*** continued, and sell-out of prestige brands soared in mainland China, exceeding 40% growth. Among cosmetics, strong growth also continued for the "Made in Japan" brands, ***ELIXIR*** and ***ANESSA***. The above performance resulted in 20.5% year-on-year growth in net sales on a local currency basis. When converted into yen, net sales rose 15.9% to ¥107.7 billion. Net sales growth for the second quarter accelerated, surging 22.3% year on year on a local currency basis. Operating profit rose 15.2% year on year to ¥18.0 billion due to an increase in gross profit and sales despite increased investments in marketing.

[Asia Pacific Business]

In the Asia Pacific Business, continued solid performance of ***NARS***, ***LAURA MERCIER*** and other prestige brands combined with strong growth for ***ELIXIR*** and ***SENKA*** resulted in 12.0% year-on-year growth in net sales on a local currency basis. When converted into yen, net sales rose 8.8% year on year to ¥36.3 billion. Despite an increase in gross profit accompanying the increase in sales, operating profit fell 29.1% year on year to ¥3.2 billion, mainly due to increased investment in marketing.

[Americas Business]

In the Americas Business, advanced shipment accompanying the implementation of the new ERP resulted in 8.4% year-on-year growth in net sales on a local currency basis. When converted into yen, net sales rose 8.9% year on year to ¥64.1 billion. Like-for-like growth excluding this factor was 1.7% year on year. By brand, ***bareMinerals***, which is in the process of closing unprofitable boutiques and other structural reforms, underperformed the previous year, while other prestige brands such as ***SHISEIDO*** and ***NARS*** continued to grow. The fragrance brand ***Dolce&Gabbana*** also saw strong growth. An increase in gross profit accompanying the increase in sales resulted in a ¥2.0 billion reduction in the operating loss to ¥5.3 billion. Broken down by function, the Americas Business consists of the commercial business in the Americas and global-scale development as the makeup brand holder function. It also possesses the Center of Excellence* function that serves as the value creation base for makeup, digital, and technology and assumes the cost of strategic investment in these global functions. The restructuring of ***bareMinerals*** will improve profitability in the future.

[EMEA Business]

In the EMEA Business, prestige brands such as ***SHISEIDO*** and ***NARS*** continued to grow, and the fragrance brand ***Dolce&Gabbana*** and ***narciso rodriguez***, which saw solid sales of new products, also performed well. This resulted in 9.0% year-on-year growth in net sales on a local currency basis. When converted into yen, net sales increased 2.9% year on year to ¥48.2 billion. Net sales growth in the second quarter accelerated from the first quarter to 12.0% growth. An increase in gross profit accompanying the increase in sales resulted in a ¥20 million reduction in operating loss to ¥5.0 billion. Broken down by function, the EMEA Business consists of the commercial business in EMEA, the fragrance brand holder function, and the Center of Excellence function for fragrances, and assumes the cost of strategic investment in these global functions. Profitability will improve in the future as sales expand.

[Travel Retail Business]

In the Travel Retail Business, ***SHISEIDO***, ***NARS***, and ***ANESSA*** drove growth, mainly in Asia, causing net sales to surge 17.3% year on year on a local currency basis. When converted into yen, net sales rose 17.2% year on year to ¥53.1 billion. Net sales growth for the second quarter was 24.5% year on year on a local currency basis, accelerated from the first quarter. Operating profit increased 7.8% year on year to ¥12.0 billion, boosted by an increase in gross profit along with the sales increase.

[Professional Business]

In the Professional Business, sales in China were strong, resulting in 1.3% year-on-year growth in net sales on a local currency basis. When converted into yen, sales declined 0.5% year on year to ¥7.2 billion. Operating profit fell 28.3% year on year to ¥200 million, mainly due to increased investment in marketing.

* Center of Excellence (CoE) refers to a system where each product category is led by the region that excels in that category. The designated CoE then formulates global strategies and develops products for the whole Group. Japan hosts the CoE for skincare; the Americas, for makeup, digital and technology; and EMEA, for fragrance.

(2) Consolidated Financial Position

(a) Assets, Liabilities and Net Assets

Total assets increased ¥59.6 billion to ¥1,069.3 billion compared to the end of the previous consolidated fiscal year, mainly due to an increase in capital investment in new factories in Japan and in the Global Innovation Center, and to the application of IFRS 16, Leases, from the first quarter of fiscal year 2019. Total liabilities increased ¥22.7 billion to ¥563.9 billion, mainly from an increase in long-term debt. Net assets rose ¥36.9 billion to ¥505.4 billion, owing mainly to an increase in retained earnings. The debt-to-equity ratio, which indicates the level of interest-bearing debt as a percentage of net equity, was 0.28.

(b) Cash Flows

Net cash provided by operating activities totaled ¥20.7 billion in the first half of fiscal year 2019. Net cash used in investing activities was ¥63.3 billion, mainly from investment in new factories in Japan and in the Global Innovation Center. Net cash provided from financing activities amounted to ¥22.8 billion, mainly due to an increase in long-term debt.

As a result of these activities, cash and cash equivalents as of June 30, 2019 stood at ¥90.5 billion, a decrease of ¥21.3 billion compared with the beginning of the fiscal year.

(3) Consolidated Forecast and Other Forward-Looking Information

The Group has revised the full-year consolidated forecast from the previous forecast announced on February 8, 2019. The consolidated net sales forecast has been revised downward by ¥8.0 billion, owing to the first half results, the future forecast, and the application of the accounting standard ASC 606, Revenue From Contracts With Customers, to its U.S. subsidiaries. The full-year application of this standard will result in the deduction of an estimated ¥8.0 billion for SG&A expenses from net sales. In addition, changes in foreign exchange will result in a downward revision of net sales. However, the Group has upward revised net sales by ¥4.0 billion on an organic basis excluding the above external factors, mainly due to robust performance in the first half. Ordinary profit has been revised downward by ¥4.0 billion due to a foreign exchange loss. The forecast for net profit attributable to owners of parent has been revised upward by ¥7.5 billion, mainly due to a decrease in taxes. Assumptions regarding the major average foreign currency exchange rates for the full fiscal year are JPY108.5/USD, JPY122.8/EUR, and JPY15.8/CNY.

Forecast for Consolidated Results for Fiscal Year 2019
(January 1 to December 31, 2019)

(Millions of yen unless otherwise stated)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit Attributable to Owners of Parent	Net Earnings per Share (Yen)
Previous Forecast (A)	1,172,000	120,000	120,000	75,500	189.04
Revised Forecast (B)	1,164,000	120,000	116,000	83,000	207.81
Change (B-A)	(8,000)	—	(4,000)	7,500	
Percentage Change (%)	(0.7)%	—	(3.3)%	9.9%	
Results for the Previous Fiscal Year (Ended December 31, 2018)	1,094,825	108,350	109,489	61,403	153.74

[Reference Information] Consolidated Net Sales Forecast by Reportable Segment

The consolidated results forecast for fiscal year 2019 by reportable segment is presented as follows.

Consolidated Net Sales Forecast for Fiscal Year 2019 (Full Year) (Millions of yen unless otherwise stated)

Classification	Revised Forecast (A)	Previous Forecast (B)	Change from Previous Forecast (A-B)	(Reference) Results for the Previous Fiscal Year				
				Before Reclassification	After Reclassification (B)	% Change	% Change FX-neutral	% Change Like-for-Like (Note 2)
Japan Business	473,500	480,000	(6,500)	454,558	454,535	4.2%	4.2%	5.6%
China Business	220,000	217,000	3,000	190,799	190,799	15.3%	20.0%	20.0%
Asia Pacific Business	73,500	74,000	(500)	68,120	68,120	7.9%	11.2%	11.2%
Americas Business (Note 1)	126,500	135,500	(9,000)	131,733	131,733	(4.0)%	(2.5)%	3.7%
EMEA Business	117,000	113,500	3,500	113,164	113,164	3.4%	8.8%	8.8%
Travel Retail Business	104,000	102,500	1,500	87,621	87,621	18.7%	21.0%	21.0%
Professional Business	14,500	14,500	—	20,324	14,145	2.5%	4.0%	4.0%
Other	35,000	35,000	—	28,503	34,704	0.9%	0.9%	0.9%
Total	1,164,000	1,172,000	(8,000)	1,094,825	1,094,825	6.3%	8.2%	9.6%

Notes:

1. U.S. subsidiaries in the Group that are subject to U.S. accounting standards will apply ASC 606, Revenue From Contracts With Customers, to the financial statements for fiscal year 2019. Because the companies that will apply this standard are unlisted companies in the U.S., they are applying this standard to the financial statements for fiscal year 2019 as stipulated in the U.S. standard. Under this standard, some payments to customers, which are currently handled as SG&A expenses, will be deducted from net sales in the financial statements for fiscal year 2019. In applying this standard, Shiseido is adopting the method of recognizing the impact from application of this standard from the date application begins; we are not revising fiscal year comparisons.
2. The % change like-for-like is calculated on a local currency basis, excluding the extraordinary impacts of withdrawal from the amenity goods business implemented last fiscal year, the sale of Ferzea and Encron in this fiscal year, and the impact from application of the U.S. accounting standard described above in Note 1.
3. The Group has revised its reportable segment classification method in line with its internal management structure, effective from the first quarter of the consolidated fiscal year. Shiseido Beauty Salon Co., Ltd., which was previously included in the Professional Business, is now included in the Other segment. Shiseido Astech Co., Ltd. and Hanatsubaki Factory Co., Ltd., which were previously included in the Japan Business, are now included in the Other segment. The segment information for the first half of the previous fiscal year has been restated in line with the new method of classification.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
ASSETS		
Current Assets:		
Cash and time deposits	125,891	102,763
Notes and accounts receivable	166,491	169,476
Inventories	149,788	168,862
Other current assets	42,811	54,377
Less: Allowance for doubtful accounts	(1,989)	(2,066)
Total current assets	482,994	493,413
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	191,335	196,129
Less: Accumulated depreciation	(103,727)	(99,088)
Buildings and structures, net	87,607	97,040
Machinery, equipment and vehicles	84,055	84,259
Less: Accumulated depreciation	(61,867)	(59,266)
Machinery, equipment and vehicles, net	22,188	24,993
Tools, furniture and fixtures	81,024	86,739
Less: Accumulated depreciation	(51,968)	(50,681)
Tools, furniture and fixtures, net	29,055	36,057
Land	49,795	45,002
Leased assets	8,231	8,943
Less: Accumulated depreciation	(3,630)	(3,978)
Leased assets, net	4,601	4,965
Right-of-use assets	—	23,008
Less: Accumulated depreciation	—	(3,192)
Right-of-use assets, net	—	19,815
Construction in progress	41,937	55,873
Total property, plant and equipment	235,185	283,748
Intangible Assets:		
Goodwill	12,610	11,398
Leased assets	233	189
Trademarks	111,001	105,093
Other intangible assets	41,561	44,294
Total intangible assets	165,406	160,976
Investments and Other Assets:		
Investments in securities	23,026	18,831
Long-term prepaid expenses	15,363	15,054
Deferred tax assets	59,691	62,104
Other investments	28,016	35,200
Less: Allowance for doubtful accounts	(66)	(64)
Total investments and other assets	126,031	131,127
Total Fixed Assets	526,624	575,853
Total Assets	1,009,618	1,069,266

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	56,870	36,106
Electronically recorded obligations – operating	45,422	55,314
Short-term debt	2,725	0
Current portion of long-term debt	730	730
Current portion of corporate bonds scheduled for redemption	10,000	25,000
Lease obligations	1,746	8,335
Other payables	73,836	77,588
Accrued income taxes	20,129	10,601
Reserve for sales returns	10,795	9,450
Refund liabilities	4,741	4,830
Accrued bonuses for employees	30,782	16,260
Accrued bonuses for directors	211	60
Provision for liabilities and charges	471	463
Provision for loss on business withdrawal	3,204	2,281
Other current liabilities	78,272	75,532
Total current liabilities	339,940	322,554
Long-Term Liabilities:		
Bonds	30,000	15,000
Long-term debt	28,105	70,840
Lease obligations	2,469	17,204
Long-term payables	54,639	51,458
Liability for retirement benefits	76,877	74,790
Allowance for losses on guarantees	350	350
Allowance for environmental measures	144	54
Deferred tax liabilities	3,316	2,750
Other long-term liabilities	5,312	8,851
Total long-term liabilities	201,215	241,300
Total Liabilities	541,156	563,855
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,748	70,737
Retained earnings	319,001	361,341
Treasury stock	(2,829)	(2,685)
Total shareholders' equity	451,427	493,900
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	4,992	4,440
Foreign currency translation adjustments	15,645	9,196
Accumulated adjustments for retirement benefits	(23,484)	(21,503)
Total accumulated other comprehensive income	(2,846)	(7,867)
Stock Acquisition Rights	952	1,135
Non-Controlling Interests in Consolidated Subsidiaries	18,929	18,242
Total Net Assets	468,462	505,411
Total Liabilities and Net Assets	1,009,618	1,069,266

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

Consolidated Quarterly Statements of Income Cumulative for the First Half

(Millions of yen)

	First Half Ended June 30, 2018 (January 1 to June 30, 2018)	First Half Ended June 30, 2019 (January 1 to June 30, 2019)
Net Sales	532,596	564,647
Cost of Sales	109,069	115,600
Gross Profit	423,526	449,046
Selling, General and Administrative Expenses	352,414	380,065
Operating Profit	71,111	68,980
Other Income		
Interest income	617	612
Dividend income	290	229
Equity in earnings of affiliates	127	142
Rental income	359	377
Subsidy income	2,577	1,071
Other	902	917
Total other income	4,874	3,351
Other Expenses		
Interest expense	390	908
Foreign exchange loss	1,794	2,226
Other interest on debt	704	644
Other	289	586
Total other expenses	3,178	4,366
Ordinary Profit	72,807	67,965
Extraordinary Gains		
Gain on sales of property, plant and equipment	606	20
Gain on sales of investments in securities	1,566	1,222
Gain on transfer of business	520	—
Total extraordinary gains	2,693	1,243
Extraordinary Losses		
Loss on disposal of property, plant and equipment	421	678
Loss on sales of investments in securities	—	165
Structural reform expenses	197	1,186
Loss on liquidation of subsidiaries and affiliates	—	466
Loss on business withdrawal	511	—
Total extraordinary losses	1,129	2,497
Quarterly Profit before Income Taxes	74,371	66,710
Income Taxes – Current	20,998	12,754
Income Taxes for Prior Years	—	3,607
Income Tax – Deferred	3,611	(4,040)
Total Income Taxes	24,609	12,322
Quarterly Net Profit	49,762	54,388
Quarterly Net Profit Attributable to Non-Controlling Interests	2,095	1,935
Quarterly Net Profit Attributable to Owners of Parent	47,666	52,452

Consolidated Quarterly Statements of Comprehensive Income
Cumulative for the First Half

(Millions of yen)

	First Half Ended June 30, 2018 (January 1 to June 30, 2018)	First Half Ended June 30, 2019 (January 1 to June 30, 2019)
Quarterly Net Profit	49,762	54,388
Other Comprehensive Income		
Unrealized gains (losses) on available-for-sale securities	(1,333)	(504)
Foreign currency translation adjustments	(11,237)	(6,875)
Adjustment for retirement benefits	2,609	1,982
Share of other comprehensive income of associates accounted for under the equity method	7	7
Total other comprehensive income (loss)	(9,954)	(5,390)
Quarterly Comprehensive Income	39,808	48,997
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	38,427	47,431
Quarterly comprehensive income attributable to non-controlling interests	1,380	1,566

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half Ended June 30, 2018 (January 1 to June 30, 2018)	First Half Ended June 30, 2019 (January 1 to June 30, 2019)
Cash Flows from Operating Activities:		
Profit before income taxes	74,371	66,710
Depreciation and amortization	20,195	26,828
Amortization of goodwill	928	887
(Gain) Loss on disposal of property, plant and equipment	(185)	658
(Gain) Loss on sales of investments in securities	(1,566)	(1,057)
Gain on transfer of business	(520)	—
Loss on business withdrawal	511	—
Increase (Decrease) in allowance for doubtful accounts	(637)	448
Increase (Decrease) in reserve for sales returns	(4,931)	(1,203)
Increase (Decrease) in refund liabilities	5,014	255
Increase (Decrease) in accrued bonuses for employees	(9,458)	(14,223)
Increase (Decrease) in accrued bonuses for directors	(60)	(150)
Increase (Decrease) in provision for liabilities and charges	(787)	9
Increase (Decrease) in provision for loss on business withdrawal	—	(922)
Increase (Decrease) in liability for retirement benefits	2,112	1,047
Increase (Decrease) in allowance for environmental measures	(136)	(90)
Interest and dividend income	(908)	(842)
Interest expense	390	908
Other interest on debt	704	644
Equity in (earnings) losses of affiliates	(127)	(142)
(Increase) Decrease in notes and accounts receivable	1,558	(7,340)
(Increase) Decrease in inventories	(15,666)	(22,594)
Increase (Decrease) in notes and accounts payable	(2,133)	3,944
Other	(2,640)	3,332
Subtotal	66,025	57,110
Interest and dividends received	1,140	1,052
Interest paid	(388)	(578)
Interest paid on other debt	(704)	(644)
Income tax paid	(26,810)	(36,279)
Net cash provided by operating activities	39,262	20,659

(Millions of yen)

	First Half Ended June 30, 2018 (January 1 to June 30, 2018)	First Half Ended June 30, 2019 (January 1 to June 30, 2019)
Cash Flows from Investing Activities:		
Transfers to time deposits	(17,403)	(8,693)
Proceeds from maturity of time deposits	17,922	10,268
Acquisition of investment securities	(982)	(355)
Proceeds from sales of investment securities	2,901	4,649
Acquisition of property, plant and equipment	(15,099)	(55,100)
Proceeds from sales of property, plant and equipment	1,531	30
Acquisition of intangible assets	(7,227)	(10,129)
Payments of long-term prepaid expenses	(3,959)	(3,510)
Payments for acquisition of business	(2,250)	—
Other	(1,601)	(413)
Net cash used in investing activities	(26,168)	(63,254)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term debt and commercial papers	(2,878)	(2,762)
Proceeds from long-term debt	—	44,024
Repayment of long-term debt	(365)	(365)
Repayment of lease obligations	(1,110)	(2,190)
Repayment of long-term accounts payable	(744)	(822)
Acquisition of treasury stock	(2,414)	(12)
Disposal of treasury stock	127	55
Cash dividends paid	(5,936)	(10,071)
Cash dividends paid to non-controlling interests	(4,231)	(5,092)
Other	(27)	—
Net cash used in financing activities	(17,580)	22,762
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(4,249)	(1,430)
Net Change in Cash and Cash Equivalents (Decrease)	(8,735)	(21,263)
Cash and Cash Equivalents at Beginning of Term	156,834	111,767
Decrease in Cash and Cash Equivalents Resulting from Exclusion of Subsidiaries from Consolidation	—	(24)
Cash and Cash Equivalents at End of Term	148,098	90,479

(4) Notes Concerning Consolidated Quarterly Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Consolidated Quarterly Statements of Income)

Structural reform expenses

First half of the fiscal year 2019 (From January 1 to June 30, 2019)
Expenses from office relocation as part of the extraordinary expenses for global structural reform in progress.

Loss on liquidation of subsidiaries and affiliates

First half of the fiscal year 2019 (From January 1 to June 30, 2019)
This loss was incurred following foreign currency translation adjustments accompanying the liquidation of an overseas consolidated subsidiary.

Income taxes for prior years

First half of the fiscal year 2019 (From January 1 to June 30, 2019)
This is the estimated additional tax amount on transactions between the Company and its overseas consolidated subsidiaries.

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

Not applicable.

(Changes in Accounting Policies)

Group subsidiaries that have adopted IFRS standards have implemented IFRS 16, Leases, from the first quarter of the current consolidated fiscal year.

Conventionally, the Group has treated lease transactions when it is the debtor as operating leases and finance leases. With the application of this standard, all of lease transactions are recorded as right-of use assets and lease obligations from the first quarter of the fiscal year 2019. However, short-term leases and leases of low-value assets are not recognized as lease obligations.

Right-of-use assets and lease obligations recognized under this standard are included in the consolidated quarterly balance sheets in the amounts of ¥19,815 million as right-of-use assets, net, ¥6,442 million in lease obligations under current liabilities, and ¥14,768 million in lease obligations under long-term liabilities. Furthermore, the cumulative total amount of depreciation of right-of-use assets as of June 30, 2019 was ¥3,192 million.

The impact of these changes on the profit and loss for the first half of the consolidated fiscal year 2019 is minor.

For the application of this standard, we have adopted a method in which the cumulative impact from the application is recognized as a transitional measure on the first day on which the standard is applied. To measure the right-of-use assets, we have adopted the method of adjusting the measurement of lease obligations by prepaid or accrued lease prepayments. As a result, there is no impact on retained earnings at the beginning of the year.