

Translation

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MEMBERSHIP

August 13, 2020

CONSOLIDATED FINANCIAL RESULTS for the First Three Months of the Fiscal Year Ending March 31, 2021 <under Japanese GAAP>

Company name: TOMY COMPANY, LTD.
Listing: First Section of the Tokyo Stock Exchange
Securities identification code: 7867
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Scheduled date to file quarterly securities report: August 13, 2020
Scheduled date to commence dividend payments: –
Supplementary material on quarterly financial results: No
Quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(in millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first three months of the fiscal year ending March 31, 2021 (From April 1, 2020 to June 30, 2020)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

Three months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2020	26,809	(24.0)	(583)	–	(656)	–	(1,174)	–
June 30, 2019	35,288	(7.9)	555	(66.8)	243	(87.8)	265	(78.4)

Note: Comprehensive income
Three months ended June 30, 2020: (1,321) million yen [–%]
Three months ended June 30, 2019: (906) million yen [–%]

Three months ended	Basic earnings per share	Diluted earnings per share
	yen	yen
June 30, 2020	(12.44)	–
June 30, 2019	2.78	2.78

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
June 30, 2020	139,079	64,157	45.6	673.22
March 31, 2020	129,253	67,410	51.6	703.07

Reference: Equity
As of June 30, 2020: 63,381 million yen
As of March 31, 2020: 66,649 million yen

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2020	–	15.00	–	15.00	30.00
Fiscal year ending March 31, 2021	–				
Fiscal year ending March 31, 2021 (Forecast)		7.50	–	7.50	15.00

Note: Revisions to the cash dividend forecasts most recently announced: Yes
 For the matters concerning the forecast values, please refer to “Notice Concerning Earnings Forecasts and Dividend Forecasts,” which is announced today (August 13, 2020).

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2021

(From April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Six months ending September 30, 2020 (cumulative)	62,000	(25.4)	500	(91.4)	500	(90.7)	0	(100.0)	0.00
Fiscal year ending March 31, 2021	145,000	(12.0)	5,500	(48.5)	5,500	(46.1)	3,000	(33.4)	31.79

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes
 For the matters concerning the forecast values, please refer to “Notice Concerning Earnings Forecasts and Dividend Forecasts,” which is announced today (August 13, 2020).

* Notes

(1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes

Note: For more details, please refer to the section of “(4) Notes Regarding Consolidated Financial Statements, (Application of specific accounting for preparing quarterly consolidated financial statements)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 16 of the attached material.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

A. Changes in accounting policies due to revisions to accounting standards: None

B. Changes in accounting policies due to other reasons: None

C. Changes in accounting estimates: None

D. Restatement: None

(4) Number of issued shares (common shares)

A. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2020	96,290,850 shares
As of March 31, 2020	96,290,850 shares

B. Number of treasury shares at the end of the period

As of June 30, 2020	2,143,282 shares
As of March 31, 2020	1,493,222 shares

C. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2020	94,376,180 shares
Three months ended June 30, 2019	95,286,000 shares

* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or audit corporation.

* Proper use of earnings forecasts, and other special matters

Regarding future forecasts, please refer to “(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements,” under “1. Qualitative Information Regarding Consolidated Operating Results,” on page 9.

A financial results presentation meeting for institutional investors and analysts will be held via telephone conference on August 13, 2020.

[Attached Material]

- 1. Qualitative Information Regarding Consolidated Operating Results 5
 - (1) Explanation of Operating Results 5
 - (2) Overview of Financial Position..... 9
 - (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements..... 9
- 2. Consolidated Financial Statements and Significant Notes Thereto..... 10
 - (1) Consolidated Balance Sheet 10
 - (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income ... 12
 - (Consolidated statement of income)..... 12
 - (Consolidated statement of comprehensive income)..... 13
 - (3) Consolidated Statement of Cash Flows..... 14
 - (4) Notes Regarding Consolidated Financial Statements 16
 - (Notes regarding assumption of going concern)..... 16
 - (Notes on significant changes in the amount of shareholders' equity)..... 16
 - (Application of specific accounting for preparing quarterly consolidated financial statements) .. 16
 - (Additional information) 16
 - (Consolidated statement of income)..... 16
 - Segment information 17

1. Qualitative Information Regarding Consolidated Operating Results

(1) Explanation of Operating Results

(Highlights of First Three Months of the Fiscal Year Ending March 31, 2021)

(Impacts including the novel coronavirus disease (COVID-19))

- On the production side, while factories in China, Vietnam, and Thailand were operating as normal in the first quarter of the fiscal year ending March 31, 2021, some products' roll-out was delayed, resulting in the loss of sales opportunities.
- On the demand side, while demands for some products that can be enjoyed at home and e-commerce purchases were growing, impacts seen in a reduction in product shipment, etc. persisted due to consumers voluntarily staying at home, temporary closure and shortened operating hours at stores, lockdowns in overseas, in addition to postponement of the movie release, and the cancellation, postponement and the scaling-down of various events.
- The TOMY Group implemented measures to prevent the spread of infections, including promoting remote working to drastically reduce instances of employees leaving their homes and attending workplaces, as well as prohibiting external business meal meetings and both overseas and domestic business trips in principle.

(Please visit our website for the TOMY Group's measures taken against COVID-19 from mid-June onward: www.takaratomy.co.jp/support/pdf/20200619.pdf)

(Consolidated performance)

- Net sales were ¥26,809 million (down 24.0% year on year). With regard to TOMICA celebrating its 50th anniversary this year, we have propelled various marketing measures for the 50th anniversary, including the commencement of broadcasting TV animation, TOMICA EARTH GRANNER, from April, the introduction of the related products to the market, and "Tomica 50th anniversary collaboration project with automakers." Overseas-bound exports of BEYBLADE BURST grew centered in North America thanks to factors including the continued broadcasting of the TV animation. The trading card game DUEL MASTERS recorded robust sales owing to the revision to its product mix. Family games such as POP-UP PIRATE gained popularity both in Japan and overseas due to stay-at-home demand amid the COVID-19 pandemic. As mentioned above, however, due to the spread of COVID-19, various marketing activities such as in-store promotion were constrained, and product shipments decreased on the whole.
- In terms of profit, operating loss was ¥583 million (operating profit of ¥555 million in the same period of the previous fiscal year), and ordinary loss was ¥656 million (ordinary profit of ¥243 million) resulting from a decrease in net sales and a decrease in gross profit, due in part to a write-down of inventory. However, selling, general and administrative expenses decreased as a result of cost control being exercised, such as for advertising expenses. In addition, loss attributable to owners of parent was ¥1,174 million (profit attributable to owners of parent of ¥265 million in the same period of the previous year) due in part to recognizing ¥651 million as extraordinary loss from COVID-19, including fixed expenses (personnel expenses and depreciation, etc.) incurred at retail stores that had temporary closures following the declaration of the state of emergency.

(Overview of Reportable Segments)

<Overview of operating results by segment>

(Millions of yen)

	First three months of the fiscal year ended March 31, 2020	First three months of the fiscal year ending March 31, 2021	Change	Rate of change (%)
Net sales	35,288	26,809	(8,478)	(24.0)
Japan	30,449	23,056	(7,392)	(24.3)
Americas	3,046	3,188	141	4.7
Europe	704	759	54	7.8
Oceania	296	352	55	18.5
Asia (excl. Japan)	13,168	10,283	(2,884)	(21.9)
Eliminations and corporate	(12,377)	(10,830)	1,546	-
Operating profit/(loss)	555	(583)	(1,138)	-
Japan	1,416	211	(1,204)	(85.0)
Americas	(80)	(83)	(2)	-
Europe	(235)	(77)	157	-
Oceania	(52)	11	63	-
Asia (excl. Japan)	294	155	(139)	(47.3)
Eliminations and corporate	(787)	(801)	(13)	-

Japan

(Millions of yen)

	First three months of the fiscal year ended March 31, 2020	First three months of the fiscal year ending March 31, 2021	Change
Net sales	30,449	23,056	(7,392)
Operating profit	1,416	211	(1,204)

Net sales were ¥23,056 million (down 24.3% year on year) and operating profit did not grow much, logging ¥211 million (down 85.0% year on year).

Stay-at-home demand for some products and e-commerce purchases were on the rise, owing to the spread of COVID-19. However, the overall situation accompanied by a decrease in product shipments has become dire, due to consumers voluntarily staying at home, temporary closure and shortened operating hours at stores, postponement of the movie release, as well as the cancellation, postponement and the scaling-down of various events, in addition to a decrease in inbound consumption, among other factors.

As for TOMICA celebrating its 50th anniversary, we introduced products related to TOMICA EARTH GRANNER, which TV animation began its broadcasting in April, and also promoted various marketing measures for the 50th anniversary, such as the “Tomica 50th anniversary collaboration project with automakers” and collaboration with bus companies and confectionery manufacturers. Domestic sales of BEYBLADE BURST launched in the summer of 2015 were on the decline, while exports to overseas markets, mainly in North America, grew thanks to factors including the continued broadcasting of the TV animation. In trading card games, amid the intensified competitive environment, DUEL MASTERS gained a public spotlight following changes in its product mix, and WIXOSS trended favorably due in part to the development of collaboration products with the popular VTuber/Virtual liver group. Also, products that can be enjoyed at home attracted attention due to consumers voluntarily staying at home, and family games such as the board game, THE GAME OF LIFE, which can be played with the family members, and the long-selling party game, POP-UP PIRATE, were picked up by a large number of media. Further, products related to the popular TV animation, PAW Patrol, whose products have been rolled out since spring 2019, continued to see strong sales. DUEL MASTERS PLAY’S, a smartphone card game app launched in December 2019, has more than 5 million downloads and we released new card packs in February, April, and June.

Americas

(Millions of yen)

	First three months of the fiscal year ended March 31, 2020	First three months of the fiscal year ending March 31, 2021	Change
Net sales	3,046	3,188	141
Operating loss	(80)	(83)	(2)

Net sales of agricultural machinery toys increased to ¥3,188 million (up 4.7% year on year), accompanied by the popularity of ride-on toys that can be played in a garden during the lockdown. Operating loss was ¥83 million (operating loss of ¥80 million in the same period of the previous year) due to changes in the product mix. The enforcement of lockdowns due to COVID-19 boosted stay-at-home demand and e-commerce purchase. Baby products trended favorably on the back of increasing demand for baby tableware and chamber pots for toilet training categorized as daily essential goods due to longer hours spent at home.

Europe

(Millions of yen)

	First three months of the fiscal year ended March 31, 2020	First three months of the fiscal year ending March 31, 2021	Change
Net sales	704	759	54
Operating loss	(235)	(77)	157

Net sales were ¥759 million (up 7.8% year on year), mainly due to favorable sales of preschool-related products, and operating loss was ¥77 million (operating loss of ¥235 million in the same period of the previous year), partly due to a decrease in selling, general and administrative expenses resulting from cost control on advertising expenses, etc.

The lockdowns due to the spread of COVID-19 caused the temporary closure of stores, but there were growing stay-at-home demand and e-commerce purchases.

Family games that can be played with family members brought into spotlight amid COVID-19 pandemic, and the long-selling party game, POP UP PIRATE, board games and an action game, DRUMOND PARK Brand Product, enjoyed great popularity.

Oceania

(Millions of yen)

	First three months of the fiscal year ended March 31, 2020	First three months of the fiscal year ending March 31, 2021	Change
Net sales	296	352	55
Operating profit/(loss)	(52)	11	63

Net sales increased to ¥352 million (up 18.5% year on year) due mainly to the broader popularity of family games enjoyed at home, and the growth of game-related products such as the long-selling party game, POP UP PIRATE, as well as strong sales of agricultural machinery toys. Operating profit was ¥11 million (operating loss of ¥52 million in the same period of the previous year), partly due to a decrease in selling, general and administrative expenses, leveraged by cost control on advertising expenses, etc.

The outing restriction enforced as part of the lockdown measures amid the spread of COVID-19 triggered a rise in the stay-at-home demand.

Asia (excl. Japan)

(Millions of yen)

	First three months of the fiscal year ended March 31, 2020	First three months of the fiscal year ending March 31, 2021	Change
Net sales	13,168	10,283	(2,884)
Operating profit	294	155	(139)

Net sales were ¥10,283 million (down 21.9% year on year), and operating profit was ¥155 million (down 47.3% year on year) due to a drop in the sale of boys-related products, and because the sale of movie-related products rolled out in the previous fiscal year has come full circle.

On the production side, amid the spread of COVID-19, the operation has been normal in China, Vietnam, and Thailand since April. On the demand side, the lockdowns enforced in various countries significantly affected the in-store purchasing trends.

Sales declined due to the delays in shipments of products following the lockdowns in various countries, as well as the impact on marketing measures such as events and in-store promotions that were called off despite extensive sales promotions carried out for PLARAIL.

(2) Overview of Financial Position

Assets, Liabilities and Net Assets

<Assets>

At the end of the first quarter of the fiscal year ending March 31, 2021, current assets stood at ¥97,199 million, up ¥10,045 million from the end of the previous fiscal year ended March 31, 2020. This is mainly attributable to increases in cash and deposits and merchandise and finished goods, despite a decrease in notes and accounts receivable - trade.

Non-current assets stood at ¥41,880 million, down ¥219 million from the end of the previous fiscal year. This is mainly attributable to a decrease in intangible assets, despite an increase in investments and other assets.

<Liabilities>

At the end of the first quarter, current liabilities stood at ¥36,626 million, up ¥287 million from the end of the previous fiscal year. This is mainly attributable to increases in short-term borrowings and notes and accounts payable - trade, despite decreases in accounts payable - other and accrued expenses.

Non-current liabilities stood at ¥38,295 million, up ¥12,790 million from the end of the previous fiscal year. This is mainly attributable to an increase in long-term borrowings, despite a decrease in lease obligations.

<Net assets>

At the end of the first quarter, total net assets were ¥64,157 million, down ¥3,252 million from the end of the previous fiscal year. This is mainly attributable to a decrease in retained earnings and purchase of treasury shares.

Cash Flows

Cash and cash equivalents (hereafter “cash”) at the end of the first quarter of the fiscal year ending March 31, 2021 was ¥55,835 million, an increase of ¥8,930 million compared with the end of the previous fiscal year ended March 31, 2020.

Net cash used in operating activities was ¥1,795 million, compared with ¥4,875 million used in the same period a year earlier. The main factors are an increase in inventories of ¥2,700 million, a decrease in accounts payable - other of ¥1,515 million and loss before income taxes of ¥1,253 million, despite a decrease in trade receivables of ¥1,590 million and depreciation of ¥1,346 million.

Net cash used in investing activities was ¥606 million, compared with ¥853 million used in the same period a year earlier. The main factors are purchase of property, plant and equipment of ¥330 million and purchase of intangible assets of ¥242 million.

Net cash provided by financing activities was ¥11,333 million, compared with ¥2,500 million used in the same period a year earlier. The main factors are proceeds from long-term borrowings of ¥14,000 million, despite repayments of long-term borrowings of ¥1,325 million and dividends paid of ¥1,320 million.

- (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements
Earnings forecasts and dividend forecasts were left undetermined in “CONSOLIDATED FINANCIAL RESULTS for the Fiscal Year Ended March 31, 2020 <under Japanese GAAP>,” which were disclosed on May 19, 2020. Meanwhile, “Notice Concerning Earnings Forecasts and Dividend Forecasts” was announced on August 13, 2020. Please refer to the section.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	47,009	55,939
Notes and accounts receivable - trade	17,946	16,342
Merchandise and finished goods	13,370	16,131
Work in process	625	677
Raw materials and supplies	1,013	925
Other	7,350	7,341
Allowance for doubtful accounts	(162)	(159)
Total current assets	87,153	97,199
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,720	12,769
Accumulated depreciation	(8,321)	(8,429)
Accumulated impairment loss	(349)	(348)
Buildings and structures, net	4,048	3,991
Machinery, equipment and vehicles	2,538	2,548
Accumulated depreciation	(1,975)	(2,002)
Accumulated impairment loss	(33)	(29)
Machinery, equipment and vehicles, net	529	516
Tools, furniture and fixtures	22,780	22,914
Accumulated depreciation	(20,978)	(21,123)
Accumulated impairment loss	(723)	(717)
Tools, furniture and fixtures, net	1,078	1,072
Land	3,897	3,899
Leased assets	7,475	7,365
Accumulated depreciation	(4,014)	(4,040)
Accumulated impairment loss	(290)	(290)
Leased assets, net	3,170	3,035
Construction in progress	324	737
Total property, plant and equipment	13,048	13,252
Intangible assets		
Goodwill	14,772	14,295
Other	7,913	7,730
Total intangible assets	22,685	22,025
Investments and other assets		
Investment securities	3,190	3,284
Deferred tax assets	1,015	1,122
Other	2,187	2,223
Allowance for doubtful accounts	(27)	(27)
Total investments and other assets	6,365	6,602
Total non-current assets	42,099	41,880
Total assets	129,253	139,079

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,648	9,193
Short-term borrowings	5,980	6,563
Current portion of long-term borrowings	5,300	5,300
Lease obligations	2,550	2,417
Accounts payable - other	6,183	5,301
Accrued expenses	5,860	5,251
Income taxes payable	695	321
Provisions	297	260
Other	822	2,016
Total current liabilities	36,338	36,626
Non-current liabilities		
Long-term borrowings	18,375	31,050
Lease obligations	1,077	1,043
Deferred tax liabilities	638	635
Deferred tax liabilities for land revaluation	472	472
Provisions	526	530
Retirement benefit liability	2,912	2,930
Other	1,503	1,633
Total non-current liabilities	25,504	38,295
Total liabilities	61,843	74,921
Net assets		
Shareholders' equity		
Share capital	3,459	3,459
Capital surplus	9,212	9,212
Retained earnings	44,980	42,384
Treasury shares	(1,257)	(1,806)
Total shareholders' equity	56,394	53,248
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,109	1,188
Deferred gains or losses on hedges	407	399
Revaluation reserve for land	624	624
Foreign currency translation adjustment	9,058	8,838
Remeasurements of defined benefit plans	(944)	(918)
Total accumulated other comprehensive income	10,255	10,132
Share acquisition rights	336	378
Non-controlling interests	423	397
Total net assets	67,410	64,157
Total liabilities and net assets	129,253	139,079

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated statement of income)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	35,288	26,809
Cost of sales	20,811	17,066
Gross profit	14,477	9,743
Selling, general and administrative expenses	13,922	10,326
Operating profit (loss)	555	(583)
Non-operating income		
Interest and dividend income	60	28
Rental income	35	33
Other	23	31
Total non-operating income	119	93
Non-operating expenses		
Interest expenses	67	55
Foreign exchange losses	311	61
Other	52	49
Total non-operating expenses	431	166
Ordinary profit (loss)	243	(656)
Extraordinary income		
Gain on sales of non-current assets	–	4
Gain on reversal of share acquisition rights	0	–
Received settlement fee	191	–
Subsidies for employment adjustment	–	52
Total extraordinary income	191	57
Extraordinary losses		
Loss on retirement of non-current assets	0	3
Loss on sales of non-current assets	–	0
Loss on COVID-19	–	651
Total extraordinary losses	0	654
Profit (loss) before income taxes	434	(1,253)
Income taxes	166	(53)
Profit (loss)	267	(1,199)
Profit (loss) attributable to non-controlling interests	2	(25)
Profit (loss) attributable to owners of parent	265	(1,174)

(Consolidated statement of comprehensive income)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit (loss)	267	(1,199)
Other comprehensive income		
Valuation difference on available-for-sale securities	5	79
Deferred gains or losses on hedges	(347)	(7)
Foreign currency translation adjustment	(864)	(220)
Remeasurements of defined benefit plans, net of tax	32	26
Total other comprehensive income	(1,173)	(122)
Comprehensive income	(906)	(1,321)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(908)	(1,296)
Comprehensive income attributable to non-controlling interests	2	(25)

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	434	(1,253)
Depreciation	1,791	1,346
Loss on retirement of non-current assets	0	3
Amortization of goodwill	355	329
Gain on reversal of share acquisition rights	(0)	–
Received settlement fee	(191)	–
Income from subsidies for employment adjustment	–	(52)
Loss on COVID-19	–	651
Increase (decrease) in allowance for doubtful accounts	(1)	(1)
Increase (decrease) in provisions	(133)	(33)
Increase (decrease) in retirement benefit liability	11	41
Interest and dividend income	(60)	(28)
Interest expenses	67	55
Foreign exchange losses (gains)	199	(72)
Loss (gain) on sales of non-current assets	–	(4)
Decrease (increase) in trade receivables	(220)	1,590
Decrease (increase) in inventories	(3,369)	(2,700)
Decrease (increase) in prepaid expenses	(701)	(376)
Increase (decrease) in trade payables	2,111	578
Increase (decrease) in accounts payable - other	(1,223)	(1,515)
Increase (decrease) in accrued expenses	(1,898)	(632)
Other, net	580	1,275
Subtotal	(2,248)	(801)
Interest and dividends received	60	27
Interest paid	(87)	(48)
The receipt of settlement fee	191	–
Proceeds from subsidies for employment adjustment	–	14
Payments associated with loss on COVID-19	–	(433)
Income taxes paid	(2,791)	(554)
Net cash provided by (used in) operating activities	(4,875)	(1,795)
Cash flows from investing activities		
Purchase of property, plant and equipment	(398)	(330)
Purchase of intangible assets	(470)	(242)
Other, net	16	(33)
Net cash provided by (used in) investing activities	(853)	(606)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	292	560
Proceeds from long-term borrowings	–	14,000
Repayments of long-term borrowings	(571)	(1,325)
Dividends paid	(1,503)	(1,320)
Repayments of finance lease obligations	(866)	(764)
Proceeds from disposal of treasury shares	76	0
Purchase of treasury shares	(0)	(549)
Proceeds from sale and leaseback transactions	97	69
Proceeds from liquidation of receivables	–	700
Other, net	(24)	(37)
Net cash provided by (used in) financing activities	(2,500)	11,333
Effect of exchange rate change on cash and cash equivalents	(246)	(1)
Net increase (decrease) in cash and cash equivalents	(8,475)	8,930
Cash and cash equivalents at beginning of period	53,817	46,904
Cash and cash equivalents at end of period	45,341	55,835

(4) Notes Regarding Consolidated Financial Statements

(Notes regarding assumption of going concern)

Nothing to note.

(Notes on significant changes in the amount of shareholders' equity)

Nothing to note.

(Application of specific accounting for preparing quarterly consolidated financial statements)

Tax expense calculation

Tax expenses on profit before income taxes for the three months under review are calculated by multiplying profit before income taxes for the three months under review by the reasonably estimated effective tax rate for the fiscal year including the first quarter under review after applying tax effect accounting.

(Additional information)

Assumptions regarding the effects of COVID-19 used in accounting estimates

Accounting estimates such as the possibility of recognition of deferred tax assets, and assessments of goodwill, right of using trademarks and other intangible assets are based on the assumption that the current social disruption will largely die down by the middle of the fiscal year ending March 31, 2021 and that social and economic activity will return to normal. No significant changes have been made from the assumptions determined at the end of the previous consolidate fiscal year.

(Consolidated statement of income)

Loss on COVID-19

It mainly includes fixed expenses (personnel expenses and depreciation, etc.) incurred at retail stores that had temporary closures following the declaration of the state of emergency, which was issued by the Japanese government on April 7, 2020, due to the effects of the spread of COVID-19.

Segment information

I. First three months of the fiscal year ended March 31, 2020 (April 1, 2019 to June 30, 2019)

1. Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

	Japan	Americas	Europe	Oceania	Asia (excl. Japan)	Total
Net sales						
External customers	28,251	3,031	704	296	3,004	35,288
Inter-segment sales and transfers	2,198	15	–	–	10,163	12,377
Total	30,449	3,046	704	296	13,168	47,666
Segment profit (loss)	1,416	(80)	(235)	(52)	294	1,342

2. Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income and details thereof (Reconciliation)

(Millions of yen)

Profit	Amount
Reportable segments total	1,342
Inter-segment eliminations	13
Corporate expenses (Note)	(801)
Operating profit on the quarterly consolidated statement of income	555

(Note) Corporate expenses primarily comprise general and administrative expenses not allocable to reportable segments.

3. Regional information

(Millions of yen)

	Japan	North America		Other	Total
			U.S.		
Net sales	23,406	5,576	5,154	6,305	35,288

(Note) Net sales are categorized into a country or region based on the customer's location.

II. First three months of the fiscal year ending March 31, 2021 (April 1, 2020 to June 30, 2020)

1. Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

	Japan	Americas	Europe	Oceania	Asia (excl. Japan)	Total
Net sales						
External customers	21,067	3,172	759	343	1,466	26,809
Inter-segment sales and transfers	1,989	15	–	8	8,817	10,830
Total	23,056	3,188	759	352	10,283	37,640
Segment profit (loss)	211	(83)	(77)	11	155	217

2. Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income and details thereof (Reconciliation)

(Millions of yen)

Profit	Amount
Reportable segments total	217
Inter-segment eliminations	(111)
Corporate expenses (Note)	(689)
Operating profit on the quarterly consolidated statement of income	(583)

(Note) Corporate expenses primarily comprise general and administrative expenses not allocable to reportable segments.

3. Regional information

(Millions of yen)

	Japan	North America		Other	Total
			U.S.		
Net sales	16,728	6,042	5,707	4,038	26,809

(Note) Net sales are categorized into a country or region based on the customer's location.