POLA ORBIS HOLDINGS

Summary of Financial Results

For the Fiscal Year Ended December 31, 2016 (Consolidated)

These financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan. The following English translation is based on the original Japanese-language document.

February 14, 2017

POLA ORBIS HOLDINGS INC.

Listing:	Tokyo Stock Exchange, First Section (Code No.: 4927)	
URL:	http://www.po-holdings.co.jp/	
Representative:	Satoshi Suzuki, Representative Director And President	
Contact:	Akira Fujii, Director, Finance	Tel: +81-3-3563-5517
Annual Shareholders' Meeting:		March 29, 2017
Filing Date of Securities Report:		March 29, 2017
Start of Cash Dividend Payment:		March 30, 2017
Supplemental Materials Prepared for Yearly Financial Results:		Yes
Conference Presentation for Yearly Financial Results:		Yes (for analysts)

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the Fiscal Year Ended December 31, 2016
(January 1, 2016–December 31, 2016)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2016	218,482	1.7	26,909	19.5	27,191	21.6	17,447	23.8
FY2015	214,788	8.4	22,511	27.3	22,359	17.3	14,095	35.8

Note: Comprehensive income: FY2016: ¥14,551 million (32.8%); FY2015: ¥10,957 million (-3.2%)

	Net Income Per Share	Diluted Net Income Per Share	Return on Shareholders' Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2016	315.57	315.16	9.5	11.7	12.3
FY2015	254.95	254.64	7.8	9.7	10.5

Reference: Equity in losses of affiliates: FY2016: ¥－ million; FY2015: ¥ －million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
At December 31	Millions of yen	Millions of yen	%	Yen
FY2016	228,845	185,864	81.0	3,353.28
FY2015	235,734	180,635	76.5	3,260.00

Reference: Equity capital: At December 31, 2016: ¥185,417 million; At December 31, 2015: ¥180,238 million

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2016	23,561	16,379	(10,030)	75,458
FY2015	28,379	(7,331)	(13,896)	45,843

2. Dividends

	Annual Cash Dividends Per Share					Total Dividends Paid (Annual)	Pay out Ratio (Consolidated)	Dividends to Net Assets (Consolidated)
	Q1-end	Q2-end	Q3-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2015	—	70.00	—	80.00	150.00	8,293	58.8	4.6
FY2016	—	90.00	—	110.00	200.00	11,058	63.4	6.0
FY2017(Forecast)	—	25.00	—	30.00	55.00		60.8	

Note 1: Effective on April 1, 2017, POLA ORBIS HOLDINGS INC. ("the Company") will split its shares 4 for 1. The dividends of FY2016 are based on the pre-split number of shares.

Note 2: Dividends of FY 2017 forecasted are considered following effects from share split 4 for 1 effective on April 1, 2017.

3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2017
(January 1, 2017–December 31, 2017)

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	110,500	3.3	13,400	10.3	13,400	19.0	8,600	4.1	38.88
Full year	227,000	3.9	31,000	15.2	31,000	14.0	20,000	14.6	90.42

Note: Net income per share for fiscal 2017 is forecasted considering effect from share split 4 for 1 effective on April 1 2017.

Notes to Summary Information

(1) Changes in significant subsidiaries during the current year
(Changes in specific subsidiaries resulting in changes in the scope of consolidation) : None

(2) Changes in accounting policies, accounting estimates, and restatement
1) Changes in accounting policies associated with revision of accounting standards : Yes
2) Changes other than (2)-1) : None
3) Changes in accounting estimates : None
4) Restatement : None

Note: Please refer to "5. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" on page 21 for further detailed information.

(3) Number of shares issued and outstanding (common stock)
1) Number of shares issued and outstanding at the end of each period (including treasury stock)
At December 31, 2016 57,284,039 shares
At December 31, 2015 57,284,039 shares
2) Number of shares of treasury stock at the end of each period
At December 31, 2016 1,989,510 shares
At December 31, 2015 1,996,110 shares
3) Average number of shares issued and outstanding in each period
Fiscal year ended December 31, 2016 55,289,062 shares
Fiscal year ended December 31, 2015 55,286,732 shares

Note: For the number of shares used as the base for calculation of consolidated net income per share, please refer to "5. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Per Share Information)" on page 28 for further detailed information.

(Reference) Summary of Non-consolidated Financial Performance

1. Non-consolidated Financial Performance for the Fiscal Year Ended December 31, 2016
(January 1, 2016–December 31, 2016)

(1) Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2016	15,660	5.0	12,500	1.4	12,823	3.5	1,911	(81.3)
FY2015	14,920	73.7	12,332	105.2	12,384	83.5	10,249	—

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2016	34.57	34.53
FY2015	185.39	185.16

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
At December 31	Millions of yen	Millions of yen	%	Yen
FY2016	206,591	104,949	50.7	1,894.13
FY2015	202,663	112,889	55.6	2,038.54

Reference: Equity capital: At December 31, 2016: ¥104,734 million; At December 31, 2015: ¥112,706 million

Information Regarding Audit Procedures

At the time of disclosure of this report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

Explanation of Appropriate Use of Performance Forecast and Other Special Items

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties. For performance projections, please refer to "1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results (Outlook for Fiscal 2017)" on page 5.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

Operating results for fiscal 2016

During the fiscal year ended December 31, 2016, the Japanese economy continued on a moderate recovery track backed by improvement in the employment situation and corporate earnings, and a recovery trend of a pick-up in personal consumption was observed. However, there are concerns about the impact of overseas economies and fluctuations in financial capital markets.

Although the domestic cosmetics market grew steadily, there were signs of weakening growth in inbound consumption by tourists visiting Japan. The market scale was on par with that of the previous year when inbound consumption is excluded. In the overseas cosmetics market, a modest expansion continued, despite a slowdown in economic growth in China and other emerging countries in Asia.

Within this market environment, the POLA ORBIS Group (the “Group”) continued its efforts to achieve enhanced corporate value by further strengthening the domestic earnings structure, accelerating overseas expansion, and improving capital efficiency during the current fiscal year, which marks the final year of the three-year medium-term management plan (from 2014 to 2016).

As a result of these factors, the Group achieved the following consolidated operating results for fiscal 2016.

Consolidated net sales for fiscal 2016 grew 1.7% year on year, to ¥218,482 million, reflecting the strong performances in flagship brand POLA and the brands under development—THREE and DECENCIA. Operating income rose 19.5% year on year, to ¥26,909 million, resulting from higher gross profit accompanying the increase in sales and cost efficiency. Ordinary income advanced 21.6% year on year, to ¥27,191 million. In addition to the results above, profit attributable to owners of parent grew 23.8% year on year, to ¥17,447 million, after recording impairment losses on goodwill in Jurlique and marketing rights pertaining to the pharmaceuticals business, and extraordinary income in association with the transfer of non-current assets.

Operating Results Overview (Millions of yen)

	Twelve Months Ended December 31			
	2015	**2016**	Year-on-Year Amount Change	Year-on-Year Percent Change (%)
Net Sales	¥214,788	**¥218,482**	¥3,693	1.7
Operating Income	22,511	**26,909**	4,397	19.5
Ordinary Income	22,359	**27,191**	4,832	21.6
Profit Attributable to Owners of Parent	¥14,095	**¥17,447**	¥3,352	23.8

Operating Results by Segment

Net Sales (Segment Sales to External Customers) (Millions of yen)

	Twelve Months Ended December 31			
	2015	**2016**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥200,570	**¥202,446**	¥1,875	0.9
Real Estate	2,951	**3,043**	91	3.1
Others	11,266	**12,992**	1,726	15.3
Total	¥214,788	**¥218,482**	¥3,693	1.7

Segment Income (Loss), Operating Income (Loss) (Millions of yen)

	Twelve Months Ended December 31			
	2015	**2016**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥21,290	**¥25,974**	¥4,683	22.0
Real Estate	1,265	**1,395**	129	10.3
Others	293	**(133)**	(427)	—
Reconciliations of Segment Income (Note)	(339)	**(326)**	12	—
Total	¥22,511	**¥26,909**	¥4,397	19.5

Note: Reconciliations of segment income refer to elimination of profits arising from inter-company transactions and expenses not allocated to reportable segments. Please see note 2 in "3. Information about Net Sales, Profit (Loss), Assets and Other Items by Reportable Segment" on page 27 for the details of reconciliations of segment income in fiscal 2016.

Beauty Care

The Beauty Care segment consists of the flagship brands ***POLA*** and ***ORBIS***; the overseas brands ***Jurlique*** and ***H2O PLUS***, and the brands under development—***THREE, DECENCIA***, and ***ORLANE***

POLA is seeking to achieve long-term stable growth through revamped branding and educational investment and change of the sales commission system for development of professional Beauty Directors. Business in the domestic market performed favorably thanks to a steady increase in customers due to proactive launches of new products and sales promotions, including the launch in August of ***B.A. SERUM REVUP***, a new-sensation beauty essence aimed at achieving fresh-looking skin, and the launch in October of the ***ALLU*** skin care series focused on the relationship between hormones and skin, in addition to expansion of inbound sales from tourists visiting Japan in health and beauty foods and cosmetics. In overseas markets, results have been challenging overall with the exception of the Hong Kong market. As a result of these factors, POLA recorded net sales exceeding those of the corresponding period of the previous year.

ORBIS is making efforts to reinforce brand communication, acquire customers by means of social media, and improve second-time purchase rates with the aim of achieving further growth and improved profitability through brand evolution. In the domestic market, the repeat purchase rate of customers rose due to the launch in March of ***ORBIS=U WHITE*** series for skin-whitening and anti-aging care, in addition to enhancements to the point system and communications using social media. However, the number of new customers acquired fell due to restraints on advertising expenses, resulting in lower net sales than those of the corresponding period of the previous year. China and Singapore saw favorable sales growth, with results exceeding those of the corresponding period of the previous year. As a result of these factors, net sales of the ORBIS fell below those of the corresponding period of the previous year. Meanwhile, operating income grew year on year due to improvement of the cost of sales ratio.

For overseas brands, the Group took initiatives aimed at business growth in Australia and the United States, where Jurlique and H2O PLUS originated. Jurlique showed a performance on par with that of the previous year in the Australian market but continued to struggle in the travel retail market and the Hong Kong market. Additionally, influenced by the change from retail sales to distributor sales since March in the Chinese market, net sales fell below those of the corresponding period of the previous year. H2O PLUS launched sales of new products with the updated concept, design and prescription, and conducted marketing activities for new targets for the purpose of brand restaging to restore growth. However, as a result of the Group's decision in fiscal 2016 to withdraw from the Chinese business, net sales fell below those of the corresponding period of the previous year.

Brands under development recorded net sales exceeding those of the corresponding period of the previous year, due to the strong performance of THREE and DECENCIA.

The Company transferred all the shares of FUTURE LABO in November and all the shares of pdc in December for the purpose of concentrating the business resources on the Group's strong fields of "mid-range or high-end priced products" and "channels with direct customer touchpoint" and further improving its investment efficiency.

As a result of the factors noted above, net sales—sales to external customers—were ¥202,446 million, up 0.9% year on year, and operating income was ¥25,974 million, up 22.0% year on year

Real Estate

The Real Estate segment concentrates on the leasing of office buildings in urban areas. Efforts are currently directed at sustaining rent levels but leaning more toward raising rents and occupancy rates by creating attractive office environments. Another area of emphasis is the residential properties rental business. This business highlights condominiums perfect for families with young children. During fiscal 2016, net sales exceeded those of the corresponding period of the previous year due to rises in tenant occupancy rates and unit prices per tsubo (equivalent to approximately 3.3 square meters), as a result of revising occupancy conditions in light of the situation in the market and at other companies as well as carrying out measures to improve the value of buildings.

The Company transferred POLA EBISU BUILDING, which it had operated as a rental office building, in December 2016 with a view to centralizing its business resources and maximizing the Group's corporate value.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥3,043 million, up 3.1% year on year, and operating income was ¥1,395 million, up 10.3% year on year.

Others

The Others segment comprises the pharmaceuticals and building maintenance businesses.

The pharmaceuticals business draws on results accumulated by Group companies in research related to cosmetics and quasi-pharmaceuticals to develop, manufacture and sell new pharmaceuticals and conduct contract manufacturing of pharmaceuticals. During fiscal 2016, net sales were up year on year as a result of the Group's continued sales activities specializing in the priority field of dermatology, in addition to sales of ***Duac® Gel***, a combination drug for the treatment of acne vulgaris, under a license agreement with the GlaxoSmithKline Group, and the launch in April of ***LUCONAC® Solution 5%***, a treatment for onychomycosis. Meanwhile, operating income declined year on year, due to the additional costs incurred for initial promotion of the two new drugs.

The building maintenance business is engaged in the operation and management of buildings mainly catering to the needs of Group companies. During fiscal 2016, net sales exceeded those of the corresponding period of the previous year due to growth in orders received as a result of ongoing sales activities.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥12,992 million, up 15.3% year on year, and operating loss amounted to ¥133 million (¥293 million of operating income for the corresponding period of the previous year).

Outlook for Fiscal 2017

The Japanese economy is expected to see a mild recovery backed by the effects of various government policies amid a continuing trend toward improvement in the employment and income climate. However, there is a risk of downward pressure on the Japanese economy due to a downturn in China and other emerging Asian economies.

Against this backdrop, the Group formulated a new four-year medium-term management plan that has the goal of achieving the long-term vision through 2020 announced immediately after the listing of its shares in 2010. In order to sustain stable growth of flagship brands to lead Group earnings, bring overseas operations solidly into the black overall, expand brands under development, create new brands and pursue M&A activity, the Group will position strengthening of operations (reinforcing R&D, human resources and governance), as well as enhancement of capital efficiency and enrichment of shareholder returns, as key strategies and carry them out.

For the fiscal year ending December 31, 2017, the Group forecasts, on a consolidated basis, net sales of ¥227,000 million, up 3.9%, operating income of ¥31,000 million, up 15.2%, ordinary income of ¥31,000 million, up 14.0%, and profit attributable to owners of parent of ¥20,000 million, up 14.6% year on year.

(2) Analysis of Financial Position

1) Assets, liabilities, and net assets

As of December 31, 2016, total assets stood at ¥228,845 million, down 2.9%, or ¥6,888 million, from December 31, 2015. Factors related to this change included an increase of ¥29,527 million in cash and deposits, and decreases of ¥10,049 million in total property, plant and equipment due to sales of a rental office building, artwork and paintings and idle property, ¥10,989 million in goodwill due to recording of impairment loss and ¥5,076 million in “Other” of intangible assets, and ¥8,401 million in investments in securities.

Total liabilities amounted to ¥42,981 million, down 22.0%, or ¥12,116 million, from December 31, 2015. Factors related to this change included decreases of ¥7,219 million in accounts payable – other primarily due to a decrease in sales commission payable and ¥3,489 million in income taxes payable.

Net assets amounted to ¥185,864 million, up 2.9%, or ¥5,228 million, from December 31, 2015. Factors contributing to this change included recording of ¥17,447 million in profit attributable to owners of parent, a decrease of ¥2,114 million in foreign currency translation adjustments due to exchange rate movements, and ¥9,398 million in dividends from retained earnings.

2) Cash flows

The balance of cash and cash equivalents as of December 31, 2016 was ¥75,458 million, up ¥29,614 million, from the end of the previous fiscal year.

The status of cash flows from operating activities, investing activities, and financing activities for fiscal 2016, and noteworthy increases and decreases to these cash flows, are described below.

Cash flows from operating activities

Net cash provided by operating activities decreased 17.0% from a year ago, to ¥23,561 million. The primary components contributing to an increase in net cash were ¥24,746 million in income before income taxes, ¥6,787 million in depreciation and amortization, and ¥13,907 million in impairment loss. Major components leading to a decrease in net cash were ¥10,174 million in gain on sales of non-current assets, ¥2,446 million of decrease in other liabilities due to a decrease in sales commission payable, and ¥11,139 million in income taxes paid.

Cash flows from investing activities

Net cash provided by investing activities amounted to ¥16,379 million (compared with ¥7,331 million used in investing activities for the previous year). The main factors were as follows. There was an increase in net cash resulting from ¥16,700 million in proceeds from sales and redemption of short-term investments in securities and ¥20,491 million in proceeds from sales of property, plant and equipment. Meanwhile, there was a decrease in net cash resulting from outflows of ¥11,000 million due to purchase of investments in securities for the management of surplus funds in line with investment plans, ¥4,464 million due to purchase of property, plant and equipment, and ¥6,743 million due to purchase of intangible assets.

Cash flows from financing activities

Net cash used in financing activities decreased 27.8% from a year ago, to ¥10,030 million. The decrease was primarily attributable to the application of ¥9,398 million in cash dividends paid.

(Reference) Cash flow related indicators

	FY2012	FY2013	FY2014	FY2015	**FY2016**
Equity ratio (%)	78.8	79.5	80.4	76.5	**81.0**
Equity ratio based on market value (%)	65.5	95.2	119.5	188.1	**233.2**
Cash flow/Interest-bearing debt ratio (years)	0.2	0.3	0.3	0.1	**0.2**
Interest coverage ratio (times)	214.6	137.3	100.9	195.0	**406.0**

Equity ratio = Shareholders’ equity/Total assets
Equity ratio based on market value = Market capitalization/Total assets
Cash flow/Interest-bearing debt ratio = Interest-bearing debt/Cash flow
Interest coverage ratio = Cash flow/Interest payments

Notes:
1. All indicators were calculated using consolidated financial figures.
2. Market capitalization was calculated based on the number of shares issued and outstanding, excluding treasury stock.
3. Cash flow refers to cash flows from operating activities.
4. Interest-bearing debt includes all debts on which we pay interest among the debts shown on the consolidated balance sheets.

(3) Basic Policy on Profit Distribution and Dividends for Fiscal Years 2016 and 2017

The Group considers improvement of capital efficiency and profit distribution to be among its most important management obligations, and its basic policy is to pay stable and ongoing dividends based on a consolidated pay out ratio of 50% or higher.

The Company intends to pay a year-end dividend of ¥110.00 per share, as scheduled. As a result, the Company plans an annual dividend of ¥200.00 which includes the interim dividend of ¥90.00 per share.

Regarding shareholder returns in the future, the Group will raise the consolidated pay out ratio from 50% or higher, which had been its basic policy, to 60% or higher with a view to enriching shareholder returns through stable profit growth.

With regard to dividends for fiscal 2017, in keeping with the abovementioned basic policy, management plans to increase the annual dividend by ¥20.00 per share, to ¥220.00 per share, including an interim dividend of ¥100.00 per share and a year-end dividend of ¥120.00 per share. As a result, the consolidated pay out ratio is expected to be 60.8%. Note that effective on April 1, 2017, the Company plans to split the shares 4-for-1. Annual dividend per share post-split would be ¥55.00 planned (interim dividend of ¥25.00 and a year-end dividend of ¥30.00 per share, respectively).

The Company will invest internal reserves to reinforce its operating structure and support future business development.

2. Corporate Group

Disclosures have been omitted as no material changes were made with regard to the Organization Chart in the Business Details section in the most recent securities report, submitted on March 30, 2016.

For status of subsidiaries and affiliates, please refer to "1. Items Related to Scope of Consolidation" within "(5) Notes to Consolidated Financial Statements (Basis for Preparation of Consolidated Financial Statements)" on page 21 , which provides details on changes in subsidiaries during the current fiscal year.

3. Management Policies

(1) Basic Management Policy

The Group formulated a new four-year medium-term management plan that has the goal of achieving the long-term vision through 2020 announced immediately after the listing of its shares in 2010. Looking even further ahead, to 2029 and the 100th anniversary of the founding, the Group is emphasizing a new mission—**sensitize the world to beauty**—and a new vision—**to maximize the unique character of each brand, and become a global corporate group that enriches the lives of people around the world**. In conjunction, the Group has also defined a new Group philosophy, with five action guidelines designed to achieve the new mission and new vision.

In keeping with the new corporate philosophy, the Group seeks to generate stable growth in Japan and accelerate development of the Group's presence overseas with the aim of becoming a highly profitable global enterprise in the field of beauty and health as its Long-Term Vision 2020.

(2) Management Indicators

Under the new four-year medium-term management plan started in 2017, the Group targets Compound Annual Growth Rate ("CAGR") of 3% to 4% in consolidated net sales and CAGR of 10% or higher in consolidated operating income. Management seeks a return on shareholders' equity of 12% by the end of 2020.

(3) Medium- to Long-term Management Strategy and Issues to be Addressed

During the new four-year medium-term management plan which was newly formulated as the final stage for materializing Long-Term Vision 2020, the Group aims to improve profitability in Japan, promote a solid shift toward overall profitability from overseas operations and build a brand structure for next-generation growth, and will accordingly pursue the following key strategies.

1) Sustain stable growth of flagship brands to lead Group earnings

(POLA brand)

Reinforce business platform for long-term stable growth

- Develop and launch highly differentiated next-generation products such as ***Wrinkle Shot Serum***
- Aim to improve the quality of service and develop long-term relationships with customers through development of professional Beauty Directors

(ORBIS brand)

Achieve further growth by capitalizing on 30th anniversary to promote brand and enhance profitability

- Complete renewal of the leading product ***AQUA FORCE*** series
- Adopt omni-channel for the mail-order business and the retail store business

2) Bring overseas operations solidly into the black overall

(Jurlique brand)

- Realize profitable business growth, particularly in Asia, by strengthening brand strategy, reviewing product portfolio and completing supply chain restructuring

(H2O PLUS brand)

Contribute to profit position as soon as possible by expanding into select markets, introducing new products and completing brand restaging

(Flagship brands)

Build model of success focusing on key countries and boost profits through better capital efficiency

3) Expand brands under development, create new brands, pursue M&A activity

(THREE brand)

Polish brand profile to a brighter shine, and expand business by exploring strategic commercial products and sales channels and by developing wider geographical presence

(DECENCIA brand)

Continue to strengthen profit status and establish presence in target markets through brand building

(New brands)

Start creating new brands, and continue to pursue M&A activity as key strategy in search for leading brands to add to portfolio

4) Strengthen operations

(R&D and production)

- Develop new ingredients for anti-aging and skin-whitening products
- Create new pipeline to follow debut of ***Wrinkle Shot Serum***

(Human resources)

・ Constantly develop the capabilities of human resources with management potential through training opportunities that cut across the Group

・ Attract and keep global personnel (transfer personnel from Japan to Group companies overseas and promote aggressive hiring)

・ Implement group-wide personnel strategy to cultivate the skills of human resources throughout the Group

(Governance)

• Raise corporate governance to a higher level (Review and consider group structure and holdings function and role).

5) Enhance capital efficiency and enrich shareholder returns

(Capital efficiency)

・Increase the return on shareholders’ equity by enhancing profitability and capital efficiency

(Shareholder returns)

・Achieve stable and ongoing dividends based on a consolidated pay out ratio of 60% or higher

4. Basic Approach to the Selection of Accounting Standards

Over the near term, the Group will prepare its consolidated financial statements based on Japanese GAAP, taking into account the inter-period comparability of the consolidated financial statements and comparability between companies.

With regard to the application of International Financial Reporting Standards (IFRS), the Group's policy is to take appropriate measures in light of the situation in Japan and abroad while considering

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2015 December 31, 2015	**FY2016 December 31, 2016**
Assets		
Current assets		
Cash and deposits	¥ 47,451	**¥76,978**
Notes and accounts receivable – trade	27,646	**25,985**
Short-term investments in securities	16,700	**18,500**
Merchandise and finished goods	13,463	**12,503**
Work in process	1,294	**1,090**
Raw materials and supplies	4,693	**3,977**
Deferred tax assets	4,825	**4,033**
Other	4,102	**5,351**
Allowance for doubtful accounts	(154)	**(83)**
Total current assets	120,022	**148,335**
Non-current assets		
Property, plant and equipment		
Buildings and structures	54,974	**52,439**
Accumulated depreciation	(35,620)	**(34,306)**
Buildings and structures, net	19,354	**18,132**
Machinery, equipment and vehicles	10,538	**10,536**
Accumulated depreciation	(8,340)	**(8,391)**
Machinery, equipment and vehicles, net	2,197	**2,144**
Land	19,135	**13,116**
Leased assets	5,831	**6,758**
Accumulated depreciation	(4,128)	**(4,632)**
Leased assets, net	1,702	**2,125**
Construction in progress	779	**1,926**
Other	20,416	**16,362**
Accumulated depreciation	(10,219)	**(10,489)**
Other, net	10,197	**5,872**
Total property, plant and equipment	53,367	**43,318**
Intangible assets		
Goodwill	11,894	**905**
Right of trademark	8,983	**8,642**
Other	11,866	**6,789**
Total intangible assets	32,745	**16,337**
Investments and other assets		
Investments in securities	21,447	**13,046**
Long-term loans receivable	72	**59**
Deferred tax assets	2,316	**3,076**
Other	5,829	**4,758**
Allowance for doubtful accounts	(67)	**(86)**
Total investments and other assets	29,599	**20,854**
Total non-current assets	115,711	**80,510**
Total assets	¥235,734	**¥228,845**

(Millions of yen)

	FY2015 December 31, 2015	**FY2016** **December 31, 2016**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 5,386	**¥ 4,694**
Short-term loans payable	600	**600**
Lease obligations	514	**627**
Accounts payable – other	20,765	**13,546**
Income taxes payable	5,523	**2,034**
Provision for bonuses	1,734	**1,639**
Provision for directors' bonuses	47	**31**
Provision for sales returns	103	**37**
Provision for point program	3,450	**3,541**
Provision for loss on business liquidation	128	**—**
Provision for business structure improvement	110	**—**
Other	5,447	**5,108**
Total current liabilities	43,812	**31,862**
Non-current liabilities		
Long-term loans payable	1,000	**1,000**
Lease obligations	1,011	**1,362**
Net defined benefit liability	4,026	**4,207**
Provision for environmental measures	56	**53**
Deferred tax liabilities	808	**322**
Other	4,382	**4,173**
Total non-current liabilities	11,285	**11,119**
Total liabilities	55,098	**42,981**
Net assets		
Shareholders' equity		
Common stock	10,000	**10,000**
Capital surplus	90,722	**90,731**
Retained earnings	77,381	**85,430**
Treasury stock	(2,194)	**(2,187)**
Total shareholders' equity	175,909	**183,973**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	512	**12**
Foreign currency translation adjustments	4,359	**2,245**
Remeasurements of defined benefit plans	(542)	**(813)**
Total accumulated other comprehensive income	4,329	**1,444**
Subscription rights to shares	183	**214**
Minority interests	214	**231**
Total net assets	180,635	**185,864**
Total liabilities and net assets	¥235,734	**¥228,845**

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

Consolidated Statements of Income

(Millions of yen)

	Twelve Months Ended December 31	
	FY2015 (January 1, 2015– December 31, 2015)	**FY2016 (January 1, 2016– December 31, 2016)**
Net sales	¥214,788	**¥218,482**
Cost of sales	41,800	**40,940**
Gross profit	172,988	**177,542**
Selling, general and administrative expenses		
Sales commission	48,822	**46,618**
Promotion expenses	23,616	**26,369**
Packing and transportation expenses	5,083	**4,984**
Advertising expenses	8,117	**8,794**
Salaries, allowances and bonuses	23,373	**21,687**
Welfare expenses	3,977	**3,754**
Retirement benefit expenses	771	**726**
Provision for bonuses	1,625	**1,547**
Provision for point program	3,732	**3,401**
Depreciation and amortization	4,655	**5,021**
Amortization of goodwill	765	**679**
Other	25,934	**27,046**
Total selling, general and administrative expenses	150,477	**150,633**
Operating income	22,511	**26,909**
Non-operating income		
Interest income	279	**246**
Dividend income	13	**14**
Other	291	**202**
Total non-operating income	585	**462**
Non-operating expenses		
Interest expense	139	**63**
Foreign exchange losses	336	**65**
Business structure improvement expenses	121	**—**
Other	139	**52**
Total non-operating expenses	737	**180**
Ordinary income	¥ 22,359	**¥27,191**

(Millions of yen)

	Twelve Months Ended December 31	
	FY2015 (January 1, 2015– December 31, 2015)	**FY2016 (January 1, 2016– December 31, 2016)**
Extraordinary income		
Gain on sales of non-current assets	¥ 738	**¥10,182**
Gain on sales of investment securities	―	**527**
Gain on sales of shares of subsidiaries	―	**1,053**
Reversal of foreign currency translation adjustments	538	**7**
Other	―	**37**
Total extraordinary income	1,276	**11,809**
Extraordinary losses		
Loss on disposal of non-current assets	272	**245**
Impairment loss	107	※1 **13,907**
Loss on sales of shares of subsidiaries	―	**65**
Loss on business liquidation	539	**―**
Other	31	**37**
Total extraordinary losses	950	**14,254**
Income before income taxes	22,685	**24,746**
Income taxes – current	9,036	**7,534**
Income taxes – deferred	(469)	**(255)**
Total income taxes	8,567	**7,279**
Net income	14,118	**17,467**
Profit attributable to non-controlling interests	23	19
Profit attributable to owners of parent	¥14,095	**¥17,447**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Twelve Months Ended December 31	
	FY2015 (January 1, 2015– December 31, 2015)	**FY2016 (January 1, 2016– December 31, 2016)**
Net income	¥14,118	**¥17,467**
Other comprehensive income		
Valuation difference on available-for-sale securities	63	**(500)**
Foreign currency translation adjustments	(3,278)	**(2,136)**
Remeasurements of defined benefit plans	53	**(271)**
Share of other comprehensive income of associates accounted for using equity method	0	**(7)**
Total other comprehensive income	(3,160)	**(2,915)**
Comprehensive income	10,957	**14,551**
Comprehensive income attributable to owners of the parent	10,943	**14,562**
Comprehensive income (loss) attributable to non-controlling interests	¥ 13	**¥ (10)**

(3) Consolidated Statements of Changes in Net Assets

FY2015 (January 1, 2015 – December 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	¥10,000	¥90,718	¥74,454	¥(2,199)	¥172,973
Cumulative effect of changes in accounting policies			828		828
Balance at the beginning of the period after reflecting changes in accounting policies	10,000	90,718	75,283	(2,199)	173,802
Changes of items during the period					
Dividends from retained earnings			(11,996)		(11,996)
Net income			14,095		14,095
Disposal of treasury stock		4		4	8
Net changes of items other than shareholders' equity					
Total changes of items during the period	−	4	2,098	4	2,107
Balance at the end of the period	¥10,000	¥90,722	¥77,381	¥(2,194)	¥175,909

(Millions of yen)

	Accumulated other comprehensive income				Subscrip-tion rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income			
Balance at the beginning of the period	¥448	¥7,628	(595)	¥7,481	¥138	¥200	¥180,793
Cumulative effect of changes in accounting policies							828
Balance at the beginning of the period after reflecting changes in accounting policies	448	7,628	(595)	7,481	138	200	181,622
Changes of items during the period							
Dividends from retained earnings							(11,996)
Net income							14,095
Disposal of treasury stock							8
Net changes of items other than shareholders' equity	63	(3,269)	¥53	(3,151)	44	13	(3,093)
Total changes of items during the period	63	(3,269)	53	(3,151)	44	13	(986)
Balance at the end of the period	¥512	¥4,359	¥(542)	¥4,329	¥183	¥214	¥180,635

FY2016 (January 1, 2016 – December 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	**¥10,000**	**¥90,722**	**¥77,381**	**¥(2,194)**	**¥175,909**
Cumulative effect of changes in accounting policies					**—**
Balance at the beginning of the period after reflecting changes in accounting policies	**10,000**	**90,722**	**77,381**	**(2,194)**	**175,909**
Changes of items during the period					
Dividends from retained earnings			**(9,398)**		**(9,398)**
Net income			**17,447**		**17,447**
Disposal of treasury stock		**8**		**7**	**15**
Net changes of items other than shareholders' equity					
Total changes of items during the period	**—**	**8**	**8,048**	**7**	**8,064**
Balance at the end of the period	**¥10,000**	**¥90,731**	**¥85,430**	**¥(2,187)**	**¥183,973**

(Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	**¥512**	**¥4,359**	**¥(542)**	**¥4,329**	**¥183**	**¥214**	**¥180,635**
Cumulative effect of changes in accounting policies							**—**
Balance at the beginning of the period after reflecting changes in accounting policies	**512**	**4,359**	**(542)**	**4,329**	**183**	**214**	**180,635**
Changes of items during the period							
Dividends from retained earnings							**(9,398)**
Net income							**17,447**
Disposal of treasury stock							**15**
Net changes of items other than shareholders' equity	**(500)**	**(2,114)**	**(271)**	**(2,885)**	**31**	**17**	**(2,836)**
Total changes of items during the period	**(500)**	**(2,114)**	**(271)**	**(2,885)**	**31**	**17**	**5,228**
Balance at the end of the period	**¥12**	**¥2,245**	**¥(813)**	**¥1,444**	**¥214**	**¥231**	**¥185,864**

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Twelve Months Ended December 31	
	FY2015 (January 1, 2015– December 31, 2015)	**FY2016 (January 1, 2016– December 31, 2016)**
Cash flows from operating activities		
Income before income taxes	¥22,685	**¥24,746**
Depreciation and amortization	6,528	**6,787**
Impairment loss	107	**13,907**
Amortization of goodwill	765	**679**
Increase in provision for point program	605	**95**
Increase (decrease) in other provision	151	**(66)**
Decrease in net defined benefit liability	(439)	**(35)**
Interest and dividend income	(293)	**(260)**
Interest expense	139	**63**
Foreign exchange loss (gain)	594	**(25)**
Reversal of foreign currency translation adjustments	(538)	**(7)**
Gain on sales of non-current assets	(735)	**(10,174)**
Loss on disposal of non-current assets	272	**245**
Gain on sales of investment securities	—	**(527)**
Gain on sales of shares of subsidiaries	—	**(988)**
Loss on business liquidation	539	**—**
Business structure improvement expenses	121	**—**
Decrease (increase) in notes and accounts receivable – trade	(3,998)	**180**
Decrease in inventories	300	**1,118**
Increase (decrease) in notes and accounts payable – trade	1,057	**(362)**
Increase (decrease) in consumption taxes payable	(56)	**495**
Decrease (increase) in other assets	(1,453)	**949**
Increase (decrease) in other liabilities	4,073	**(2,446)**
Other	11	**262**
Subtotal	30,439	**34,634**
Interest and dividends received	306	**240**
Interest paid	(145)	**(58)**
Income taxes paid	(2,191)	**(11,139)**
Other	(28)	**(115)**
Net cash provided by operating activities	¥28,379	**¥23,561**

(Millions of yen)

	Twelve Months Ended December 31	
	FY2015 (January 1, 2015– December 31, 2015)	**FY2016 (January 1, 2016– December 31, 2016)**
Cash flows from investing activities		
Payments into time deposits	¥(1,241)	**¥(1,585)**
Proceeds from withdrawal of time deposits	892	**1,560**
Purchase of short-term investments in securities	(3,601)	**—**
Proceeds from sales and redemption of short-term investments in securities	23,600	**16,700**
Purchase of property, plant and equipment	(4,575)	**(4,464)**
Proceeds from sales of property, plant and equipment	1,091	**20,491**
Purchase of intangible assets	(1,623)	**(6,743)**
Payments for disposal of non-current assets	(410)	**(141)**
Purchase of investments in securities	(21,399)	**(11,000)**
Proceeds from sales of investment securities	—	**669**
Proceeds from sales of shares of subsidiaries	—	**1,146**
Purchase of long-term prepaid expenses	(185)	**(149)**
Payments for lease and guarantee deposits	(233)	**(248)**
Proceeds from collection of lease and guarantee deposits	271	**121**
Other	85	**23**
Net cash used in investing activities	(7,331)	**¥16,379**
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,274)	**—**
Repayments of lease obligations	(609)	**(632)**
Cash dividends paid	(12,012)	**(9,398)**
Other	0	**0**
Net cash used in financing activities	(13,896)	**(10,030)**
Effect of exchange rate change on cash and cash equivalents	(419)	**(296)**
Net increase in cash and cash equivalents	6,732	**29,614**
Cash and cash equivalents at beginning of period	39,111	**45,843**
Cash and cash equivalents at end of period	¥45,843	**¥75,458**

(5) Notes to Consolidated Financial Statements

(Going Concern Assumptions)

None

(Basis for Preparation of Consolidated Financial Statements)

1. Items Related to Scope of Consolidation

   (1) Consolidated Subsidiaries: **37**
   Principal subsidiaries:
   POLA INC.
   ORBIS Inc.
   POLA CHEMICAL INDUSTRIES INC.
   P.O. REAL ESTATE INC.
   and 33 other subsidiaries

   (Excluded: **6**)
   In fiscal 2016, the Company has transferred its shares in pdc INC., FUTURE LABO INC. and C2O Plus Asia Limited to the third parties. As a result, theses 3 companies including their 3 subsidiaries were excluded from the scope of consolidation.

   (2) Non-consolidated Subsidiaries
   None.

2. Items Related to Application of Equity Method

   (1) Equity Method Affiliates:
   None.

   (Excluded: 1)
   In fiscal 2016, the Company has completed the liquidation procedures for B2O IMPORT AND TRADE OF COSMETICS AND PERFUMES LIMITED. As a result, it was excluded from the scope of application of equity method.

   (2) Non-consolidated Subsidiaries Not Accounted for by the Equity Method
   None.

(Changes in Accounting Policies)

(Application of the Business Combinations Accounting Standard)
Effective from the first quarter of fiscal 2016, the Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued on September 13, 2013; the “Business Combinations Accounting Standard”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013; the “Consolidation Accounting Standard”), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013; the “Business Divestitures Accounting Standard”), and other accounting standards have been applied. Accordingly, the method of recording differences associated with changes in the Company's ownership interests in subsidiaries under ongoing control of the Company was changed to record them as capital surplus, and the method of recording acquisition-related costs was changed to recognize them as expenses for the fiscal year in which the costs are incurred. Furthermore, for business combinations carried out on or after January 1, 2016, the accounting method was changed to reflect the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment in the consolidated financial statements for the annual period in which the business combination occurs. In addition, the presentation of net income, etc. has been changed, and the presentation of minority interests has been changed to non-controlling interests. In order to reflect these changes in presentation, reclassification was made to the consolidated financial statements for fiscal 2015.

Application of the Business Combinations Accounting Standard and other standards is in accordance with the transitional treatment provided in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard, and Article 57-4 (4) of the Business Divestitures Accounting Standard, and these standards have been applied from the beginning of the fiscal 2016 onwards..

Regarding consolidated statement of cash flow, cash flows from acquisition or sales of shares of subsidiaries without changing consolidated scope, have been presented under Cash flows from financing activities component. Cash flows from expenses arising from acquisition or sales of shares of subsidiaries with and without changing consolidated scope have been presented under Cash flows from operating activities component.

These changes have no impact on the consolidated financial statements and per share information for fiscal 2016.

(Change in the Depreciation Method for Property, Plant and Equipment)

In accordance with a revision of the Corporation Tax Act, “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (PITF No. 32, issued on June 17, 2016) has been applied effective from the fiscal 2016. Accordingly, the depreciation method for facilities attached to buildings and structures that were acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

This change has minimal effect on the operating profits, ordinary profits and profits before tax for fiscal 2016.

(Items Related to Consolidated Statements of Income)

*1 Impairment loss
The Group recorded impairment losses on the following assets or assets group.

Fiscal Year Ended December 31, 2016 (January 1, 2016–December 31, 2016)
1. Asset group and amount impaired:

(Millions of yen)

Location	Function	Type	Impairment loss amount
Japan	Stores and offices	Buildings and structures Property, plant and equipment (Other)	¥85
Japan	Artwork and paintings	Property, plant and equipment (Other)	9
Australia	Business asset	Goodwill	9,386
Japan	Marketing rights of ethical pharmaceuticals	Intangible assets (Other)	4,425
Total			¥13,907

2. Background to recognizing impairment loss

Stores and offices represented those asset groups that continuously recorded operating losses and whose expected future cash flows fell below their book values. The Group wrote down the book value of each asset group to its recoverable value, and the reduced amount was recognized as an impairment loss under extraordinary losses.

The Group wrote down the book value of artwork and paintings to their recoverable value. The reduced amount was recognized as an impairment loss under extraordinary losses.

Regarding goodwill, the Group carried out an impairment test on goodwill in accordance with International Financial Reporting Standards. Following results in the recent years which were behind of the original business plan, the goodwill was impaired to its recoverable value. The amount was recognised as an impairment loss under extraordinary losses after excluding the accumulated amount of amortization already recognized under accounting principles generally accepted in Japan.

As for intangible assets (other), following results in the recent years which were under the expections when the marketing rights were acquired, and the estimated future cash flows of marketing rights being less than their book values, the Group wrote down the book values of the assets to their recoverable value, and the reduced amount was recognized as an impairment loss under extraordinary losses.

3. Grouping method of assets

Individual stores and offices are operated and managed by business divisions that regularly record their income and expense, these stores are classified into groups on either an individual store or business office basis.

Artwork and paintings were classified into groups on an individual piece basis.

Goodwill was grouped by company unit, and intangible assets (other) were grouped by individual bases.

4. Calculation methods of recoverable value

The recoverable values for artwork and paintings were measured based on its appraisal value, and other assets were measured by value-in-use based on future cash flows.

(Investment and Rental Property)

The Group owns office buildings and residential properties for lease in Tokyo and other areas.

In fiscal 2015, net rental income from investment and rental properties was ¥1,316 million (rental income is recorded under net sales and non-operating income, while rental expenses are recorded under cost of sales, selling, general and administrative expenses, and non-operating expenses).

In fiscal 2016, net rental income from investment and rental properties is ¥1,549 million (rental income is recorded under net sales and non-operating income, while rental expenses are recorded under cost of sales, selling, general and administrative expenses, and non-operating expenses).

The carrying amounts on the consolidated balance sheet, net change during fiscal 2015 and fiscal 2016 and the fair value of those properties are stated below.

(Millions of yen)

		FY2015 (January 1, 2015–December 31, 2015)	**FY2016 (January 1, 2016–December 31, 2016)**
Carrying Amounts on the Consolidated Balance Sheet	Balance at Beginning of Period	¥25,193	**¥24,431**
	Change	¥(761)	**¥(6,679)**
	Balance at End of Period	¥24,431	**¥17,752**
Fair Value at End of Period		¥52,361	**¥46,461**

Notes: 1. The carrying amounts present acquisition cost less accumulated depreciation and accumulated impairment loss.

2. Main change

(Fiscal 2015)

Increase: Refurbishment of office buildings for lease: ¥155 million

Decrease: Depreciation on office buildings and residential properties and other properties for lease: ¥567 million

Sale of idle property: ¥342 million

(Fiscal 2016)

Increase: Refurbishment of office buildings for lease: ¥200 million

Decrease: Sales of office buildings for lease: ¥5,566 million

Sale of idle property: ¥730 million

Depreciation on office buildings and residential properties and other properties for lease: ¥535 million

3. Method for calculating fair values

The fair values of the major properties are determined at the amounts using appraisal certificates provided by outside real estate assessors. For the other properties, however, the fair value of land is determined at the amount adjusted using the indices that are considered to properly reflect market price. The fair values of depreciable assets such as buildings are determined at the carrying amounts on the consolidated balance sheets.

(Segment Information)

1. General Information about Reportable Segments

A reportable segment is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group primarily develops, manufactures and markets cosmetics products and related products. It promotes a multi-brand strategy of holding a range of brands and winning market shares for each of its high-profile brands in order to satisfy the diversifying needs of its customers based on their values. Comprehensive strategies are planned and products are marketed by each brand name in Japan and overseas. In addition to its cosmetics business, a variety of businesses is conducted to contribute to the Group's profits.

Therefore, reportable segments consist of the Beauty Care business, the Group's core business, and the Real Estate business, which indirectly supports the Group's core business.

The Beauty Care business manufactures and markets cosmetics and health foods and sells fashion items (women's underwear, women's apparel and jewelry) under the following brand names: ***POLA, ORBIS, ORLANE, DECENCIA, THREE, H2O PLUS and Jurlique***. The Real Estate business is engaged in the leasing of office buildings and residential properties.

2. Calculation Method for Net Sales, Profit (Loss), Assets, Liabilities and Other Items by Reportable Segment

The accounting method for the Group's reportable business segments is generally the same as described in "Basis for Preparation of Consolidated Financial Statements."

Segment income is based on operating income. The amounts of inter-segment unrealized profits and transfers are calculated based on prevailing market prices.

3. Information about Net Sales, Profit (Loss), Assets and Other Items by Reportable Segment
Fiscal Year Ended December 31, 2015 (January 1, 2015–December 31, 2015)

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥200,570	¥2,951	¥203,522	¥11,266	¥214,788	—	¥214,788
Intersegment Sales or Transfers	81	509	591	2,502	3,093	¥(3,093)	—
Total	200,652	3,461	204,113	13,768	217,882	(3,093)	214,788
Segment Income	21,290	1,265	22,556	293	22,850	(339)	22,511
Segment Assets	190,902	27,749	218,652	23,341	241,993	(6,259)	235,734
Other Items							
Depreciation and Amortization	5,573	599	6,173	320	6,494	33	6,528
Amortization of Goodwill	765	—	765	—	765	—	765
Increase in property, plant and equipment and intangible assets	¥6,445	¥231	¥6,676	¥5,080	¥11,757	¥316	¥12,074

Notes: 1. "Others" comprises business operations that are not categorized as reportable segments and include the pharmaceuticals and building maintenance businesses.

2. Reconciliations consist of the following:

(1) The segment income reconciliation of ¥(339) million includes intersegment transaction eliminations of ¥1,953 million and corporate expenses of ¥(2,292) million, not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

(2) The segment assets reconciliation of ¥(6,259) million includes corporate assets of ¥79,564 million, not allocated to each segment, less intersegment eliminations of ¥85,824 million. Corporate assets are primarily the Company's financial assets and assets in the administrative division not allocated to reportable segments.

(3) Reconciliations of depreciation and amortization, and increases in property, plant and equipment, and intangible assets are those related to corporate assets and intersegment eliminations.

3. Segment income is adjusted for operating income reported in the consolidated statements of income.

4. Amortization and increase in long-term prepaid expenses are included in depreciation and amortization, and increases in property, plant and equipment, and intangible assets, respectively.

Fiscal Year Ended December 31, 2016 (January 1, 2016–December 31, 2016)

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	**Real Estate**	**Subtotal**				
Net Sales							
Sales to External Customers	**¥ 202,446**	**¥ 3,043**	**¥ 205,489**	**¥ 12,992**	**¥ 218,482**	**—**	**¥ 218,482**
Intersegment Sales or Transfers	**63**	**596**	**659**	**2,823**	**3,482**	**¥ (3,482)**	**—**
Total	**202,509**	**3,639**	**206,149**	**15,815**	**221,964**	**(3,482)**	**218,482**
Segment Income	**25,974**	**1,395**	**27,369**	**(133)**	**27,236**	**(326)**	**26,909**
Segment Assets	**182,267**	**32,580**	**214,848**	**15,281**	**230,129**	**(1,283)**	**228,845**
Other Items							
Depreciation and Amortization	**5,249**	**572**	**5,821**	**876**	**6,698**	**88**	**6,787**
Amortization of Goodwill	**679**	**—**	**679**	**—**	**679**	**—**	**679**
Increase in property, plant and equipment and intangible assets	**¥ 6,991**	**¥ 221**	**¥ 7,213**	**¥ 894**	**¥ 8,107**	**¥ 19**	**¥ 8,127**

Notes: 1. "Others" comprises business operations that are not categorized as reportable segments and include the pharmaceuticals and building maintenance businesses.

2. Reconciliations consist of the following:

(1) The segment income reconciliation of ¥(326) million includes intersegment transaction eliminations of ¥2,521 million less corporate expenses of ¥2,848 million, not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

(2) The segment assets reconciliation of ¥(1,283) million includes corporate assets of ¥98,742 million, not allocated to each segment, less intersegment eliminations of ¥100,025 million. Corporate assets are primarily the Company's financial assets and assets in the administrative division not allocated to reportable segments.

(3) Reconciliations of depreciation and amortization, and increases in property, plant and equipment, and intangible assets are those related to corporate assets and intersegment eliminations.

3. Segment income is adjusted for operating income reported in the consolidated statements of income.

4. Amortization and increase in long-term prepaid expenses are included in depreciation and amortization, and increases in property, plant and equipment, and intangible assets, respectively.

(Per Share Information)

	FY2015 (January 1, 2015–December 31, 2015)	**FY2016 (January 1, 2016–December 31, 2016)**
Net assets per share	¥3,260.00	**¥3,353.28**
Net income per share	¥254.95	**¥315.57**
Diluted net income per share	¥254.64	**¥315.16**

Note 1: Basis for calculation of net income per share and diluted net income per share is stated below:

Item	FY2015 (January 1, 2015–December 31, 2015)	**FY2016 (January 1, 2016–December 31, 2016)**
Net income per share		
Profit attributable to owners of parent (millions of yen)	¥14,095	**¥17,447**
Amounts not attributable to shareholders of common stock (millions of yen)	—	**—**
Profit attributable to owners of parent associated with common stock (millions of yen)	¥14,095	**¥17,447**
Weighted average number of shares of common stock during the fiscal year	55,286,732	**55,289,062**
Diluted net income per share		
Adjustment of profit attributable to owners of parent (millions of yen)	—	**—**
Number of shares of common stock increased	66,820	**71,924**
[Of which, subscription rights to shares]	(66,820)	**(71,924)**
Outline of the dilutive shares not included in the calculation of diluted net income per share due to their antidilutive effects	–	

Note 2: Basis for calculation of net assets per share is stated below:

Item	FY2015 (At December 31, 2015)	**FY2016 (At December 31, 2016)**
Total net assets (millions of yen)	¥180,635	**¥185,864**
Amount deducted from total net assets (millions of yen)	¥397	**¥446**
[Of which, subscription rights to shares (millions of yen)]	¥(183)	**¥(214)**
[Of which, non-controlling interests (millions of yen)]	¥(214)	**¥(231)**
Net assets associated with common stock (millions of yen)	¥180,238	**¥185,417**
Number of shares of common stock used in the calculation of net assets per share	55,287,929	**55,294,529**

(Significant Subsequent Events)

Stock Split

The Board of Directors has resolved at the meeting held on February 14, 2017 to conduct a stock split effective on April 1, 2017 . The details are as following:

(1) Purpose of the stock split

The purpose of the stock split is to provide the environment where investors can make investments more easily to broaden investor base and increase stock liquidity by lowering the monetary amount per investment unit.

(2) Outline of the stock spit

1) Method of stock split

Setting March 31, 2017 as the record date, common stock of the Company held by shareholders recorded in the final register of shareholders as of the record date will be split by the ratio of four shares per share.

2) Number of shares post-stock split

Number of shares issued pre-stock split	57,284,039 shares
Number of shares increased by stock split	171,852,117 shares
Number of shares issued post- stock split	229,136,156 shares
Number of authorized shares after stock split	800,000,000 shares

3) Schedule of stock split

Public notice of record date	March 10, 2017
Record date	March 31, 2017
Effective date	April 1, 2017

(3) Effect On Per Share Information

If assuming that the stock split would have been contacted at the beginning of fiscal 2015, information per share for fiscal 2015 and fiscal 2016 would be as following, respectively:

	FY2015 (As December 31, 2015)	**FY2016 (As December 31, 2016)**
Net asset per share	¥815.00	¥838.32
Net income per share	¥63.74	¥78.89
Diluted net income per share	¥63.66	¥78.79