

Summary of Financial Results

For the Nine Months of the Fiscal Year Ending December 31, 2019 (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.

October 30, 2019

POLA ORBIS HOLDINGS INC.

Listing:	Tokyo Stock Exchange, First Section (Code No.: 4927)	
URL:	https://www.po-holdings.co.jp/	
Representative:	Satoshi Suzuki, Representative Director And President	
Contact:	Akira Fujii, Director, Finance	Tel: +81-3-3563-5517
Filing Date of Quarterly Securities Report:		November 14, 2019
Start of Cash Dividend Payment:		-
Supplemental Materials Prepared for Quarterly Financial Results:		Yes
Conference Presentation for Quarterly Financial Results:		Yes(for analysts)

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the Nine Months of Fiscal 2019

(January 1, 2019–September 30, 2019)

(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	%
FY2019 Nine Months	165,530	(10.4)	25,411	(21.4)	24,370	(24.3)	15,898	(29.0)
FY2018 Nine Months	184,807	3.9	32,335	5.9	32,189	4.5	22,393	6.6

Note: Comprehensive income: ¥16,271 million (-24.4%) for the nine months ended September 30, 2019;
¥21,511 million (-1.3%) for the nine months ended September 30, 2018

	Net Income Per Share		Diluted Net Income Per Share	
	Yen		Yen	
FY2019 Nine Months	71.88		71.79	
FY2018 Nine Months	101.25		101.12	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2019 Third Quarter	222,499	187,368	84.0	845.33
FY2018	244,596	188,797	77.0	851.78

Reference: Equity capital: FY2019 Third Quarter: ¥187,003 million; FY2018: ¥188,395 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen				
FY2018	—	35.00	—	45.00	80.00
FY2019	—	35.00	—		
FY2019 (Forecast)				81.00	116.00

Note1: Revisions to the cash dividends forecast announced most recently: none

Note2: Dividend per share for Year-end of ¥81.00 for the fiscal year ending December 31, 2019 consists of ¥45.00 for ordinary dividend and ¥36.00 for special dividend.

3. Consolidated Performance Forecast for Fiscal Year Ending December 31, 2019

(January 1, 2019–December 31, 2019)

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income Per Share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	220,000	(11.5)	30,000	(24.0)	29,000	(25.6)	18,000	114.6	81.37

Note: Revisions to the consolidated performance forecast announced most recently: yes

Notes to Summary Information

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

(2) Application of special accounting methods for the preparation of the quarterly consolidated financial statements : None

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

(4) 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 September 30, 2019 229,136,156 shares
 At December 31, 2018 229,136,156 shares
 2) Number of shares of treasury stock at the end of each period
 At September 30, 2019 7,917,053 shares
 At December 31, 2018 7,956,853 shares
 3) Average number of shares issued and outstanding in each period
 Nine months ended September 30, 2019 221,196,075 shares
 Nine months ended September 30, 2018 221,178,511 shares

Note: The number of shares of treasury stock at September 30, 2019 includes the Company's shares held by the officer compensation Board Incentive Plan (BIP) trust (148,600 shares). The Company's shares held by the officer compensation BIP trust are included in shares of treasury stock that are deducted in the calculation of the average number of shares of treasury stock during the period.

Information Regarding Quarterly Review Procedures

The quarterly financial results report is exempt from quarterly review by certified public accountants or accounting firms.

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. Qualitative Information on Consolidated Performance for the Nine Months of Fiscal 2019 (3) Explanation of Consolidated Performance Forecast and Other Predictive Information" on page 5.

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1. Qualitative Information on Consolidated Performance for the Nine Months of Fiscal 2019

(1) Explanation of Consolidated Operating Results

During the nine months of fiscal 2019 (January 1–September 30, 2019), the Japanese economy continued on a moderate recovery track, assisted by rush demand before the raising of the consumption tax rate, amid continued improvement in the employment and income climate. Going forward, although there are sources of uncertainty for the future outlook, such as concerns of slowed consumer spending following the raising of the consumption tax rate, the economy is expected to continue on a recovery track.

The domestic cosmetics market saw a slowdown in recent growth, partly reflecting the impact of China's E-commerce Law coming into effect, even though inbound consumption by tourists visiting Japan was steady. The market scale other than inbound consumption temporarily increased due to rush demand before a consumption tax hike but a reactional decrease is expected in the fourth quarter. In particular, the domestic premium market as a whole is shrinking. In the overseas cosmetics market, a modest expansion continued with steady growth in Asia, mainly in China.

Within this market environment, the POLA ORBIS Group (the "Group") continued its efforts to achieve further improved profitability in Japan, a solid shift toward profitability from overseas operations and creations of brands for next-generation growth. The efforts were in line with the four-year medium-term management plan (from 2017 to 2020) that started in fiscal 2017.

As a result of these factors, the Group achieved the following consolidated operating results for the nine months of fiscal 2019.

Consolidated net sales for the nine months of fiscal 2019 decreased 10.4% year on year, to ¥165,530 million, reflecting the impact of a decline in domestic inbound sales of the flagship brand POLA. Operating income declined 21.4% year on year, to ¥25,411 million, resulting from lower gross profit accompanying the decrease in sales. Ordinary income declined 24.3% year on year, to ¥24,370 million. As a result, profit attributable to owners of parent decreased 29.0% year on year, to ¥15,898 million.

Operating Results Overview

(Millions of yen)

	Nine Months Ended September 30			
	2018	2019	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥184,807	¥165,530	¥(19,277)	(10.4)
Operating Income	32,335	25,411	(6,924)	(21.4)
Ordinary Income	32,189	24,370	(7,818)	(24.3)
Profit Attributable to Owners of Parent	¥22,393	¥15,898	¥(6,494)	(29.0)

Operating Results by Segment

Net Sales (Segment Sales to External Customers)

(Millions of yen)

	Nine Months Ended September 30			
	2018	2019	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥172,024	¥161,794	¥(10,229)	(5.9)
Real Estate	2,031	1,979	(51)	(2.5)
Others	10,752	1,756	(8,996)	(83.7)
Total	¥184,807	¥165,530	¥(19,277)	(10.4)

Segment Profit (Loss) (Operating Income (Loss))

(Millions of yen)

	Nine Months Ended September 30			
	2018	2019	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥31,113	¥24,625	¥(6,488)	(20.9)
Real Estate	833	878	45	5.4
Others	798	113	(684)	(85.7)
Reconciliations of Segment Profit (Note)	(408)	(205)	202	—
Total	¥32,335	¥25,411	¥(6,924)	(21.4)

Note: Reconciliations of segment profit refer to elimination of profits arising from inter-company transactions and expenses not allocated to reportable segments. Please see note 2 in “1. Information about Net Sales and Profit (Loss) by Reportable Segment” on page 11 and 12 for the details of reconciliations of segment income during the period.

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, Amplitude, ITRIM, and FIVEISM × THREE.

POLA is seeking to further improve the value of its brand and strengthen its business foundation through efforts to launch highly functional products focused on the field of anti-aging and skin-whitening and to strengthen development of professional human resources who embody the value of the brand. With the aim of further revitalizing the skin-whitening market, in May, POLA launched new products White Shot LX and White Shot MX. These products contain a new whitening active ingredient, the first approved for the market in about a decade in Japan due to its high effectiveness and safety. The APEX personalized skincare series was refreshed in July. POLA also commenced selling POLA Wrinkle Shot Serum at duty-free shops in Japan and abroad, as well as through domestic e-commerce and cross-border e-commerce. POLA will continue this sequential expansion overseas and accelerate growth in overseas operations. Although growth is ongoing in Asia, POLA recorded net sales and operating income below those of the corresponding period of the previous year due to the slowdown in inbound demand in the domestic market, reflecting the impact of China’s E-commerce Law coming into effect.

ORBIS is making efforts to enhance its presence through the creation of brand differentiation in order to re-grow into a highly profitable business. ORBIS stepped up communication centered on products that embody the world view of the brand message, “Simply you. Simply beautiful.” along with consistent marketing communication. The ORBIS U anti-aging skincare that was completely revamped in October 2018 and ORBIS DEFENCERA, the first Food for Specified Health Uses launched in Japan with recognized skincare functions, contributed to gaining new customers. Net sales of ORBIS exceeded those of the corresponding period of the previous year due to the effect of rush demand before the raising of the consumption tax rate. However, operating income fell below that of the corresponding period of the previous year due to proactive upfront investments to raise brand recognition of new products.

For overseas brands, the Group took initiatives aimed at business growth in Australia and Hong Kong for Jurlique and in the United States, where H2O PLUS originated. In August, Jurlique launched a new product series containing rose extracts proprietary developed in-house, and contributed to gaining new customers through sales in directly operated channels in Australia and Hong Kong. However, net sales fell below those of the corresponding period of the previous year due to sluggish sales in Chinese and Australian department stores and duty-free

channels. On the cost front, while Jurlique made efforts to reform the cost structure by downsizing headquarters functions, these were not sufficient to make up for the decline in sales, and operating losses expanded as a result. H2O PLUS saw a deterioration in net sales and operating losses compared with those of the corresponding period of the previous year due to withdrawal from some retailers as well as a decrease in shipments of products to Russia, despite pursuing expansion in e-commerce channels through launching new product series and enriching the content on the brand site.

Brands under development recorded higher net sales than those of the corresponding period of the previous year due to growth in overseas sales of THREE, which marked the 10th anniversary of the brand's launch, as well as the contributions of Amplitude, ITRIM, and FIVEISM × THREE, which were launched in the second half of 2018. However, operating income fell below that of the corresponding period of the previous year due to further growth investments for the new brands.

As a result of the factors noted above, net sales—sales to external customers—were ¥161,794 million, down 5.9% year on year, and operating income was ¥24,625 million, down 20.9% 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 and improving rental income and reducing vacancy 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 the nine months of fiscal 2019, although net sales fell below those of the corresponding period of the previous year as a result of some tenants moving out, profitability increased due to the implementation of measures to improve the value of buildings as well as revision of occupancy conditions in light of the situation in the market and at other companies. As a result, operating income exceeded that of the corresponding period of the previous year.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥1,979 million, down 2.5% year on year, and operating income was ¥878 million, up 5.4% year on year.

Others

The Others segment is the building maintenance business.

The building maintenance business is engaged in the operation and management of buildings mainly catering to the needs of Group companies. During the nine months of fiscal 2019, net sales and operating income were below those of the corresponding period of the previous year due to a decrease of construction orders.

As a result of the above, in addition to the impact of withdrawal from the pharmaceuticals business in January 2019, net sales—sales to external customers—generated by the Others segment totaled ¥1,756 million, down 83.7% year on year, and operating income was ¥113 million, down 85.7% year on year.

(2) Explanation of Consolidated Financial Position

As of September 30, 2019, total assets stood at ¥222,499 million, down 9.0%, or ¥22,097 million, from December 31, 2018. Factors related to this change included increases of ¥2,761 million in current assets “Other” associated with an increase in accounts receivable – other and other items and ¥6,405 million in investments in securities for the management of surplus funds, as well as decreases of ¥21,023 million in cash and deposits, ¥3,416 million in notes and accounts receivable – trade, ¥2,023 million in merchandise and finished goods, and ¥2,304 million in investments and other assets “Other” associated with a decrease in deferred tax assets and other items.

Total liabilities amounted to ¥35,130 million, down 37.0%, or ¥20,668 million, from December 31, 2018. Factors related to this change included decreases of ¥1,890 million in notes and accounts payable – trade, ¥4,673 million in income taxes payable, ¥9,906 million in provision for loss on business liquidation, and ¥4,307 million in current liabilities “Other” associated with a decrease in accounts payable – other.

Net assets amounted to ¥187,368 million, down 0.8%, or ¥1,428 million, from December 31, 2018. Factors related to this change included a decrease of ¥17,700 million in dividends from retained earnings, partially offset by an increase of ¥15,898 million in profit attributable to owners of parent.

(3) Explanation of Consolidated Performance Forecast and Other Predictive Information

Because of the decline in performance at POLA during the nine months of fiscal 2019, the Group has made revisions to the full-year of fiscal 2019 consolidated performance forecast which was announced on July 30, 2019 as follows;

	(Millions of yen)				
	Twelve Months Ending December 31				
	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Net Income Per Share(yen)
Previous Forecast (A)	¥229,000	¥34,500	¥34,000	¥21,000	¥94.94
Current Forecast (B)	220,000	30,000	29,000	18,000	81.37
Amount Change (B A)	(9,000)	(4,500)	(5,000)	(3,000)	-
Percent Change (%) (reference)	(3.9)	(13.0)	(14.7)	(14.3)	-
Actual Results for Fiscal 2018	¥248,574	¥39,496	¥38,954	¥8,388	¥37.93

(Information for reference)
Cumulative Results for Fiscal 2018

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥59,526	¥125,262	¥184,807	¥248,574
Operating Income	9,943	23,103	32,335	39,496
Ordinary Income	9,460	22,723	32,189	38,954
Profit Attributable to Owners of Parent	¥6,406	¥ 15,321	¥ 22,393	¥ 8,388

Quarterly Results for Fiscal 2018

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥59,526	¥65,736	¥59,544	¥63,767
Operating Income	9,943	13,159	9,232	7,160
Ordinary Income	9,460	13,262	9,465	6,765
Profit Attributable to Owners of Parent	¥ 6,406	¥ 8,914	¥ 7,072	¥ (14,004)

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2018 December 31, 2018	FY2019 Third Quarter September 30, 2019
Assets		
Current assets		
Cash and deposits	¥ 77,332	¥ 56,308
Notes and accounts receivable – trade	27,285	23,868
Short-term investments in securities	22,597	19,247
Merchandise and finished goods	17,034	15,011
Work in process	923	1,119
Raw materials and supplies	6,008	6,099
Other	6,230	8,991
Allowance for doubtful accounts	(1,396)	(1,200)
Total current assets	<u>156,016</u>	<u>129,445</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,350	17,637
Land	14,675	14,077
Other, net	11,799	12,401
Total property, plant and equipment	<u>45,825</u>	<u>44,117</u>
Intangible assets		
Right of trademark	29	32
Software	5,600	7,710
Other	105	99
Total intangible assets	<u>5,735</u>	<u>7,841</u>
Investments and other assets		
Investments in securities	22,737	29,143
Other	14,541	12,236
Allowance for doubtful accounts	(260)	(285)
Total investments and other assets	<u>37,019</u>	<u>41,094</u>
Total non-current assets	<u>88,580</u>	<u>93,053</u>
Total assets	<u>¥244,596</u>	<u>¥222,499</u>

(Millions of yen)

	FY2018 December 31, 2018	FY2019 Third Quarter September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 5,519	¥ 3,629
Income taxes payable	5,431	758
Provision for bonuses	1,585	2,232
Provision for point program	3,547	2,961
Provision for loss on business liquidation	9,906	—
Other provisions	67	79
Other	20,096	15,788
Total current liabilities	46,154	25,449
Non-current liabilities		
Other provisions	52	132
Net defined benefit liability	4,236	3,929
Other	5,355	5,618
Total non-current liabilities	9,644	9,681
Total liabilities	55,799	35,130
Net assets		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	90,240	80,784
Retained earnings	88,968	97,119
Treasury stock	(2,188)	(2,653)
Total shareholders' equity	187,021	185,250
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	(4)
Foreign currency translation adjustments	2,063	2,181
Remeasurements of defined benefit plans	(691)	(424)
Total accumulated other comprehensive income	1,374	1,752
Subscription rights to shares	275	244
Non-controlling interests	125	120
Total net assets	188,797	187,368
Total liabilities and net assets	¥244,596	¥222,499

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

Consolidated Statements of Income

(Millions of yen)

	Nine Months Ended September 30	
	FY2018 (January 1, 2018– September 30, 2018)	FY2019 (January 1, 2019– September 30, 2019)
Net sales	¥184,807	¥165,530
Cost of sales	29,948	25,686
Gross profit	154,859	139,843
Selling, general and administrative expenses		
Sales commission	41,901	36,858
Promotion expenses	18,325	16,972
Advertising expenses	8,480	8,550
Salaries, allowances and bonuses	16,021	15,107
Provision for bonuses	2,241	1,980
Provision for point program	2,732	2,657
Other	32,819	32,304
Total selling, general and administrative expenses	122,523	114,431
Operating income	32,335	25,411
Non-operating income		
Interest income	162	147
Other	220	156
Total non-operating income	383	304
Non-operating expenses		
Interest expense	45	62
Loss on valuation of investment securities	—	280
Foreign exchange losses	449	830
Compensation expenses	—	100
Other	34	71
Total non-operating expenses	529	1,345
Ordinary income	32,189	24,370
Extraordinary income		
Gain on reversal of subscription rights to shares	26	—
Other	2	0
Total extraordinary income	28	0
Extraordinary losses		
Loss on disposal of non-current assets	176	182
Loss on liquidation of business	103	—
Other	45	3
Total extraordinary losses	325	186
Profit before income taxes	31,892	24,184
Income taxes – current	10,636	6,073
Income taxes – deferred	(1,131)	2,214
Total income taxes	9,504	8,287
Profit	22,387	15,896
Loss attributable to non-controlling interests	(5)	(2)
Profit attributable to owners of parent	¥ 22,393	¥ 15,898

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine Months Ended September 30	
	FY2018 (January 1, 2018– September 30, 2018)	FY2019 (January 1, 2019– September 30, 2019)
Profit	¥22,387	¥15,896
Other comprehensive income		
Valuation difference on available-for-sale securities	7	(7)
Foreign currency translation adjustments	(957)	114
Remeasurements of defined benefit plans	73	267
Total other comprehensive income	(876)	374
Comprehensive income	21,511	16,271
Comprehensive income attributable to owners of parent	21,518	16,276
Comprehensive income attributable to non-controlling interests	¥(7)	¥(4)

(3) Notes to Consolidated Financial Statements**(Going Concern Assumptions)**

None

(Significant Changes in Shareholders' Equity)

None

(Changes in Accounting Policies)

The Group subsidiaries which have been prepared their financial statements in accordance with IFRS, adopted IFRS 16 “Leases” (Issued in January 2016; hereafter, “IFRS 16”) in the three months ended March 31, 2019. As a transitional measure upon the adoption of IFRS 16, the subsidiaries have recognized the cumulative effect of initially applying this Standard on the initial date of application.

For leases that the Group as lessee previously classified as operating leases applying IAS 17, right-of-use assets and lease liabilities are recognized at the date of initial application.

With the application of this Standard, “Other” under “Property, plant and equipment” has increased ¥1,260 million, “Other” under “Current liabilities” has increased ¥696 million, and “Other” under “Non-current liabilities” has increased ¥612 million in the Consolidated Balance Sheets.

And the impact of this change on the profit and loss for the nine months of fiscal 2019 is minor.

(Additional Information)

Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting

The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) at the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

(Performance-based Share-based Compensation Plan)

At the 13th Annual Shareholders’ Meeting held on March 26, 2019, the Company decided to introduce performance based share-based compensation plan (the “Plan”), with a view toward materializing the Group’s long-term vision and medium-term management plan, in order to further clarify the linkage between compensation for the applicable directors and corporate officers of the Company (excluding non-resident persons for Japanese tax purposes), as well as directors of its subsidiaries (excluding outside directors and non-residents for Japanese tax purposes) and the business performance of the Group, as well as its stock value, while enhancing motivation for boosting of its corporate value over medium to long term, and further promoting the common interest shared with shareholders.

1. Summary of the Plan

The Plan is structured based on the adoption of a scheme referred to as a Board Incentive Plan Trust (the “BIP Trust”). The BIP Trust delivers and grants shares of the Company to the applicable directors, etc., along with the cash proceeds from the conversion thereof (collectively, the “shares in the Company, etc.”), commensurate with their individual executive ranking and level of achievement against the corporate performance targets.

2. The Company’s shares remaining in the trust

The Company’s shares remaining in the trust are booked in nets assets as treasury stock at their book value (excluding the amount of ancillary expenses) in the trust. The book value and the number of shares of the treasury stock at September 30, 2019 are ¥517 million and 148,600 shares, respectively.

(Segment Information)

I. Nine Months of Fiscal 2018 (January 1, 2018-September 30, 2018)

1. Information about Net Sales and Profit (Loss) by Reportable Segment

							(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	¥ 172,024	¥2,031	¥174,055	¥10,752	¥184,807	—	¥184,807	
Intersegment Sales or Transfers	59	382	441	1,689	2,130	¥(2,130)	—	
Total	172,083	2,413	174,496	12,441	186,938	(2,130)	184,807	
Segment Profit	¥ 31,113	¥833	¥ 31,946	¥ 798	¥ 32,744	¥ (408)	¥ 32,335	

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

2. The segment profit reconciliation of ¥(408) million includes intersegment transaction eliminations of ¥2,331 million, and corporate expenses of ¥(2,740) million not allocated to each reportable segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

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

2. Information about Impairment Loss of Non-current Assets and Goodwill by Reportable Segment
(Significant Impairment Loss of Non-current Assets)

None

(Significant Changes in Goodwill)

None

II. Nine Months of Fiscal 2019 (January 1, 2019–September 30, 2019)

1. Information about Net Sales and Profit (Loss) by Reportable Segment

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	(Millions of yen)
	Beauty Care	Real Estate	Subtotal				Amount Shown on the Consolidated Financial Statements (Note 3)
Net Sales							
Sales to External Customers	¥161,794	¥1,979	¥163,774	¥1,756	¥165,530	—	¥165,530
Intersegment Sales or Transfers	47	380	427	1,600	2,028	¥(2,028)	—
Total	161,841	2,359	164,201	3,356	167,558	(2,028)	165,530
Segment Profit	¥24,625	¥878	¥25,503	¥113	¥25,617	¥(205)	¥25,411

- Notes: 1. “Others” comprises business operations that are not categorized as reportable segments and includes the building maintenance business. The pharmaceuticals business, which was previously included in “Others”, is excluded from the scope of the consolidation with the transfer of all shares of POLA PHARMA INC. at January 1, 2019.
2. The segment profit reconciliation of ¥(205) million includes intersegment transaction eliminations of ¥2,802 million, and corporate expenses of ¥(3,008) million not allocated to each reportable segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.
3. Segment profit is adjusted for operating income reported in the quarterly consolidated statements of income.

2. Information about Impairment Loss of Non-current Assets and Goodwill by Reportable Segment

(Significant Impairment Loss of Non-current Assets)

None

(Significant Changes in Goodwill)

None