

## Summary of Financial Results

For the First Half of the Fiscal Year Ending December 31, 2020 (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.

July 30, 2020

### **POLA ORBIS HOLDINGS INC.**

Listing: Tokyo Stock Exchange, First Section (Code No.: 4927)	
URL: <a href="https://www.po-holdings.co.jp/">https://www.po-holdings.co.jp/</a>	
Representative: Satoshi Suzuki, Representative Director And President	
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Filing Date of Quarterly Securities Report:	August 14, 2020
Start of Cash Dividend Payment:	September 7, 2020
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 First Half of Fiscal 2020**

(January 1, 2020–June 30, 2020)

#### **(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	%
FY2020 First Half	83,802	(24.0)	5,881	(63.8)	4,543	(70.8)	916	(90.8)
FY2019 First Half	110,247	(12.0)	16,236	(29.7)	15,561	(31.5)	9,938	(35.1)

Note: Comprehensive income: ¥850 million (-91.6%) for the first half ended June 30, 2020;  
¥10,171 million (-29.4%) for the first half ended June 30, 2019

	Net Income Per Share		Diluted Net Income Per Share	
	Yen		Yen	
FY2020 First Half	4.14		4.14	
FY2019 First Half	44.93		44.88	

#### **(2) Consolidated Financial Position**

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2020 Second Quarter	206,733	173,989	84.0	784.74
FY2019	227,256	191,069	83.9	862.00

Reference: Equity capital: FY2020 Second Quarter: ¥173,599 million; FY2019: ¥190,690 million

### **2. Dividends**

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	—	35.00	—	81.00	116.00
FY2020	—	35.00	—	81.00	116.00
FY2020 (Forecast)	—	—	—	45.00	80.00

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

### 3. Consolidated Performance Forecast for Fiscal Year Ending December 31, 2020

(January 1, 2020–December 31, 2020)

(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
	190,000	(13.6)	19,000	(39.0)	16,500	(46.1)	8,400	(57.3)	37.97

Note: Revisions to the consolidated performance forecast announced most recently: none

#### 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 : None  
 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 June 30, 2020 229,136,156 shares  
     At December 31, 2019 229,136,156 shares  
 2) Number of shares of treasury stock at the end of each period  
     At June 30, 2020 7,916,253 shares  
     At December 31, 2019 7,916,253 shares  
 3) Average number of shares issued and outstanding in each period  
     Six months ended June 30, 2020 221,219,903 shares  
     Six months ended June 30, 2019 221,187,074 shares

Note: The number of shares of treasury stock at June 30, 2020 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 First Half of Fiscal 2020 (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 First Half of Fiscal 2020

### (1) Explanation of Consolidated Operating Results

During the first half of fiscal 2020 (January 1–June 30, 2020), the Japanese economy experienced a rapid decline and extremely difficult conditions due to the impact of requests to people to refrain from going out and to suspend business activities because of the spread of COVID-19 (the novel coronavirus), as well as the impact of the declaration of a state of emergency in April, which led to severe restrictions on economic activity.

The domestic cosmetics market saw a significant decrease in inbound demand and declines in consumer sentiment in response to such requests as those for closing stores and refraining from going out as a result of the spread of COVID-19, amid a lingering weakness in personal consumption following the consumption tax hike. As a result, the current outlook for the economy remains uncertain, even after the lifting of the state of emergency declaration. In the overseas cosmetics market, the outlook has also remained uncertain mainly due to the global spread of COVID-19. However, consumption is returning to the Chinese market as economic activity resumes.

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 six months of fiscal 2020.

Consolidated net sales for the first half of fiscal 2020 decreased 24.0% year on year, to ¥83,802 million. Operating income declined 63.8% year on year, to ¥5,881 million, resulting from lower gross profit accompanying the decrease in net sales. Ordinary income was ¥4,543 million, resulting from the recording of non-operating expenses including foreign exchange losses. In addition to these results, due to the effect of recording an extraordinary loss for expenses associated with the temporary closure of business following the declaration of a state of emergency due to the spread of COVID-19, profit attributable to owners of parent was ¥916 million.

#### Operating Results Overview

(Millions of yen)

	Six Months Ended June 30			
	2019	2020	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥110,247	<b>¥83,802</b>	¥(26,445)	(24.0)
Operating Income	16,236	<b>5,881</b>	(10,354)	(63.8)
Ordinary Income	15,561	<b>4,543</b>	(11,017)	(70.8)
Profit Attributable to Owners of Parent	¥9,938	<b>¥916</b>	¥(9,022)	(90.8)

Operating Results by Segment

Net Sales (Segment Sales to External Customers)

(Millions of yen)

	Six Months Ended June 30			
	2019	2020	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥107,733	<b>¥81,401</b>	¥(26,332)	(24.4)
Real Estate	1,319	<b>1,225</b>	(94)	(7.1)
Others	1,194	<b>1,175</b>	(18)	(1.6)
<b>Total</b>	<b>¥110,247</b>	<b>¥83,802</b>	<b>¥(26,445)</b>	<b>(24.0)</b>

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

(Millions of yen)

	Six Months Ended June 30			
	2019	2020	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥15,682	<b>¥5,290</b>	¥(10,392)	(66.3)
Real Estate	573	<b>503</b>	(70)	(12.2)
Others	85	<b>14</b>	(70)	(82.6)
Reconciliations of Segment Profit (Note)	(105)	<b>72</b>	177	—
<b>Total</b>	<b>¥16,236</b>	<b>¥5,881</b>	<b>¥(10,354)</b>	<b>(63.8)</b>

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 10 and 11 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 taking measures to counter the slowdown in inbound demand by launching high-value-added products centered on anti-aging and skin-brightening products, for which there is strong demand in the market, and by focusing on basic activities such as consulting and aesthetic services, with the aim of achieving a high customer retention rate. However, due to the spread of COVID-19, there are still some restrictions on face-to-face services at locations such as aesthetic salons and department stores in Japan and abroad. Meanwhile, to further expand the possibilities for meeting and connecting with customers in the “new way of life,” POLA has launched an online consulting service in Japan, with a focus on the Tokyo metropolitan area, and plans to expand this service nationwide in the future. Overseas, POLA is aggressively opening stores, particularly in China, where consumption is returning. In addition, POLA is strengthening e-commerce channels both in Japan and overseas in an effort to attract new skincare customers and increase sales. Although POLA has revitalized its online and offline activities with the aim of regrowth, POLA recorded net sales and operating income below those of the corresponding period of the previous year.

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. In addition to the ORBIS U anti-aging skincare series, and ORBIS DEFENCERA, the Food for Specified Health Uses with recognized skincare functions, the third symbolic product, ORBIS OFF CREAM (cleansing cream), which was launched in February, contributed to the acquisition of new customers. In addition, ORBIS worked to improve its brand recognition rate by expanding customer contact points in Asia. Meanwhile, there was a decrease in existing customers as a result of efforts to strategically narrow down target customers. Since the spread of COVID-19, ORBIS has been working proactively on directing customers to the e-commerce channel mainly through smartphone applications, and product proposals through online consulting, in anticipation of the “new way of life.” However, as a result of factors including temporary store closures, net sales of ORBIS fell below those of the corresponding period of the previous year. Operating income surpassed that of the corresponding period of the previous year due to an enhanced customer structure and sales promotion efficiency on the cost front.

For overseas brands, the Group took initiatives aimed at business growth in Australia and Asia for Jurlique

and in the United States, where H2O PLUS originated. Following the spread of COVID-19, Jurlique was forced to suspend the operation of directly managed stores and major department stores in Australia, and sales activities in travel retail were significantly restricted due to the continuation of international travel restrictions in various countries. Global business activities have been significantly impacted, despite sales growth in Jurlique e-commerce channels and a recovery in sales activities in China and Hong Kong. As a result, net sales fell below those of the corresponding period of the previous year. On the cost front, Jurlique actively worked to shrink selling, general and administrative expenses and reduce fixed costs, and the operating loss was reduced as a result. H2O PLUS is implementing a new e-commerce strategy with full support from ORBIS, in order to strengthen the e-commerce channel. H2O PLUS is promoting the branding of the new CLEAN J-BEAUTY brand concept with social network services in an effort to improve brand recognition and attract new customers. Meanwhile, although net sales fell below those of the corresponding period of the previous year due to a decrease in shipments of hotel amenities during an extended suspension of business by alliance partners stemming from the spread of COVID-19, operating loss narrowed as a result of aggressive efforts to reduce selling, general and administrative expenses.

For brands under development, while there were strong acquisitions of new customers owing to new products of DECENCIA, and a growth in sales of Amplitude, ITRIM, and FIVEISM × THREE, which were launched in 2018, net sales and operating income fell below those of the corresponding period of the previous year due to the great impact of a reduction in sales of THREE as a result of the spread of COVID-19.

As a result of the factors noted above, net sales—sales to external customers—were ¥81,407 million, down 24.4% year on year, and operating income was ¥5,293 million, down 66.2% 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 six months of fiscal 2020, net sales and operating income fell below those of the corresponding period of the previous year as a result of some tenants moving out.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥1,225 million, down 7.1% year on year, and operating income was ¥503 million, down 12.2% year on year.

#### Others

The Others segment is the building maintenance business.

The building maintenance business is mainly engaged in the operation and management of buildings. During the six months of fiscal 2020, 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, net sales—sales to external customers—generated by the Others segment totaled ¥1,175 million, down 1.6% year on year, and operating income was ¥14 million, down 82.6% year on year.

## **(2) Explanation of Consolidated Financial Position**

As of June 30, 2020, total assets stood at ¥206,733 million, down 9.0%, or ¥20,523 million, from December 31, 2019. Factors related to this change included increases of ¥382 million in short-term investments in securities, ¥1,439 million in merchandise and finished goods, and ¥795 million in software, as well as decreases of ¥13,643 million in cash and deposits and ¥6,138 million in notes and accounts receivable – trade.

Total liabilities amounted to ¥32,743 million, down 9.5%, or ¥3,442 million, from December 31, 2019. Factors related to this change included decreases of ¥294 million in notes and accounts payable-trade, ¥2,120 million in other under current liabilities associated with a decrease in accounts payable – other, and ¥377 million in income taxes payable.

Net assets amounted to ¥173,989 million, down 8.9%, or ¥17,080 million, from December 31, 2019. Factors related to this change included a decrease of ¥17,930 million in dividends from retained earnings, partially offset by an increase of ¥916 million in profit attributable to owners of parent.

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

The Group has made no revisions to the full-year consolidated performance forecast announced on April 28, 2020.

(Information for reference)

## Cumulative Results for Fiscal 2019

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥52,440	¥110,247	¥165,530	¥219,920
Operating Income	6,773	16,236	25,411	31,137
Ordinary Income	6,525	15,561	24,370	30,630
Profit Attributable to Owners of Parent	¥4,157	¥ 9,938	¥ 15,898	¥ 19,694

## Quarterly Results for Fiscal 2019

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥52,440	¥57,806	¥55,282	¥54,390
Operating Income	6,773	9,462	9,175	5,725
Ordinary Income	6,525	9,035	8,809	6,259
Profit Attributable to Owners of Parent	¥ 4,157	¥ 5,781	¥ 5,959	¥ 3,796

## 2. Quarterly Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	FY2019 December 31, 2019	FY2020 Second Quarter June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	¥ 66,548	¥ 52,904
Notes and accounts receivable – trade	21,624	15,485
Short-term investments in securities	24,518	24,901
Merchandise and finished goods	13,684	15,124
Work in process	853	843
Raw materials and supplies	5,163	5,485
Other	11,617	7,198
Allowance for doubtful accounts	(1,074)	(25)
Total current assets	142,935	121,918
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,866	17,372
Land	14,094	14,082
Other, net	12,026	11,495
Total property, plant and equipment	43,987	42,950
Intangible assets		
Right of trademark	31	30
Software	8,019	8,814
Other	98	97
Total intangible assets	8,149	8,942
Investments and other assets		
Investments in securities	20,301	20,271
Other	12,056	12,868
Allowance for doubtful accounts	(173)	(217)
Total investments and other assets	32,184	32,922
Total non-current assets	84,320	84,814
Total assets	¥227,256	¥206,733



(Millions of yen)

	FY2019 December 31, 2019	FY2020 Second Quarter June 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	¥ 3,129	¥ 2,834
Income taxes payable	1,374	996
Provision for bonuses	1,490	1,172
Provision for point program	2,872	2,498
Other provisions	98	91
Other	17,657	15,537
Total current liabilities	<u>26,621</u>	<u>23,130</u>
<b>Non-current liabilities</b>		
Other provisions	88	106
Net defined benefit liability	3,872	4,001
Asset retirement obligations	2,153	2,158
Other	5,603	5,505
Total non-current liabilities	<u>9,564</u>	<u>9,613</u>
Total liabilities	<u>36,186</u>	<u>32,743</u>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	10,000	10,000
Capital surplus	80,785	80,785
Retained earnings	100,915	83,900
Treasury stock	(2,652)	(2,652)
Total shareholders' equity	<u>189,047</u>	<u>172,033</u>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(62)	(183)
Foreign currency translation adjustments	2,047	2,148
Remeasurements of defined benefit plans	(341)	(398)
Total accumulated other comprehensive income	<u>1,643</u>	<u>1,566</u>
Subscription rights to shares	243	243
Non-controlling interests	134	146
Total net assets	<u>191,069</u>	<u>173,989</u>
Total liabilities and net assets	<u>¥227,256</u>	<u>¥206,733</u>

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

## Consolidated Statements of Income

(Millions of yen)

	Six Months Ended June 30	
	FY2019 (January 1, 2019– June 30, 2019)	FY2020 (January 1, 2020– June 30, 2020)
Net sales	¥110,247	¥83,802
Cost of sales	16,921	13,567
Gross profit	93,326	70,234
Selling, general and administrative expenses		
Sales commission	24,947	18,842
Promotion expenses	10,521	8,383
Advertising expenses	6,141	4,720
Salaries, allowances and bonuses	10,437	9,758
Provision for bonuses	953	863
Provision for point program	2,971	2,087
Other	21,116	19,697
Total selling, general and administrative expenses	77,089	64,353
Operating income	16,236	5,881
Non-operating income		
Interest income	98	93
Other	120	113
Total non-operating income	218	206
Non-operating expenses		
Interest expense	42	44
Loss on sales of investments securities	—	367
Loss on valuation of investment securities	240	—
Foreign exchange losses	436	433
Compensation expenses	103	624
Other	71	74
Total non-operating expenses	894	1,544
Ordinary income	15,561	4,543
Extraordinary income		
Subsidy income	—	40
Other	0	2
Total extraordinary income	0	43
Extraordinary losses		
Loss on disposal of non-current assets	111	117
Impairment loss	0	643
Loss on valuation of investment securities	—	80
Loss related to COVID-19	—	1,232
Other	2	3
Total extraordinary losses	114	2,077
Profit before income taxes	15,446	2,509
Income taxes – current	3,470	2,141
Income taxes – deferred	2,038	(560)
Total income taxes	5,509	1,581
Profit	9,937	928
Profit (Loss) attributable to non-controlling interests	(1)	11
Profit attributable to owners of parent	¥ 9,938	¥ 916

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six Months Ended June 30	
	FY2019 (January 1, 2019– June 30, 2019)	FY2020 (January 1, 2020– June 30, 2020)
Profit	¥9,937	<b>¥928</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(76)	<b>(121)</b>
Foreign currency translation adjustments	59	<b>100</b>
Remeasurements of defined benefit plans	252	<b>(56)</b>
Total other comprehensive income	234	<b>(77)</b>
Comprehensive income	10,171	<b>850</b>
Comprehensive income attributable to owners of parent	10,176	<b>839</b>
Comprehensive income attributable to non-controlling interests	¥(4)	<b>¥11</b>

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

None

**(Significant Changes in Shareholders' Equity)**

None

**(Segment Information)**

I. First Half of Fiscal 2019 (January 1, 2019-June 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	¥ 107,733	¥1,319	¥109,053	¥1,194	¥110,247	—	¥110,247	
Intersegment Sales or Transfers	38	249	287	1,094	1,382	¥(1,382)	—	
Total	107,772	1,569	109,341	2,288	111,629	(1,382)	110,247	
Segment Profit	¥ 15,682	¥573	¥ 16,256	¥ 85	¥ 16,341	¥ (105)	¥ 16,236	

Notes: 1. "Others" comprises business operations that are not categorized as reportable segments and include 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 ¥(105) million includes intersegment transaction eliminations of ¥1,865 million, and corporate expenses of ¥ (1,970) million not allocated to each 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. First Half of Fiscal 2020 (January 1, 2020–June 30, 2020)

## 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	¥81,401	¥1,225	¥82,626	¥1,175	¥83,802	—	¥83,802
Intersegment Sales or Transfers	48	260	308	825	1,134	¥(1,134)	—
Total	81,449	1,485	82,935	2,001	84,936	(1,134)	83,802
Segment Profit	¥5,290	¥503	¥5,793	¥14	¥5,808	¥72	¥5,881

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

2. The segment profit reconciliation of ¥ 72 million includes intersegment transaction eliminations of ¥1,946 million, and corporate expenses of ¥ (1,874) million not allocated to each 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

**(Subsequent Events)**

None