

Summary of Financial Results

For the Fiscal Year Ended 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.

February 12, 2021

POLA ORBIS HOLDINGS INC.

Listing: Tokyo Stock Exchange, First Section (Code No.: 4927)
 URL: <https://www.po-holdings.co.jp/>
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 Annual Shareholders' Meeting: March 25, 2021
 Filing Date of Securities Report: March 25, 2021
 Start of Cash Dividend Payment: March 26, 2021
 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, 2020

(January 1, 2020–December 31, 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 | 176,311 | (19.8) | 13,752 | (55.8) | 12,579 | (58.9) | 4,632 | (76.5) |
| FY2019 | 219,920 | (11.5) | 31,137 | (21.2) | 30,630 | (21.4) | 19,694 | 134.8 |

Note: Comprehensive income: FY2020: ¥4,463million (-77.7%); FY2019: ¥19,972 million (161.8 %)

| | 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 | % | % | % |
| FY2020 | 20.94 | 20.92 | 2.6 | 5.8 | 7.8 |
| FY2019 | 89.04 | 88.93 | 10.4 | 13.0 | 14.2 |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Equity Ratio | Net Assets Per Share |
|----------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| At December 31 | | | | |
| FY2020 | 203,742 | 169,854 | 83.2 | 766.05 |
| FY2019 | 227,256 | 191,069 | 83.9 | 862.00 |

Reference: Equity capital: At December 31, 2020: ¥169,466 million; At December 31, 2019: ¥190,690 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 |
| FY2020 | 23,394 | (3,342) | (27,133) | 58,844 |
| FY2019 | 21,127 | (12,514) | (19,336) | 65,789 |

2. Dividends

| | Annual Cash Dividends Per Share | | | | | Total Dividends Paid (Annual) | Payout Ratio (Consolidated) | Dividends to Net Assets (Consolidated) |
|------------------|---------------------------------|--------|--------|----------|--------|-------------------------------|-----------------------------|--|
| | Q1-end | Q2-end | Q3-end | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| FY2019 | — | 35.00 | — | 81.00 | 116.00 | 25,678 | 130.3 | 13.5 |
| FY2020 | — | 35.00 | — | 15.00 | 50.00 | 11,068 | 238.8 | 6.1 |
| FY2021(Forecast) | — | 20.00 | — | 31.00 | 51.00 | | 99.8 | |

3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2021

(January 1, 2021–December 31, 2021)

(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 |
| Full year | 190,000 | 7.8 | 19,000 | 38.2 | 19,000 | 51.0 | 11,300 | 144.0 | 51.08 |

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 : None

2) Changes other than (2)-1) : None

3) Changes in accounting estimates : None

4) Restatement : None

Note: For details, please refer to page 16, “Changes in Accounting Policies” in “Notes to Consolidated Financial Statements”.

(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, 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 December 31, 2020 7,915,453 shares

At December 31, 2019 7,916,253 shares

3) Average number of shares issued and outstanding in each period

Fiscal year ended December 31, 2020 221,220,210 shares

Fiscal year ended December 31, 2019 221,201,512 shares

Note: The number of shares of treasury stock at December 31, 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.

(Reference) Summary of Non-consolidated Financial Performance**1. Non-consolidated Financial Performance for the Fiscal Year Ended December 31, 2020**

(January 1, 2020–December 31, 2020)

(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 | % |
| FY2020 | 23,697 | (37.7) | 19,548 | (42.2) | 20,148 | (41.0) | 11,619 | (58.4) |
| FY2019 | 38,059 | 42.1 | 33,793 | 48.7 | 34,150 | 52.9 | 27,963 | — |

| | Net Income | Diluted Net Income |
|--------|------------|--------------------|
| | Per Share | Per Share |
| | Yen | Yen |
| FY2020 | 52.52 | 52.47 |
| FY2019 | 126.42 | 126.27 |

(2) Financial Position

| At December 31 | Total Assets | Net Assets | Equity Ratio | Net Assets Per Share |
|----------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| FY2020 | 177,243 | 96,313 | 54.2 | 434.27 |
| FY2019 | 198,632 | 110,370 | 55.4 | 497.81 |

Reference: Equity capital: At December 31, 2020: ¥96,069 million; At December 31, 2019: ¥110,126 million

Information Regarding Annual Audit Procedures

The annual financial results report is exempt from annual audit 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. Overview of Consolidated Operating Results (4) Performance Forecast” on page 6.

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1. Overview of Consolidated Operating Results

(1) Overview of Consolidated Operating Results for Fiscal 2020

During the fiscal year ended December 31, 2020 (January 1–December 31, 2020), the Japanese economy experienced extremely difficult conditions due to the spread and prolongation of COVID-19 (the novel coronavirus), which led to severe restrictions on economic activity. Although there have been signs of a temporary recovery in consumer spending, with April and May having been the worst months, fears of a re-expansion of infections have not been dispelled. This is expected to be a hindrance to the normalization of economic activity for the time being. The economy is expected to take time to recover to pre-pandemic levels.

The domestic cosmetics market temporarily saw a rapid decline in consumption behaviors that utilize face-to-face services as a result of a significant decrease in inbound demand, as well as store closures and self-restraint from going out stemming from a declaration of a state of emergency due to the spread of COVID-19. While there were signs of a gradual recovery following the lifting of the state of emergency, the situation has yet to recover to levels seen before the spread of COVID-19, and the outlook remains uncertain. On the other hand, as a new way of life continues to take root, the importance of e-commerce and other mail-order sales channels is increasing as the shift to such channels becomes significant, driven by the change in contactless behavior that has been brought about by the COVID-19 pandemic.

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 levels before the COVID-19 pandemic in 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 fiscal 2020.

Consolidated net sales decreased 19.8% year on year, to ¥176,311 million. Operating income declined 55.8% year on year, to ¥13,752 million, resulting from lower gross profit accompanying the decrease in net sales. Ordinary income decreased 58.9% year on year, to ¥12,579 million. In addition to these results, due to the effects of recording an impairment loss on non-current assets related to Jurlique brand and 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 decreased 76.5% year on year, to ¥4,632 million.

Operating Results Overview

(Millions of yen)

| | Twelve Months Ended December 31 | | | |
|---|---------------------------------|-----------------|---------------|--------------------|
| | 2019 | 2020 | Year-on-Year | |
| | | | Amount Change | Percent Change (%) |
| Net Sales | ¥219,920 | ¥176,311 | ¥(43,609) | (19.8) |
| Operating Income | 31,137 | 13,752 | (17,384) | (55.8) |
| Ordinary Income | 30,630 | 12,579 | (18,051) | (58.9) |
| Profit Attributable to Owners of Parent | ¥19,694 | ¥4,632 | ¥(15,062) | (76.5) |

Operating Results by Segment

Net Sales (Segment Sales to External Customers)

(Millions of yen)

| Twelve Months Ended December 31 | | | | |
|---------------------------------|-----------------|-----------------|------------------|--------------------|
| | 2019 | 2020 | Year-on-Year | |
| | | | Amount Change | Percent Change (%) |
| Beauty Care | ¥214,886 | ¥171,658 | ¥(43,228) | (20.1) |
| Real Estate | 2,619 | 2,291 | (327) | (12.5) |
| Others | 2,415 | 2,361 | (53) | (2.2) |
| Total | ¥219,920 | ¥176,311 | ¥(43,609) | (19.8) |

Segment Income (Loss), Operating Income (Loss)

(Millions of yen)

| Twelve Months Ended December 31 | | | | |
|---|----------------|----------------|------------------|--------------------|
| | 2019 | 2020 | Year-on-Year | |
| | | | Amount Change | Percent Change (%) |
| Beauty Care | ¥30,193 | ¥12,965 | ¥(17,228) | (57.1) |
| Real Estate | 1,021 | 710 | (310) | (30.4) |
| Others | 130 | 128 | (2) | (1.8) |
| Reconciliations of Segment Income (Note) | (207) | (51) | 156 | — |
| Total | ¥31,137 | ¥13,752 | ¥(17,384) | (55.8) |

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 18 for the details of reconciliations of segment income in fiscal 2020.

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 aiming to achieve a high customer retention rate 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. In Japan, POLA has won many best cosmetic awards for Wrinkle Shot and White Shot, with the new B.A Lotion topping the list, which is part of POLA's pinnacle anti-aging care series that launched in September. In addition, sales through e-commerce channels have grown significantly, and POLA will continue to strengthen the e-commerce channel. Aesthetic salons are also seeing a recovery in store traffic, particularly among existing customers, by implementing thorough in-store hygiene management and infection prevention measures. Overseas, Chinese e-commerce and South Korean duty-free stores in particular continue to grow at a high rate. In the W11 and W12 sales season in China, department stores, live commerce and other initiatives also performed well. However, the spread of COVID-19 has had a significant impact on sales declines, and POLA recorded net sales and operating income below those 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. In Japan, new customer acquisitions and second-time purchases were strong, particularly in the third and fourth quarter, centered on the ORBIS U anti-aging skincare series. In the e-commerce business, a reforming on cost construction and a guidance to the e-commerce channel in order to adopt to the change in contactless consumption behavior which has rapidly been proceeded under the COVID-19 pandemic were successful, and profits increased during the COVID-19 pandemic. In December, ORBIS launched its unique skincare screening service, the AI Future Skin Simulation, and worked toward the realization of Smart Aging® (to let your skin age beautifully in your own way) by providing high experiential value through the use of technology. Overseas, while ORBIS worked to improve its brand recognition rate by expanding customer contact points in Asia, there were factors including temporary store closures due to the impact of the spread of COVID-19, leading to net sales and operating income of ORBIS falling below those of the previous year.

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. For Jurlique, high growth was achieved in e-commerce channels in China. However, net sales fell below those of the previous year due to the significant impact of a decline in sales in directly managed stores and major department stores in Australia and Hong Kong caused by the re-expansion of COVID-19. On the cost front, Jurlique actively worked to reduce costs, and the operating loss was reduced as a result. H2O PLUS worked on active advertising and promotional activities focused on the marketing season, with the aim of expanding business in the e-commerce channel. Through encouraging new and repeat customer purchases, net sales increased compared with those of the previous year. In the hotel amenity business, net sales fell below those of the previous year due to the continued decline in shipments resulting from closures of commercial facilities amid the prolonged spread of COVID-19. However, operating loss narrowed due to aggressive cost reductions.

For brands under development, while there were strong acquisitions of new customers on the e-commerce channel 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 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 ¥171,658 million, down 20.1% year on year, and operating income was ¥12,965 million, down 57.1% 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 fiscal 2020, net sales and operating income fell below those 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 ¥2,291 million, down 12.5% year on year, and operating income was ¥710 million, down 30.4% 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 fiscal 2020, net sales and operating income were below those 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 ¥2,361 million, down 2.2% year on year, and operating income was ¥128 million, down 1.8% year on year.

(2) Overview of Consolidated Financial Position at End of Fiscal 2020

As of December 31, 2020, total assets stood at ¥203,742 million, down 10.3%, or ¥23,513 million, from December 31, 2019. Factors related to this change included increases of ¥1,062 million in short-term investments in securities, and ¥1,215 million in software, as well as decreases of ¥7,029 million in cash and deposits, ¥3,669 million in notes and accounts receivable – trade, ¥6,431 million in current assets-other due to decrease of other receivable, and ¥4,328 million in investment in securities.

Total liabilities amounted to ¥33,887 million, down 6.4%, or ¥2,298 million, from December 31, 2019. Factors related to this change included decreases of ¥471 million in notes and accounts payable – trade, ¥404 million in lease obligations, ¥780 million in income taxes payable, and ¥389 million in provision for point program.

Net assets amounted to ¥169,854 million, down 11.1%, or ¥21,214 million, from December 31, 2019. Factors related to this change included a decrease of ¥25,678 million in dividends from retained earnings, partially offset by an increase of ¥4,632 million in profit attributable to owners of parent.

(3) Overview of Consolidated Cash Flows for Fiscal 2020

The balance of cash and cash equivalents as of December 31, 2020 was ¥58,844 million, down ¥6,944 million from the end of the previous fiscal year.

The status of cash flows from operating activities, investing activities, and financing activities for fiscal 2020, and noteworthy increases and decreases to these cash flows, are described below.

Cash flows from operating activities

Net cash provided by operating activities increased 10.7% from a year ago, to ¥23,394 million. The primary components contributing to an increase in net cash were ¥9,169 million in profit before income taxes, ¥7,255 million in depreciation and amortization, ¥2,608 million in impairment loss, ¥3,726 million of decrease in notes and accounts receivable – trade, and ¥2,535 million of decrease in inventories. Major components leading to a decrease in net cash were ¥389 million of decrease in provision for point program, ¥465 million of decrease in notes and accounts payable – trade, ¥1,794 million in income taxes paid, and ¥1,093 million in payments for loss related to COVID-19.

Cash flows from investing activities

Net cash used in investing activities decreased 73.3% from a year ago, to ¥3,342 million. The main factors were an increase in net cash resulting from ¥20,400 million in proceeds from sales, ¥3,452 million in proceeds from sales of investment securities, and redemption of short-term investments in securities, and a decrease in net cash resulting from outflows of ¥10,000 million due to purchase of short-term investments in securities and ¥9,222 million due to purchase of investments in securities for the management of surplus funds in line with investment plans, ¥3,497 million due to purchase of property, plant and equipment, and ¥3,955 million due to purchase of intangible assets.

Cash flows from financing activities

Net cash used in financing activities increased 40.3 % from a year ago, to ¥27,133 million. The increase was primarily attributable to the application of ¥1,462 million in repayments of lease obligations and ¥25,670 million in cash dividends paid.

(Reference) Cash flow related indicators

| | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|---|--------|--------|--------|--------|--------------|
| Equity ratio (%) | 79.9 | 78.6 | 77.0 | 83.9 | 83.2 |
| Equity ratio based on market value (%) | 233.2 | 346.3 | 268.5 | 254.5 | 227.4 |
| Cash flow/Interest-bearing debt ratio (years) | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| Interest coverage ratio (times) | 406.0 | 481.0 | 510.0 | 251.1 | 264.6 |

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.

(4) Consolidated Performance Forecast for Fiscal 2021

The Japanese economy is expected to remain extremely uncertain and unpredictable for the time being due to the spread and prolongation of COVID-19. COVID-19 is also expected to bring about changes in the new way of life and consumer values, further diversifying needs. In order to cope with these changes, the Group believes it will be extremely important to apply digital technology, provide new products and services that meet newly emerging consumer needs and develop new business areas, in order to overcome this difficult phase.

Against this backdrop, in addition to the evolution of domestic direct selling, profitable growth of overseas business, profit contribution of brands under development, and creation of new brands/expansion of business domains, the Group will position strengthening of operations (R&D and sustainability) to support the realization of the above as key strategies, and carry them out from the next fiscal year onward.

For the fiscal year ending December 31, 2021, the Group forecasts net sales of ¥190,000 million, up by 7.8%, operating income of ¥19,000 million, up by 38.2%, ordinary income of ¥19,000 million, up by 51.0%, and profit attributable to owners of parent of ¥11,300 million, up by 144.0% compared with those of the fiscal year ended December 31, 2020, considering the steady execution of key strategies and the downward pressure on the economy due to the spread of COVID-19.

2. 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.

3. Consolidated Financial Statements and Notes**(1) Consolidated Balance Sheets**

(Millions of yen)

| | FY2019 December 31, 2019 | FY2020 December 31, 2020 |
|--|-----------------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | ¥ 66,548 | ¥59,518 |
| Notes and accounts receivable – trade | 21,624 | 17,955 |
| Short-term investments in securities | 24,518 | 25,581 |
| Merchandise and finished goods | 13,684 | 11,922 |
| Work in process | 853 | 872 |
| Raw materials and supplies | 5,163 | 4,361 |
| Other | 11,617 | 5,186 |
| Allowance for doubtful accounts | (1,074) | (39) |
| Total current assets | 142,935 | 125,358 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 53,331 | 53,790 |
| Accumulated depreciation | (35,464) | (36,718) |
| Buildings and structures, net | 17,866 | 17,072 |
| Machinery, equipment and vehicles | 9,387 | 9,283 |
| Accumulated depreciation | (7,058) | (7,322) |
| Machinery, equipment and vehicles, net | 2,329 | 1,961 |
| Land | 14,094 | 13,973 |
| Leased assets | 8,082 | 7,996 |
| Accumulated depreciation | (6,306) | (6,638) |
| Leased assets, net | 1,775 | 1,357 |
| Construction in progress | 253 | 302 |
| Other | 19,443 | 19,485 |
| Accumulated depreciation | (11,775) | (13,028) |
| Other, net | 7,667 | 6,457 |
| Total property, plant and equipment | 43,987 | 41,124 |
| Intangible assets | | |
| Right of trademark | 31 | 28 |
| Software | 8,019 | 9,235 |
| Other | 98 | 96 |
| Total intangible assets | 8,149 | 9,360 |
| Investments and other assets | | |
| Investments in securities | 20,301 | 15,973 |
| Long-term loans receivable | 67 | 93 |
| Deferred tax assets | 7,386 | 7,331 |
| Other | 4,602 | 4,752 |
| Allowance for doubtful accounts | (173) | (251) |
| Total investments and other assets | 32,184 | 27,900 |
| Total non-current assets | 84,320 | 78,384 |
| Total assets | ¥227,256 | ¥203,742 |

(Millions of yen)

| | FY2019 December 31, 2019 | FY2020 December 31, 2020 |
|---|-----------------------------|-----------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable – trade | ¥ 3,129 | ¥ 2,657 |
| Lease obligations | 1,401 | 996 |
| Accounts payable – other | 12,813 | 12,747 |
| Income taxes payable | 1,374 | 593 |
| Provision for bonuses | 1,490 | 1,615 |
| Provision for directors' bonuses | 36 | 32 |
| Provision for sales returns | 61 | 69 |
| Provision for point program | 2,872 | 2,482 |
| Other | 3,442 | 3,387 |
| Total current liabilities | 26,621 | 24,582 |
| Non-current liabilities | | |
| Lease obligations | 1,590 | 1,443 |
| Net defined benefit liability | 3,872 | 3,937 |
| Provision for share benefits for directors | 36 | 49 |
| Provision for environmental measures | 52 | 52 |
| Other | 4,012 | 3,822 |
| Total non-current liabilities | 9,564 | 9,305 |
| Total liabilities | 36,186 | 33,887 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 10,000 | 10,000 |
| Capital surplus | 80,785 | 80,785 |
| Retained earnings | 100,915 | 79,868 |
| Treasury stock | (2,652) | (2,652) |
| Total shareholders' equity | 189,047 | 168,001 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (62) | (59) |
| Foreign currency translation adjustments | 2,047 | 1,794 |
| Remeasurements of defined benefit plans | (341) | (269) |
| Total accumulated other comprehensive income | 1,643 | 1,465 |
| Subscription rights to shares | 243 | 243 |
| Minority interests | 134 | 144 |
| Total net assets | 191,069 | 169,854 |
| Total liabilities and net assets | ¥227,256 | ¥203,742 |

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

Consolidated Statements of Income

(Millions of yen)

| | Twelve Months Ended December 31 | |
|--|---|---|
| | FY2019 (January 1, 2019– December 31, 2019) | FY2020 (January 1, 2020– December 31, 2020) |
| Net sales | ¥219,920 | ¥176,311 |
| Cost of sales | 35,925 | 29,979 |
| Gross profit | 183,995 | 146,331 |
| Selling, general and administrative expenses | | |
| Sales commission | 48,376 | 35,996 |
| Promotion expenses | 22,698 | 19,483 |
| Packing and transportation expenses | 5,034 | 5,019 |
| Advertising expenses | 11,486 | 10,834 |
| Provision of allowance for doubtful accounts | 98 | 104 |
| Provision for point program | 2,657 | 2,304 |
| Salaries, allowances and bonuses | 21,343 | 20,674 |
| Welfare expenses | 3,966 | 3,731 |
| Retirement benefit expenses | 758 | 755 |
| Provision for bonuses | 1,358 | 1,359 |
| Depreciation and amortization | 5,279 | 5,229 |
| Other | 29,798 | 27,085 |
| Total selling, general and administrative expenses | 152,857 | 132,578 |
| Operating income | 31,137 | 13,752 |
| Non-operating income | | |
| Interest income | 191 | 186 |
| Rent income | 55 | 48 |
| Other | 147 | 109 |
| Total non-operating income | 394 | 344 |
| Non-operating expenses | | |
| Interest expense | 84 | 88 |
| Loss on sales of investment securities | — | 367 |
| Loss on valuation of investment securities | 180 | — |
| Foreign exchange losses | 227 | 7 |
| Compensation expenses | 332 | 946 |
| Other | 77 | 108 |
| Total non-operating expenses | 901 | 1,517 |
| Ordinary income | ¥ 30,630 | ¥12,579 |

(Millions of yen)

| | Twelve Months Ended December 31 | |
|--|---|---|
| | FY2019 (January 1, 2019– December 31, 2019) | FY2020 (January 1, 2020– December 31, 2020) |
| Extraordinary income | | |
| Gain on sales of non-current assets | ¥0 | ¥3 |
| Subsidy income | — | 776 |
| Settlement received | 286 | — |
| Other | — | 100 |
| Total extraordinary income | 286 | 880 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 345 | 234 |
| Impairment loss | 689 | 2,608 |
| Loss on valuation of investment securities | — | 128 |
| Loss related to COVID-19 | — | 1,283 |
| Other | 69 | 36 |
| Total extraordinary losses | 1,104 | 4,291 |
| Income before income taxes | 29,813 | 9,169 |
| Income taxes – current | 7,835 | 4,482 |
| Income taxes – deferred | 2,276 | 45 |
| Total income taxes | 10,111 | 4,527 |
| Net income | 19,701 | 4,641 |
| Profit attributable to non-controlling interests | 6 | 9 |
| Profit attributable to owners of parent | ¥19,694 | ¥4,632 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Twelve Months Ended December 31 | |
|--|---|---|
| | FY2019 (January 1, 2019– December 31, 2019) | FY2020 (January 1, 2020– December 31, 2020) |
| Net income | ¥19,701 | ¥4,641 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (64) | 2 |
| Foreign currency translation adjustments | (13) | (252) |
| Remeasurements of defined benefit plans | 349 | 72 |
| Total other comprehensive income | 271 | (177) |
| Comprehensive income | 19,972 | 4,463 |
| Comprehensive income attributable to owners of the parent | 19,963 | 4,453 |
| Comprehensive income attributable to non-controlling interests | ¥9 | ¥9 |

(3) Consolidated Statements of Changes in Net Assets

FY2019 (January 1, 2019 – December 31, 2019)

(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 | ¥90,240 | ¥88,968 | ¥(2,188) | ¥187,021 |
| Changes of items during the period | | | | | |
| Dividends from retained earnings | | (9,953) | (7,747) | | (17,700) |
| Net income attributable to owners of parent | | | 19,694 | | 19,694 |
| Purchase of treasury shares | | | | (517) | (517) |
| Disposal of treasury stock | | 497 | | 52 | 549 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | — | (9,455) | 11,947 | (464) | 2,026 |
| Balance at the end of the period | ¥10,000 | ¥80,785 | ¥100,915 | ¥(2,652) | ¥189,047 |

(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 | ¥2 | ¥2,063 | ¥(691) | ¥1,374 | ¥275 | ¥125 | ¥188,797 |
| Changes of items during the period | | | | | | | |
| Dividends from retained earnings | | | | | | | (17,700) |
| Net income attributable to owners of parent | | | | | | | 19,694 |
| Purchase of treasury shares | | | | | | | (517) |
| Disposal of treasury stock | | | | | | | 549 |
| Net changes of items other than shareholders' equity | (64) | (16) | 349 | 268 | (31) | 9 | 246 |
| Total changes of items during the period | (64) | (16) | 349 | 268 | (31) | 9 | 2,272 |
| Balance at the end of the period | ¥(62) | ¥2,047 | ¥(341) | ¥1,643 | ¥243 | ¥134 | ¥191,069 |

FY2020 (January 1, 2020 – December 31, 2020)

(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 | ¥80,785 | ¥100,915 | ¥(2,652) | ¥189,047 |
| Changes of items during the period | | | | | |
| Dividends from retained earnings | | | (25,678) | | (25,678) |
| Net income attributable to owners of parent | | | 4,632 | | 4,632 |
| Disposal of treasury stock | | 0 | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | — | 0 | (21,046) | 0 | (21,046) |
| Balance at the end of the period | ¥10,000 | ¥80,785 | ¥79,868 | ¥(2,652) | ¥168,001 |

(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 | ¥(62) | ¥2,047 | ¥(341) | ¥1,643 | ¥243 | ¥134 | ¥191,069 |
| Changes of items during the period | | | | | | | |
| Dividends from retained earnings | | | | | | | (25,678) |
| Net income attributable to owners of parent | | | | | | | 4,632 |
| Disposal of treasury stock | | | | | | | 0 |
| Net changes of items other than shareholders' equity | 2 | (252) | 72 | (178) | (0) | 9 | (168) |
| Total changes of items during the period | 2 | (252) | 72 | (178) | (0) | 9 | (21,214) |
| Balance at the end of the period | ¥(59) | ¥1,794 | ¥(269) | ¥1,465 | ¥243 | ¥144 | ¥169,854 |

(4) Consolidated Statements of Cash Flows

(Millions of yen)

| | Twelve Months Ended December 31 | |
|--|---|---|
| | FY2019 (January 1, 2019– December 31, 2019) | FY2020 (January 1, 2020– December 31, 2020) |
| Cash flows from operating activities | | |
| Income before income taxes | ¥29,813 | ¥9,169 |
| Depreciation and amortization | 7,377 | 7,255 |
| Impairment loss | 689 | 2,608 |
| Decrease in allowance for doubtful accounts | (145) | (919) |
| Increase in provision for bonuses | 49 | 68 |
| Decrease in provision for point program | (675) | (389) |
| Increase in other provision | 68 | 16 |
| Increase in net defined benefit liability | 213 | 158 |
| Interest and dividend income | (191) | (186) |
| Interest expense | 84 | 88 |
| Loss on sales of investment securities | — | 367 |
| Loss on valuation of investment securities | 180 | — |
| Foreign exchange gain | 152 | (305) |
| Gain (loss) on sales of non-current assets | 1 | (3) |
| Loss on disposal of non-current assets | 345 | 234 |
| Subsidy income | — | (776) |
| Loss related to COVID-19 | — | 1,283 |
| Decrease (increase) in notes and accounts receivable – trade | 607 | 3,726 |
| Decrease (increase) in inventories | 1,066 | 2,535 |
| Increase (decrease) in notes and accounts payable – trade | (917) | (465) |
| Increase (decrease) in consumption taxes payable | (218) | (639) |
| Decrease (increase) in other assets | 64 | 1,653 |
| Increase (decrease) in other liabilities | (1,425) | (392) |
| Other | 173 | 300 |
| Subtotal | 37,311 | 25,388 |
| Interest and dividends received | 219 | 206 |
| Interest paid | (84) | (88) |
| Income taxes paid | (16,319) | (1,794) |
| Subsidy income received | — | 776 |
| Payment for loss related to COVID-19 | — | (1,093) |
| Net cash provided by operating activities | ¥21,127 | ¥23,394 |

(Millions of yen)

| | Twelve Months Ended December 31 | |
|--|---|---|
| | FY2019 (January 1, 2019– December 31, 2019) | FY2020 (January 1, 2020– December 31, 2020) |
| Cash flows from investing activities | | |
| Payments into time deposits | ¥(280) | ¥(245) |
| Proceeds from withdrawal of time deposits | 385 | 330 |
| Purchase of short-term investments in securities | (11,900) | (10,000) |
| Proceeds from sales and redemption of short-term investments in securities | 25,510 | 20,400 |
| Purchase of property, plant and equipment | (4,589) | (3,497) |
| Proceeds from sales of property, plant and equipment | 64 | 15 |
| Purchase of intangible assets | (4,730) | (3,955) |
| Payments for disposal of non-current assets | (41) | (17) |
| Purchase of investments in securities | (14,390) | (9,222) |
| Proceeds from sales of investment securities | — | 3,452 |
| Purchase of long-term prepaid expenses | (166) | (373) |
| Payments for lease and guarantee deposits | (347) | (288) |
| Proceeds from collection of lease and guarantee deposits | 175 | 241 |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | (2,203) | — |
| Other | (0) | (181) |
| Net cash used in investing activities | (12,514) | (3,342) |
| Cash flows from financing activities | | |
| Repayments of lease obligations | (1,638) | (1,462) |
| Cash dividends paid | (17,697) | (25,670) |
| Purchase of treasury stock | (517) | — |
| Proceeds from sales of treasury stock | 517 | 0 |
| Other | 0 | — |
| Net cash used in financing activities | (19,336) | (27,133) |
| Effect of exchange rate change on cash and cash equivalents | 49 | 136 |
| Net decrease in cash and cash equivalents | (10,673) | (6,944) |
| Cash and cash equivalents at beginning of period | 76,462 | 65,789 |
| Cash and cash equivalents at end of period | ¥65,789 | ¥58,844 |

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

None

(Investment and Rental Property)

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

In fiscal 2019, net rental income from investment and rental properties was ¥852 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 2020, net rental income from investment and rental properties is ¥△162 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 2019 and fiscal 2020 and the fair value of those properties are stated below.

(Millions of yen)

| | | FY2019 (January 1, 2019–December 31, 2019) | FY2020 (January 1, 2020–December 31, 2020) |
|---|--------------------------------------|---|---|
| Carrying Amounts on the Consolidated Balance Sheet | Balance at Beginning of Period | ¥18,388 | ¥18,077 |
| | Change | ¥(311) | ¥(300) |
| | Balance at End of Period | ¥18,077 | ¥17,777 |
| Fair Value at End of Period | | ¥56,684 | ¥61,778 |

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

2. Main change

(Fiscal 2019)

| | | |
|-----------|---|--------------|
| Increase: | Refurbishment of office buildings for lease: | ¥289 million |
| Decrease: | Depreciation on office buildings and residential properties and other properties for lease: | ¥535 million |

(Fiscal 2020)

| | | |
|-----------|---|--------------|
| Increase: | Refurbishment of office buildings for lease: | ¥330 million |
| Decrease: | Depreciation on office buildings and residential properties and other properties for lease: | ¥526 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 distributes cosmetics and health foods and sells fashion items (women's underwear, women's apparel and jewelry) under the following brand names: **POLA, ORBIS, Jurlique, H2O PLUS, THREE, DECENCIA, Amplitude, ITRIM, and FIVEISM × THREE**. 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, 2019 (January 1, 2019–December 31, 2019)

| | | | | | | | (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 | ¥214,886 | ¥2,619 | ¥217,505 | ¥2,415 | ¥219,920 | — | ¥219,920 |
| Intersegment Sales or Transfers | 56 | 511 | 567 | 2,298 | 2,866 | ¥(2,866) | — |
| Total | 214,942 | 3,130 | 218,072 | 4,714 | 222,787 | (2,866) | 219,920 |
| Segment Income | 30,193 | 1,021 | 31,214 | 130 | 31,345 | (207) | 31,137 |
| Segment Assets | 178,573 | 23,254 | 201,828 | 2,800 | 204,628 | 22,627 | 227,256 |
| Other Items | | | | | | | |
| Depreciation and Amortization | 6,683 | 576 | 7,260 | 2 | 7,262 | 115 | 7,377 |
| Amortization of Goodwill | — | — | — | — | — | — | — |
| Increase in property, plant and equipment and intangible assets | ¥8,928 | ¥398 | ¥9,326 | ¥54 | ¥9,380 | ¥710 | ¥10,091 |

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

- (1) The segment income reconciliation of ¥ (207) million includes intersegment transaction eliminations of ¥3,731 million and less corporate expenses of ¥ (3,938) 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 ¥ 22,627 million includes less intersegment eliminations of ¥(88,602) million and corporate assets of ¥111,230 million, not allocated to each segment. 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, 2020 (January 1, 2020–December 31, 2020)

| | 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 | ¥ 171,658 | ¥ 2,291 | ¥ 173,949 | ¥ 2,361 | ¥ 176,311 | — | ¥ 176,311 |
| Intersegment Sales or Transfers | 66 | 528 | 594 | 2,417 | 3,012 | ¥ (3,012) | — |
| Total | 171,724 | 2,820 | 174,544 | 4,778 | 179,323 | (3,012) | 176,311 |
| Segment Income | 12,965 | 710 | 13,676 | 128 | 13,804 | (51) | 13,752 |
| Segment Assets | 163,864 | 22,720 | 186,585 | 3,018 | 189,604 | 14,138 | 203,742 |
| Other Items | | | | | | | |
| Depreciation and Amortization | 6,709 | 569 | 7,278 | 12 | 7,290 | (34) | 7,255 |
| Amortization of Goodwill | — | — | — | — | — | — | — |
| Increase in property, plant and equipment and intangible assets | ¥ 6,928 | ¥ 438 | ¥ 7,366 | ¥ 5 | ¥ 7,372 | ¥ 1,092 | ¥ 8,464 |

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

2. Reconciliations consist of the following:

- (1) The segment income reconciliation of ¥ (51) million includes intersegment transaction eliminations of ¥3,788 million less corporate expenses of ¥(3,840) 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 ¥14,138 million includes less intersegment eliminations of ¥(81,416) million and corporate assets of ¥95,555 million, not allocated to each segment. 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.

(Significant Impairment Loss of Non-current Assets)

Impairment loss of ¥ 2,608 million is recognized on Beauty Care segment.

(Per Share Information)

| | FY2019 (January 1, 2019 –December 31, 2019) | FY2020 (January 1, 2020 –December 31, 2020) |
|------------------------------|---|---|
| Net assets per share | ¥862.00 | ¥766.05 |
| Net income per share | ¥89.04 | ¥20.94 |
| Diluted net income per share | ¥88.93 | ¥20.92 |

Note 1: The Company's shares held by the officer compensation BIP trust are included in shares of treasury stock that are deducted from the number of shares issued and outstanding at December 31, 2020 in the calculation of net assets per share and 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 for calculating net income per share and diluted net income per share. The number of shares of deducted treasury stock at December 31, 2020 is 148,600 and the average number of shares is 148,600 during the period.

Note 2: Basis for calculation of net income per share and diluted net income per share is stated below:

| Item | FY2019 (January 1, 2019– December 31, 2019) | FY2020 (January 1, 2020– December 31, 2020) |
|--|---|---|
| Net income per share | | |
| Profit attributable to owners of parent (millions of yen) | ¥19,694 | ¥4,632 |
| Amounts not attributable to shareholders of common stock (millions of yen) | – | – |
| Profit attributable to owners of parent associated with common stock (millions of yen) | ¥19,694 | ¥4,632 |
| Weighted average number of shares of common stock during the fiscal year | 221,201,512 | 221,220,210 |
| Diluted net income per share | | |
| Adjustment of profit attributable to owners of parent (millions of yen) | – | – |
| Number of shares of common stock increased | 253,813 | 236,912 |
| [Of which, subscription rights to shares] | (253,813) | (236,912) |
| Outline of the dilutive shares not included in the calculation of diluted net income per share due to their antidilutive effects | – | – |

Note 3: Basis for calculation of net assets per share is stated below:

| Item | FY2019 (At December 31, 2019) | FY2020 (At December 31, 2020) |
|--|----------------------------------|----------------------------------|
| Total net assets (millions of yen) | ¥191,069 | ¥169,854 |
| Amount deducted from total net assets (millions of yen) | ¥378 | ¥388 |
| [Of which, subscription rights to shares (millions of yen)] | ¥(243) | ¥(243) |
| [Of which, non-controlling interests (millions of yen)] | ¥(134) | ¥(144) |
| Net assets associated with common stock (millions of yen) | ¥190,690 | ¥169,466 |
| Number of shares of common stock used in the calculation of net assets per share | 221,219,903 | 221,220,703 |

(Subsequent Event)

Regarding Acquisition of Shares in tricot, Inc. (Subsidiary Acquisition)

The Company resolved at its Board of Directors' meeting held on February 12, 2021 to acquire all shares of tricot, Inc. (hereinafter "Tricot"), to make Tricot a subsidiary (hereinafter the "Acquisition") and has concluded a share transfer agreement on the same date.

1. Reasons for the acquisition of shares

Tricot is a venture company that develops the "FUJIMI" brand and provides customized skin supplements and face masks that matches each and every user's skin on a subscription basis. Tricot is a portfolio company within the corporate venture capital business of the Company, and, prior to the Acquisition, we held 1,900 shares (10.56%) of issued shares.

Through our shareholding in Tricot, we have closely monitored its management and marketing activities, as well as the resulting rapid growth of the business (with recent monthly sales of approximately 200 million yen). As a result, we have a high regard for the superiority of its services that are based on the results of the 20 beauty diagnosis questions on its website, its brand and products that accurately capture changing values, its ability to respond quickly to changes, as well as its entrepreneurial spirit, including its high sense of commitment to its goals.

In the course of exchanging opinions with the management of Tricot, we reached a consensus that by becoming a member of the POLA ORBIS Group (the "Group"), it could utilize our evidence and R&D technologies, and could expect to create synergies in production and logistics. Accordingly, we agreed that the Acquisition would accelerate the growth of Tricot and we started discussions.

The Company decided upon the Acquisition because it will strengthen the Group's strategy of "aiming to be a collection of unique brands that respond to diversifying values of beauty," which in turn will contribute to the enhancement of the Company's corporate value over the medium to long term.

2. Overview of the subsidiary to be transferred

| | |
|---|--|
| Company name: | tricot, Inc. |
| Description of business: | Mail-order sales of personalized supplement "FUJIMI" and other |
| Operating results and financial position (Year ended March 31, 2020): | |
| Capital: | ¥96 million |
| Net Assets: | ¥14 million |
| Total Assets: | ¥98 million |
| Net Sales: | ¥173 million |

3. Date of the transfer

March to April, 2021 (scheduled)

4. Number of shares to be acquired, acquisition price and ratio of voting rights held after the acquisition

| | |
|--|---|
| Number of shares to be acquired: | 16,100 shares (Ratio of voting rights held: 89.44%) |
| Acquisition price: | 3,322 million yen |
| Ratio of voting rights held after the acquisition: | 100% |

5. Funds required for the Acquisition

By internally available funds

6. Future outlook

The impact of this share transfer on the Company's consolidated performance is currently under close examination. If any necessity for revising the earnings forecast or matters to be disclosed arise, such matters will be promptly disclosed.