

## Summary of Financial Results

### For the Fiscal Year Ended December 31, 2022 (Consolidated)

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

February 14, 2023

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

Listing: Tokyo Stock Exchange, Prime Market (Code No.: 4927)  
 URL: <https://www.po-holdings.co.jp/>  
 Representative: Yoshikazu Yokote, Representative Director And President  
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 Annual Shareholders' Meeting: March 28, 2023  
 Filing Date of Securities Report: March 28, 2023  
 Start of Cash Dividend Payment: March 29, 2023  
 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, 2022**

(January 1, 2022–December 31, 2022)

##### **(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                         | %     |
| FY2022 | 166,307         | (6.9) | 12,581           | (25.5) | 14,928          | (21.3) | 11,446                                  | (2.5) |
| FY2021 | 178,642         | 1.3   | 16,888           | 22.8   | 18,968          | 50.8   | 11,734                                  | 153.3 |

Note: Comprehensive income: FY2022: ¥10,719million (-3.7%); FY2021: ¥11,134 million (149.4 %)

|        | 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                          | %                              | %                               | %                             |
| FY2022 | 51.74                | 51.69                        | 6.7                            | 7.2                             | 7.6                           |
| FY2021 | 53.04                | 52.99                        | 6.9                            | 9.2                             | 9.5                           |

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

|                | Total Assets    | Net Assets      | Equity Ratio | Net Assets Per Share |
|----------------|-----------------|-----------------|--------------|----------------------|
| At December 31 | Millions of yen | Millions of yen | %            | Yen                  |
| FY2022         | 205,935         | 171,459         | 83.0         | 772.60               |
| FY2021         | 208,039         | 173,267         | 83.1         | 781.11               |

Reference: Equity capital: At December 31, 2022: ¥170,924million; At December 31, 2021: ¥172,803 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                            |
| FY2022 | 15,548                               | (12,370)                             | (12,668)                             | 62,562                                     |
| FY2021 | 23,830                               | (2,174)                              | (9,100)                              | 71,693                                     |

## 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               | %                           | %                                      |
| FY2021           | —                               | 20.00  | —      | 31.00    | 51.00 | 11,295                        | 96.1                        | 6.6                                    |
| FY2022           | —                               | 21.00  | —      | 31.00    | 52.00 | 11,516                        | 100.5                       | 6.7                                    |
| FY2023(Forecast) | —                               | 21.00  | —      | 31.00    | 52.00 |                               | 115.0                       |  |

## 3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2023

(January 1, 2023–December 31, 2023)

(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 | 180,000         | 8.2 | 15,100           | 20.0 | 15,100          | 1.2 | 10,000                                  | (12.6) | 45.20                |

### Notes to Summary Information

- (1) Changes in significant subsidiaries during the current year  
(Changes in specific subsidiaries resulting in changes in the scope of consolidation) : None
- (2) Changes in accounting policies, accounting estimates, and restatement
- 1) Changes in accounting policies associated with revision of accounting standards : Yes
  - 2) Changes other than (2)-1) : None
  - 3) Changes in accounting estimates : None
  - 4) Restatement : None
- Note: 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, 2022 229,136,156 shares
  - At December 31, 2021 229,136,156 shares
- 2) Number of shares of treasury stock at the end of each period
  - At December 31, 2022 7,904,513 shares
  - At December 31, 2021 7,906,761 shares
- 3) Average number of shares issued and outstanding in each period
  - Fiscal year ended December 31, 2022 221,230,520 shares
  - Fiscal year ended December 31, 2021 221,226,689 shares

Note: The number of shares of treasury stock at December 31, 2022 includes the Company’s shares held by the officer compensation Board Incentive Plan (BIP) trust (242,460 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, 2022**

(January 1, 2022–December 31, 2022)

**(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 | %      |
| FY2022 | 22,141          | 19.8   | 13,973           | 1.3    | 15,327          | 2.0    | 11,972          | 26.9   |
| FY2021 | 18,478          | (22.0) | 13,798           | (29.4) | 15,024          | (25.4) | 9,435           | (18.8) |

|        | Net Income | Diluted Net Income |
|--------|------------|--------------------|
|        | Per Share  | Per Share          |
|        | Yen        | Yen                |
| FY2022 | 54.12      | 54.06              |
| FY2021 | 42.65      | 42.61              |

**(2) Financial Position**

|                | Total Assets    | Net Assets      | Equity Ratio | Net Assets Per Share |
|----------------|-----------------|-----------------|--------------|----------------------|
|                | Millions of yen | Millions of yen | %            | Yen                  |
| At December 31 |                 |                 |              |                      |
| FY2022         | 183,877         | 98,668          | 53.5         | 444.90               |
| FY2021         | 185,067         | 98,091          | 52.9         | 442.30               |

Reference: Equity capital: At December 31, 2022: ¥98,424 million; At December 31, 2021: ¥97,848 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 2022

During the fiscal year ended December 31, 2022 (January 1–December 31, 2022), while COVID-19 had yet to be contained, the Japanese economy gradually moved toward normalization, with expectations for a full-scale resumption of economic and social activities and economic revitalization. However, the outlook was even more uncertain than before amid factors such as further detections and outbreaks of variant strains, the worsening situation in Ukraine, sharp exchange rate fluctuations, and soaring resource and energy prices.

In the domestic cosmetics market, the easing of activity restrictions had a significant effect, and demand for makeup products, which had been markedly sluggish due to the impact of the COVID-19 pandemic, recovered substantially. On the channel side, demand for face-to-face services is gradually recovering as a result of the easing of activity restrictions. However, neither of them have recovered to levels seen prior to the COVID-19 pandemic. In skincare products, a specialty of the POLA ORBIS Group (the “Group”), we maintained demand through the pandemic mainly using online channels. While online services are driving the overall cosmetics market, marketing costs are soaring as the competitive environment intensifies. The pandemic ushered in behavioral changes through which current lifestyles have taken hold as ordinary. We are now in a situation where further creativity is needed to review the value delivered online and offline, and to expand new services that integrate these two areas.

In the overseas cosmetics market, although there had been variations between countries and regions, the economy was on a recovery trend from the turmoil caused by COVID-19. However, various downward pressures on the economy and consumption in addition to the threat of COVID-19, such as the rise in energy prices and the normalization of high inflation on a broad scale caused by Russia’s invasion of Ukraine, have fueled a sense of uncertainty about the future. In the Chinese market, which the Group has designated as a priority market, COVID-19 showed a resurgence from the end of last year, and the continuation of the zero-COVID policy weighed on the economy and consumption. As well as responding to COVID-19, we need to closely monitor the impact of soaring prices of commodities and energy.

Within this market environment, the Group has worked to achieve the key objectives—“evolving domestic direct sales,” “growing overseas businesses profitably,” “profit contribution from brands under development,” “strengthening operations,” and “expanding new brands and domains of ‘beauty’.” These objectives are in line with the medium-term management plan (from 2021 to 2023) that started in 2021.

As a result, consolidated net sales for fiscal 2022 decreased 6.9% year on year to ¥166,307 million. Driven by decreased gross profit due to decreased net sales, operating income decreased 25.5% year on year to ¥12,581 million, and ordinary income decreased 21.3% year on year to ¥14,928 million due to the recording of foreign exchange gain of ¥2,355 million. Profit attributable to owners of parent decreased 2.5% year on year to ¥11,446 million due to lower income tax - deferred resulting from the resulting liquidation of a subsidiary company, while impairment loss on intangible assets was recorded.

#### Operating Results Overview

(Millions of yen)

|   | Twelve Months Ended December 31 |                 |               |                    |
|---|---------------------------------|-----------------|---------------|--------------------|
|   | 2021                            | 2022            | Year-on-Year  |                    |
|   |                                 |                 | Amount Change | Percent Change (%) |
| Net Sales                               | ¥178,642                        | <b>¥166,307</b> | ¥(12,334)     | (6.9)              |
| Operating Income                        | 16,888                          | <b>12,581</b>   | (4,306)       | (25.5)             |
| Ordinary Income                         | 18,968                          | <b>14,928</b>   | (4,040)       | (21.3)             |
| Profit Attributable to Owners of Parent | ¥11,734                         | <b>¥11,446</b>  | ¥(287)        | (2.5)              |

Operating Results by Segment

Net Sales (Segment Sales to External Customers)

(Millions of yen)

|              | Twelve Months Ended December 31 |                 |                  |                    |
|--------------|---------------------------------|-----------------|------------------|--------------------|
|              | 2021                            | 2022            | Year-on-Year     |                    |
|              |                                 |                 | Amount Change    | Percent Change (%) |
| Beauty Care  | ¥174,150                        | <b>¥161,654</b> | ¥(12,495)        | (7.2)              |
| Real Estate  | 2,112                           | <b>2,083</b>    | (29)             | (1.4)              |
| Others       | 2,379                           | <b>2,569</b>    | 189              | 8.0                |
| <b>Total</b> | <b>¥178,642</b>                 | <b>¥166,307</b> | <b>¥(12,334)</b> | <b>(6.9)</b>       |

Segment Income (Loss), Operating Income (Loss)

(Millions of yen)

|   | Twelve Months Ended December 31 |                |                 |                    |
|---|---------------------------------|----------------|-----------------|--------------------|
|   | 2021                            | 2022           | Year-on-Year    |                    |
|   |                                 |                | Amount Change   | Percent Change (%) |
| Beauty Care                                 | ¥17,060                         | <b>¥13,793</b> | ¥(3,267)        | (19.2)             |
| Real Estate                                 | 488                             | <b>491</b>     | 2               | 0.6                |
| Others                                      | 70                              | <b>96</b>      | 26              | 37.4               |
| Reconciliations of Segment<br>Income (Note) | (731)                           | <b>(1,800)</b> | (1,068)         | —                  |
| <b>Total</b>                                | <b>¥16,888</b>                  | <b>¥12,581</b> | <b>¥(4,306)</b> | <b>(25.5)</b>      |

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 20 for the details of reconciliations of segment income in fiscal 2022.

### Beauty Care

The Beauty Care segment consists of the flagship brands POLA and ORBIS, the overseas brand Jurlique and H2O PLUS, and the brands under development THREE, DECENCIA, Amplitude, ITRIM, FIVEISM × THREE and FUJIMI.

POLA is working to further improve the value of its brand and build a medium- to long-term customer base by launching highly functional products mainly in the field of anti-aging and skin-brightening. In the domestic business, we are focusing on integrating online and offline channels (OMO: Online Merges with Offline), acquiring and retaining new customers, and improving customer life time value. In the overseas business, we are focusing on China and travel retail, each of which are growth markets. In the domestic business, we worked to improve customer communication by strengthening online consulting and live commerce in the e-commerce channel, where market growth has continued even through the COVID-19 pandemic. This channel plays an important role in the OMO strategy of acquiring new customers and directing them to offline stores. As well as boosting existing e-commerce customers, the channel is gradually retaining customers seamlessly, including growing sales in the prestige store business (department store business). However, we have not yet been able to fully offset the impact of the decline in Beauty Director operation rate and in the number of customers in consignment sales channels (face-to-face sales) resulting from the COVID-19 pandemic. In the overseas business, POLA has focused on medium- to long-term brand control in China, a priority area, and in the travel retail market. We aim to maintain and improve brand loyalty through measures such as curbing sales at discounted prices, gift with purchase (GWP) offers, and distribution of products to the consumer-to-consumer (C-to-C) market. In addition, we worked to acquire new customers and increase life time value by stepping up promotions on platforms that have a high affinity for our target customers for deepening customer-specific personal communication and accelerating the shift to e-commerce. However, the prolonged zero-COVID policy had a heavy impact on performance, and POLA brand net sales and operating income declined year on year.

ORBIS is proceeding with enhancing its presence through creation of brand differentiation, improvement of customer loyalty, and acquisition of skincare product users, with a focus on the ORBIS U anti-aging skincare series for improving wrinkle and brightening skin, with the aim of regrowing into a highly profitable business. In the domestic business, ORBIS further evolved its one-stop app, a cornerstone of the brand experience, promoting communication reform through ORBIS's unique customer relationship management, which increases the frequency of users' active contact with the brand. The number of app downloads grew by double digits from the previous year, and the customer purchasing activity rate surpassed that of the previous year. The number of customers, which had continued to decline, has been improving since the fourth quarter, although it has not yet recovered to the level of the previous year. In the overseas business, ORBIS focused its investment in operations in China, a priority market, continuing efforts to raise brand recognition by expanding customer contact points. As a result, ORBIS achieved double-digit growth in China. However, ORBIS brand net sales and operating income dropped below those of the previous year due to the significant impact of the decline in the number of customers in the domestic business.

The Jurlique brand continues to work toward business growth in the travel retail market, particularly in Australia and in China and Asia. Apart from Hong Kong, which was particularly affected by COVID-19, operating losses improved as a result of aggressive reduction of fixed costs, in addition to net sales that rose year on year in all regions. The H2O PLUS brand has manufactured and sold cosmetics mainly in the US market, but the business environment surrounding the company is severe, and the business performance fell below the plan. Effective April 28, 2022, the Group has decided to exit from the entire businesses which H2O brand is developing, to make a reformation on its brand portfolio on the beauty care segment as a part of enhancement on its profitability.

For brands under development, while the THREE brand, whose main channel is offline stores, struggled, sales grew due to the effect of making the FUJIMI brand a wholly owned subsidiary in April of the previous year, resulting in higher overall net sales for the brands under development year on year. Operating loss also improved due to strict cost controls implemented for each brand.

As a result of the factors noted above, the Beauty Care segment's net sales—sales to external customers—were ¥161,654 million, down 7.2% year on year, and operating income was ¥13,793 million, down 19.2% 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 fiscal 2022, net sales was lower than those of the previous year due to less office demand by COVID-19. However, operating income was higher than that of the previous year due to aggressive cost-cutting efforts.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥2,083 million, down 1.4% year on year, and operating income was ¥491 million, up 0.6% 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 2022, both net sales and operating income increased year on year due to an increase in the number of contracts.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥2,569 million, up 8.0% year on year, and operating income was ¥96 million, up 37.4% year on year.

**(2) Overview of Consolidated Financial Position at End of Fiscal 2022**

As of December 31, 2022, total assets stood at ¥205,935 million, down 1.0%, or ¥2,104 million, from December 31, 2021. Factors related to this change included increases of ¥4,793 million in construction in progress, ¥4,044 million in investments in securities and ¥4,445 million in deferred tax assets, as well as decreases of ¥9,106 million in cash and deposits, ¥2,153 million in short-term investments in securities, ¥957 million in raw materials and supplies and ¥2,366 million in goodwill.

Total liabilities amounted to ¥34,476 million, down 0.9%, or ¥296 million, from December 31, 2021. Factors related to this change included increases of ¥5,437 million in contract liabilities and ¥875 million in asset retirement obligations, as well as decreases of ¥1,541 million in accounts payable - other and ¥1,549 million in net defined benefit liability.

Net assets amounted to ¥171,459 million, down 1.0%, or ¥1,808 million, from December 31, 2021. Factors related to this change included a recording of ¥11,446 million in profit attributable to owners of parent, ¥11,516 million in dividends from retained earnings and a decrease of ¥1,302 million in foreign currency translation adjustments.

**(3) Overview of Consolidated Cash Flows for Fiscal 2022**

The balance of cash and cash equivalents as of December 31, 2022 was ¥62,562 million, down ¥9,131 million from the end of the previous fiscal year.

The status of cash flows from operating activities, investing activities, and financing activities for fiscal 2022, and noteworthy increases and decreases to these cash flows, are described below.

**Cash flows from operating activities**

Net cash provided by operating activities decreased 34.8% from a year ago, to ¥15,548 million.

The primary components contributing to an increase in net cash were ¥12,311 million in profit before income taxes, ¥8,482 million in depreciation and amortization, ¥2,539 million in impairment loss, and ¥1,487 million of increase in contract liabilities. Major components leading to a decrease in net cash were ¥986 million of decrease in net defined benefit liability, ¥2,174 million of foreign exchange gain, ¥1,584 million of decrease in other liabilities, and ¥5,695 million in income taxes paid.

**Cash flows from investing activities**

Net cash used in investing activities increased 468.9% from a year ago, to ¥12,370 million. The main factors were an increase in net cash resulting from ¥10,200 million in proceeds from sales and redemption of short-term investments in securities, and a decrease in net cash resulting from outflows of ¥2,000 million in purchase of short-term investments in securities, ¥7,482 million in purchase of property, plant and equipment, ¥3,917 million in purchase of intangible assets, and ¥9,907 million in purchase of investments in securities

**Cash flows from financing activities**

Net cash used in financing activities increased 39.2% from a year ago, to ¥12,668 million. The increase was primarily attributable to the application of ¥1,136 million in repayments of lease obligations and ¥11,518 million in cash dividends paid.



## (Reference) Cash flow related indicators

|   | FY2018 | FY2019 | FY2020 | FY2021 | <b>FY2022</b> |
|---|--------|--------|--------|--------|---------------|
| Equity ratio (%)                              | 77.0   | 83.9   | 83.2   | 83.1   | <b>83.0</b>   |
| Equity ratio based on market value (%)        | 268.5  | 254.5  | 227.4  | 203.9  | <b>199.8</b>  |
| Cash flow/Interest-bearing debt ratio (years) | 0.1    | 0.1    | 0.1    | 0.1    | <b>0.1</b>    |
| Interest coverage ratio (times)               | 510.0  | 251.1  | 264.6  | 264.1  | <b>168.6</b>  |

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 2023**

The Japanese economy is expected to continue to be greatly affected by COVID-19, soaring prices of commodities and energy resources and the impact of foreign exchange rates. As consumer values, needs, and lifestyles continue to diversify these days, the Group must respond flexibly and quickly to these changes. To do this, it is becoming increasingly important not only to apply digital technologies and provide new products and services that meet consumer needs, but also to develop new businesses and new business areas. Against this backdrop, the Group will strive towards 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, as the first stage of its long-term management plan (VISION 2029). In addition, the Group will position and execute strengthening of operations as a key strategy to support the realization of the above goals.

For the fiscal year ending December 31, 2023, the Group forecasts sales of ¥180,000 million, up 8.2% year on year, operating income of ¥15,100 million, up 20.0%, ordinary income of ¥15,100 million, up 1.2%, and profit attributable to owners of parent of ¥10,000 million yen, down 12.6%, considering the steady execution of key strategies and downward pressure on the economy due to re-expansion of COVID-19 as well as entrenched inflation and financial market turmoil around the world.

**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)

|  | FY2021<br>December 31, 2021 | FY2022<br>December 31, 2022 |
|--|-----------------------------|-----------------------------|
| <b>Assets</b>                          |                             |                             |
| Current assets                         |                             |                             |
| Cash and deposits                      | ¥ 72,425                    | ¥63,318                     |
| Notes and accounts receivable – trade  | 17,545                      | 17,817                      |
| Short-term investments in securities   | 20,146                      | 17,993                      |
| Merchandise and finished goods         | 10,841                      | 11,149                      |
| Work in process                        | 734                         | 661                         |
| Raw materials and supplies             | 4,295                       | 3,337                       |
| Other                                  | 3,648                       | 4,055                       |
| Allowance for doubtful accounts        | (41)                        | (59)                        |
| Total current assets                   | 129,596                     | 118,273                     |
| Non-current assets                     |                             |                             |
| Property, plant and equipment          |                             |                             |
| Buildings and structures               | 51,948                      | 51,892                      |
| Accumulated depreciation               | (35,251)                    | (35,639)                    |
| Buildings and structures, net          | 16,697                      | 16,253                      |
| Machinery, equipment and vehicles      | 9,346                       | 9,585                       |
| Accumulated depreciation               | (7,519)                     | (7,867)                     |
| Machinery, equipment and vehicles, net | 1,827                       | 1,718                       |
| Land                                   | 13,986                      | 14,226                      |
| Leased assets                          | 8,238                       | 7,503                       |
| Accumulated depreciation               | (6,989)                     | (6,628)                     |
| Leased assets, net                     | 1,249                       | 874                         |
| Construction in progress               | 519                         | 5,313                       |
| Other                                  | 19,641                      | 19,318                      |
| Accumulated depreciation               | (13,471)                    | (13,257)                    |
| Other, net                             | 6,169                       | 6,060                       |
| Total property, plant and equipment    | 40,449                      | 44,446                      |
| Intangible assets                      |                             |                             |
| Goodwill                               | 2,366                       | —                           |
| Right of trademark                     | 896                         | 797                         |
| Software                               | 11,774                      | 11,510                      |
| Other                                  | 388                         | 296                         |
| Total intangible assets                | 15,425                      | 12,604                      |
| Investments and other assets           |                             |                             |
| Investments in securities              | 12,110                      | 16,154                      |
| Long-term loans receivable             | 95                          | 139                         |
| Deferred tax assets                    | 6,160                       | 10,606                      |
| Other                                  | 4,439                       | 3,881                       |
| Allowance for doubtful accounts        | (237)                       | (172)                       |
| Total investments and other assets     | 22,568                      | 30,610                      |
| Total non-current assets               | 78,443                      | 87,661                      |
| Total assets                           | ¥208,039                    | ¥205,935                    |

(Millions of yen)

|   | FY2021<br>December 31, 2021 | FY2022<br>December 31, 2022 |
|---|-----------------------------|-----------------------------|
| <b>Liabilities</b>                                    |                             |                             |
| <b>Current liabilities</b>                            |                             |                             |
| Notes and accounts payable – trade                    | ¥ 2,513                     | ¥ 2,745                     |
| Current portion of long-term loans payable            | 11                          | 12                          |
| Lease obligations                                     | 840                         | 739                         |
| Accounts payable – other                              | 11,507                      | 9,965                       |
| Income taxes payable                                  | 1,736                       | 1,252                       |
| Contract liabilities                                  | —                           | 5,437                       |
| Provision for bonuses                                 | 1,831                       | 1,749                       |
| Provision for directors' bonuses                      | 131                         | 157                         |
| Other provisions                                      | 2,038                       | 16                          |
| Other   | 4,624                       | 3,879                       |
| Total current liabilities                             | 25,236                      | 25,954                      |
| <b>Non-current liabilities</b>                        |                             |                             |
| Long-term borrowings                                  | 72                          | 59                          |
| Lease obligations                                     | 1,354                       | 1,067                       |
| Net defined benefit liability                         | 3,434                       | 1,884                       |
| Provision for share benefits for directors            | 84                          | 115                         |
| Provision for environmental measures                  | 52                          | 52                          |
| Asset retirement obligations                          | 2,868                       | 3,744                       |
| Other   | 1,669                       | 1,598                       |
| Total non-current liabilities                         | 9,536                       | 8,521                       |
| Total liabilities                                     | 34,772                      | 34,476                      |
| <b>Net assets</b>                                     |                             |                             |
| <b>Shareholders' equity</b>                           |                             |                             |
| Common stock  | 10,000                      | 10,000                      |
| Capital surplus                                       | 81,027                      | 81,025                      |
| Retained earnings                                     | 83,853                      | 82,759                      |
| Treasury stock  | (2,867)                     | (2,860)                     |
| Total shareholders' equity                            | 172,013                     | 170,924                     |
| <b>Accumulated other comprehensive income</b>         |                             |                             |
| Valuation difference on available-for-sale securities | 5                           | 120                         |
| Foreign currency translation adjustments              | 999                         | (303)                       |
| Remeasurements of defined benefit plans               | (215)                       | 182                         |
| Total accumulated other comprehensive income          | 790                         | (0)                         |
| Subscription rights to shares                         | 243                         | 243                         |
| Minority interests                                    | 220                         | 291                         |
| Total net assets                                      | 173,267                     | 171,459                     |
| Total liabilities and net assets                      | ¥208,039                    | ¥205,935                    |

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

## Consolidated Statements of Income

(Millions of yen)

|  | Twelve Months Ended December 31                   |   |
|--|---|---|
|  | FY2021<br>(January 1, 2021–<br>December 31, 2021) | FY2022<br>(January 1, 2022–<br>December 31, 2022) |
| Net sales  | ¥178,642  | ¥166,307  |
| Cost of sales                                      | 28,720  | 31,037  |
| Gross profit                                       | 149,921   | 135,270   |
| Selling, general and administrative expenses       |   |   |
| Sales commission                                   | 33,992  | 34,870  |
| Promotion expenses                                 | 17,989  | 11,277  |
| Packing and transportation expenses                | 4,793   | 5,492   |
| Advertising expenses                               | 12,113  | 11,026  |
| Salaries, allowances and bonuses                   | 21,443  | 21,481  |
| Welfare expenses                                   | 4,108   | 4,219   |
| Retirement benefit expenses                        | 730   | 768   |
| Provision for bonuses                              | 1,619   | 1,591   |
| Depreciation and amortization                      | 5,482   | 6,774   |
| Amortization of Goodwill                           | 283   | 378   |
| Other  | 30,476  | 24,806  |
| Total selling, general and administrative expenses | 133,033   | 122,688   |
| Operating income                                   | 16,888  | 12,581  |
| Non-operating income                               |   |   |
| Interest income                                    | 147   | 164   |
| Foreign exchange gains                             | 1,974   | 2,355   |
| Other  | 176   | 252   |
| Total non-operating income                         | 2,297   | 2,773   |
| Non-operating expenses                             |   |   |
| Interest expense                                   | 88  | 91  |
| Commission expenses                                | 73  | 102   |
| Loss related to COVID-19                           | —   | 75  |
| Information security expenses                      | —   | 121   |
| Other  | 55  | 35  |
| Total non-operating expenses                       | 217   | 427   |
| Ordinary income                                    | ¥ 18,968  | ¥14,928   |

(Millions of yen)

|  | Twelve Months Ended December 31                   |   |
|--|---|---|
|  | FY2021<br>(January 1, 2021–<br>December 31, 2021) | FY2022<br>(January 1, 2022–<br>December 31, 2022) |
| Extraordinary income                             |   |   |
| Gain on sales of fixed assets                    | ¥1  | ¥762  |
| Gain on step acquisitions                        | 297   | —   |
| Subsidy income                                   | 83  | —   |
| Other  | 1   | —   |
| Total extraordinary income                       | 383   | 762   |
| Extraordinary losses                             |   |   |
| Loss on disposal of non-current assets           | 671   | 496   |
| Impairment loss                                  | 853   | 2,539   |
| Loss on valuation of investment securities       | 31  | 165   |
| Loss on liquidation of business                  | —   | 165   |
| Loss related to COVID-19                         | 180   | —   |
| Other  | 4   | 12  |
| Total extraordinary losses                       | 1,740   | 3,379   |
| Income before income taxes                       | 17,612  | 12,311  |
| Income taxes – current                           | 5,118   | 5,233   |
| Income taxes – deferred                          | 702   | (4,429)   |
| Total income taxes                               | 5,821   | 804   |
| Net income                                       | 11,790  | 11,507  |
| Profit attributable to non-controlling interests | 56  | 61  |
| Profit attributable to owners of parent          | ¥11,734   | ¥11,446   |

## Consolidated Statements of Comprehensive Income

(Millions of yen)

|  | Twelve Months Ended December 31                   |   |
|--|---|---|
|  | FY2021<br>(January 1, 2021–<br>December 31, 2021) | FY2022<br>(January 1, 2022–<br>December 31, 2022) |
| Net income   | ¥11,790   | ¥11,507   |
| Other comprehensive income                                     |   |   |
| Valuation difference on available-for-sale securities          | 65  | 114   |
| Foreign currency translation adjustments                       | (775)   | (1,300)   |
| Remeasurements of defined benefit plans                        | 54  | 397   |
| Total other comprehensive income                               | (655)   | (788)   |
| Comprehensive income   | 11,134  | 10,719  |
| Comprehensive income attributable to owners of the parent      | 11,059  | 10,656  |
| Comprehensive income attributable to non-controlling interests | ¥ 75  | ¥ 63  |

**(3) Consolidated Statements of Changes in Net Assets**

FY2021 (January 1, 2021 – December 31, 2021)

(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         | ¥79,868           | ¥(2,652)       | ¥168,001                   |
| Changes of items during the period                   |                      |                 |                   |                |                            |
| Dividends from retained earnings                     |                      |                 | (7,750)           |                | (7,750)                    |
| Net income attributable to owners of parent          |                      |                 | 11,734            |                | 11,734                     |
| Disposal of treasury stock                           |                      | 242             |                   | (214)          | 27                         |
| Net changes of items other than shareholders' equity |                      |                 |                   |                |                            |
| Total changes of items during the period             | —                    | 242             | 3,984             | (214)          | 4,012                      |
| Balance at the end of the period                     | ¥10,000              | ¥81,027         | ¥83,853           | ¥(2,867)       | ¥172,013                   |

(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               | ¥(59)   | ¥1,794                                   | ¥(269)                                  | ¥1,465                                       | ¥243                          | ¥144               | ¥169,854         |
| Changes of items during the period                   |   |  |   |  |                               |                    |                  |
| Dividends from retained earnings                     |   |  |   |  |                               |                    | (7,750)          |
| Net income attributable to owners of parent          |   |  |   |  |                               |                    | 11,734           |
| Disposal of treasury stock                           |   |  |   |  |                               |                    | 27               |
| Net changes of items other than shareholders' equity | 65  | (795)                                    | 54                                      | (675)  | (0)                           | 75                 | (599)            |
| Total changes of items during the period             | 65  | (795)                                    | 54                                      | (675)  | (0)                           | 75                 | 3,412            |
| Balance at the end of the period                     | ¥5  | ¥999                                     | ¥(215)                                  | ¥790   | ¥243                          | ¥220               | ¥173,267         |

## FY2022 (January 1, 2022 – December 31, 2022)

(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              | ¥81,027         | ¥83,853           | ¥(2,867)       | ¥172,013                   |
| Cumulative effects of changes in accounting policies |                      |                 | (1,023)           |                | (1,023)                    |
| Restated balance                                     | 10,000               | 81,027          | 82,829            | (2,867)        | 170,989                    |
| Changes of items during the period                   |                      |                 |                   |                |                            |
| Dividends from retained earnings                     |                      |                 | (11,516)          |                | (11,516)                   |
| Net income attributable to owners of parent          |                      |                 | 11,446            |                | 11,446                     |
| Disposal of treasury stock                           |                      | (1)             |                   | 6              | 5                          |
| Net changes of items other than shareholders' equity |                      |                 |                   |                |                            |
| Total changes of items during the period             | —                    | (1)             | (70)              | 6              | (64)                       |
| Balance at the end of the period                     | ¥10,000              | ¥81,025         | ¥82,759           | ¥(2,860)       | ¥170,924                   |

(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               | ¥5  | ¥999                                     | ¥(215)                                  | ¥790   | ¥243                          | ¥220               | ¥173,267         |
| Cumulative effects of changes in accounting policies |   |  |   |  |                               |                    | (1,023)          |
| Restated balance                                     | 5   | 999                                      | (215)                                   | 790  | 243                           | 220                | 172,243          |
| Changes of items during the period                   |   |  |   |  |                               |                    |                  |
| Dividends from retained earnings                     |   |  |   |  |                               |                    | (11,516)         |
| Net income attributable to owners of parent          |   |  |   |  |                               |                    | 11,446           |
| Disposal of treasury stock                           |   |  |   |  |                               |                    | 5                |
| Net changes of items other than shareholders' equity | 114   | (1,302)                                  | 397                                     | (790)  | —                             | 70                 | (719)            |
| Total changes of items during the period             | 114   | (1,302)                                  | 397                                     | (790)  | —                             | 70                 | (784)            |
| Balance at the end of the period                     | ¥120  | ¥(303)                                   | ¥182                                    | ¥(0)   | ¥243                          | ¥291               | ¥171,459         |



**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

|  | Twelve Months Ended December 31                   |   |
|--|---|---|
|  | FY2021<br>(January 1, 2021–<br>December 31, 2021) | FY2022<br>(January 1, 2022–<br>December 31, 2022) |
| Cash flows from operating activities                         |   |   |
| Income before income taxes                                   | ¥17,612   | ¥12,311   |
| Depreciation and amortization                                | 7,110   | 8,482   |
| Impairment loss  | 853   | 2,539   |
| Amortization of Goodwill                                     | 283   | 378   |
| Decrease in allowance for doubtful accounts                  | (13)  | (45)  |
| Increase (decrease) in provision for bonuses                 | 187   | (121)   |
| Increase (decrease) in other provision                       | (357)   | 33  |
| Increase (decrease) in net defined benefit liability         | (435)   | (986)   |
| Interest and dividend income                                 | (147)   | (164)   |
| Interest expense   | 88  | 91  |
| Foreign exchange gain  | (1,581)   | (2,174)   |
| Gain (loss) on valuation of investment securities            | 31  | 165   |
| Gain (loss) on sales of non-current assets                   | (1)   | (762)   |
| Loss on disposal of non-current assets                       | 671   | 496   |
| Subsidy income   | (83)  | —   |
| Loss related to COVID-19                                     | 180   | —   |
| Loss on liquidation of business                              | —   | 165   |
| Decrease (increase) in notes and accounts receivable – trade | 714   | (7)   |
| Decrease (increase) in inventories                           | 2,081   | 1,042   |
| Increase (decrease) in notes and accounts payable – trade    | (414)   | 43  |
| Increase (decrease) in contract liabilities                  | —   | 1,487   |
| Increase (decrease) in consumption taxes payable             | 1,302   | (397)   |
| Decrease (increase) in other assets                          | 43  | 109   |
| Increase (decrease) in other liabilities                     | (885)   | (1,584)   |
| Other  | (102)   | 175   |
| Subtotal   | 27,136  | 21,277  |
| Interest and dividends received                              | 230   | 201   |
| Interest paid  | (90)  | (92)  |
| Payment for liquidation of business                          | —   | (143)   |
| Payment for loss related to COVID-19                         | (149)   | —   |
| Income taxes paid  | (3,380)   | (5,695)   |
| Subsidy income received                                      | 83  | —   |
| Net cash provided by operating activities                    | ¥23,830   | ¥15,548   |

(Millions of yen)

|  | Twelve Months Ended December 31                   |   |
|--|---|---|
|  | FY2021<br>(January 1, 2021–<br>December 31, 2021) | FY2022<br>(January 1, 2022–<br>December 31, 2022) |
| Cash flows from investing activities   |   |   |
| Payments into time deposits  | ¥(245)  | ¥(245)  |
| Proceeds from withdrawal of time deposits  | 245   | 245   |
| Purchase of short-term investments in securities   | (1,700)   | (2,000)   |
| Proceeds from sales and redemption of short-term investments in securities                 | 14,300  | 10,200  |
| Purchase of property, plant and equipment  | (2,248)   | (7,482)   |
| Proceeds from sales of property, plant and equipment                                       | 3   | 1,010   |
| Purchase of intangible assets  | (4,948)   | (3,917)   |
| Payments for disposal of non-current assets  | (524)   | (232)   |
| Purchase of investments in securities  | (3,280)   | (9,907)   |
| Payment for Asset retirement obligations   | (379)   | (339)   |
| Purchase of long-term prepaid expenses   | (218)   | (134)   |
| Payments for lease and guarantee deposits  | (138)   | (131)   |
| Proceeds from collection of lease and guarantee deposits                                   | 387   | 466   |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | (3,231)   | —   |
| Other  | (196)   | 97  |
| Net cash used in investing activities  | (2,174)   | (12,370)  |
| Cash flows from financing activities   |   |   |
| Repayment of loan payable  | (39)  | (12)  |
| Repayments of lease obligations  | (1,304)   | (1,136)   |
| Cash dividends paid  | (7,756)   | (11,518)  |
| Purchase of treasury stock   | (270)   | (6)   |
| Proceeds from sales of treasury stock  | 270   | 6   |
| Net cash used in financing activities  | (9,100)   | (12,668)  |
| Effect of exchange rate change on cash and cash equivalents                                | 294   | 358   |
| Net decrease in cash and cash equivalents  | 12,848  | (9,131)   |
| Cash and cash equivalents at beginning of period   | 58,844  | 71,693  |
| Cash and cash equivalents at end of period   | ¥71,693   | ¥62,562   |

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

None

**(Changes in Accounting Policies)****(Application of Accounting Standard for Revenue Recognition)**

From the beginning of the first quarter period under review, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. (hereafter "Accounting Standard for Revenue Recognition"), and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to the customer.

The main changes resulting from the adoption of this accounting standard are as follows:

**(1) Revenue Recognition for Digested Purchase Sales Transactions**

With respect to digestion purchase transaction, the Company previously recognized revenue on a net amount received from the customer less an amount equivalent to the dealer's commission. However, since the Company's role in the transaction corresponds to that of the principal, the Company has changed the method of recognizing revenue to the gross amount.

**(2) Revenue recognition related to points programs**

With respect to points programs, the Company previously recorded expenses that are expected to be required to be exchanged for points in the future as an allowance. However, the Company has now shifted to method of identifying them as performance obligation and deferring the recognition of revenue when the points provide significant rights to customers.

**(3) Accounting for sales promotion expenses, etc.**

With respect to certain sales promotion expenses, and sales commissions which are compensation paid to customers, while previously recorded as selling, general and administrative expenses, the Company has shifted to a method of deducting from sales.

In addition, for expenses pertaining to the performance obligation to grant free promotional items to customers in response to sales, the Company has shifted to a method of recording in cost of sales.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the first quarter period under review, was added to or deducted from retained earnings at the beginning of the first quarter period under review, and the new accounting policy has been applied from the beginning balance of the fiscal year under review.

As a result, sales for fiscal 2022 are ¥1,189 million lower, cost of sales is ¥2,407 million higher, selling, general and administrative expenses are ¥3,563 million lower, and operating income, ordinary income and income before income taxes and minority interests are each ¥34 million lower. In addition, the balance of retained earnings at the beginning of the fiscal year is ¥1,023 million lower.

As a result of the application of the Accounting Standard for Revenue Recognition, "Provision for points" which was presented in "Current liabilities" in the consolidated balance sheet for the previous fiscal year, is presented as "Contract liabilities" from the first quarter period under review. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new presentation method.

**(Accounting Standard for Fair Value Measurement)**

The company has adopted the "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019; hereafter "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the first quarter period under review. The Company will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The Company does not hold any financial instruments whose fair value is used as the value on the quarterly consolidated balance sheets, and there is no impact on the quarterly consolidated financial statements.

**(Investment and Rental Property)**

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

In fiscal 2021, net rental income from investment and rental properties was ¥613 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 2022, net rental income from investment and rental properties is ¥752 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 2021 and fiscal 2022 and the fair value of those properties are stated below.

(Millions of yen)

|   |                                      | FY2021<br>(January 1, 2021–December 31, 2021) | FY2022<br>(January 1, 2022–December 31, 2022) |
|---|--------------------------------------|---|---|
| Carrying Amounts<br>on the<br>Consolidated<br>Balance Sheet | Balance at<br>Beginning of<br>Period | ¥17,777                                       | ¥17,790                                       |
|   | Change                               | ¥13   | ¥1,659  |
|   | Balance at<br>End of Period          | ¥17,790                                       | ¥19,450                                       |
| Fair Value at End of Period                                 |                                      | ¥65,970                                       | ¥69,355                                       |

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

2. Main change

(Fiscal 2021)

|           |   |              |
|-----------|---|--------------|
| Increase: | Refurbishment of office buildings for lease:  | ¥420 million |
| Decrease: | Depreciation on office buildings and residential properties and other properties for lease: | ¥401 million |

(Fiscal 2022)

|           |   |                |
|-----------|---|----------------|
| Increase: | Refurbishment of office buildings for lease:  | ¥2,270 million |
| Decrease: | Depreciation on office buildings and residential properties and other properties for lease: | ¥404 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, FIVEISM × THREE, and FUJIMI**. 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" disclosed in the most recent securities report (submitted on March 25, 2022).

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, 2021 (January 1, 2021–December 31, 2021)

|   | Reportable Segments |             |          | Others<br>(Note 1) | Subtotal | Reconciliations<br>(Note 2) | Amount<br>Shown on the<br>Consolidated<br>Financial<br>Statements<br>(Note 3) |
|---|---------------------|-------------|----------|--------------------|----------|-----------------------------|---|
|   | Beauty Care         | Real Estate | Subtotal |                    |          |                             |   |
| (Millions of yen)   |                     |             |          |                    |          |                             |   |
| Net Sales   |                     |             |          |                    |          |                             |   |
| Sales to External Customers                                     | ¥174,150            | ¥2,112      | ¥176,262 | ¥2,379             | ¥178,642 | —                           | ¥178,642  |
| Intersegment Sales or Transfers                                 | 78                  | 468         | 547      | 1,968              | 2,515    | ¥(2,515)                    | —   |
| Total   | 174,228             | 2,581       | 176,810  | 4,347              | 181,157  | (2,515)                     | 178,642   |
| Segment Income  | 17,060              | 488         | 17,549   | 70                 | 17,619   | (731)                       | 16,888  |
| Segment Assets  | 170,722             | 22,717      | 193,440  | 2,649              | 196,089  | 11,949                      | 208,039   |
| Other Items   |                     |             |          |                    |          |                             |   |
| Depreciation and Amortization                                   | 6,480               | 453         | 6,933    | 12                 | 6,945    | 164                         | 7,110   |
| Amortization of Goodwill  | 283                 | —           | 283      | —                  | 283      | —                           | 283   |
| Increase in property, plant and equipment and intangible assets | ¥7,163              | ¥528        | ¥7,692   | ¥12                | ¥7,704   | ¥1,241                      | ¥8,945  |

- Notes:
- “Others” comprises business operations that are not categorized as reportable segments and include the building maintenance businesses.
  - Reconciliations consist of the following:
    - The segment income reconciliation of ¥(731) million includes intersegment transaction eliminations of ¥3,684 million and less corporate expenses of ¥(4,416) million, not allocated to each segment. Corporate expenses are primarily the Company’s administrative expenses not allocated to reportable segments.
    - The segment assets reconciliation of ¥11,949 million includes less intersegment eliminations of ¥(86,540) million and corporate assets of ¥98,489 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.
    - Reconciliations of depreciation and amortization, and increases in property, plant and equipment, and intangible assets are those related to corporate assets and intersegment eliminations.
  - Segment income is adjusted for operating income reported in the consolidated statements of income.
  - 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)

None.

(Significant Changes in Goodwill)

In the "Beauty Care" segment, the Company acquired shares of tricot, Inc. and includes it in the scope of consolidation. The amount of increase in goodwill due to this event was 2,650 million yen.

Fiscal Year Ended December 31, 2022 (January 1, 2022–December 31, 2022)

|   | Reportable Segments |             |           |                    |           | (Millions of yen)           |   |
|---|---------------------|-------------|-----------|--------------------|-----------|-----------------------------|---|
|   | Beauty Care         | Real Estate | Subtotal  | Others<br>(Note 1) | Subtotal  | Reconciliations<br>(Note 2) | Amount Shown<br>on the<br>Consolidated<br>Financial<br>Statements<br>(Note 3) |
| Net Sales   |                     |             |           |                    |           |                             |   |
| Sales to External Customers                                     | ¥ 161,654           | ¥ 2,083     | ¥ 163,737 | ¥ 2,569            | ¥ 166,307 | —                           | ¥ 166,307   |
| Intersegment Sales or Transfers                                 | 72                  | 484         | 556       | 1,789              | 2,346     | ¥ (2,346)                   | —   |
| Total   | 161,726             | 2,568       | 164,294   | 4,358              | 168,653   | (2,346)                     | 166,307   |
| Segment Income  | 13,793              | 491         | 14,284    | 96                 | 14,381    | (1,800)                     | 12,581  |
| Segment Assets  | 168,558             | 25,490      | 194,049   | 2,798              | 196,848   | 9,086                       | 205,935   |
| Other Items   |                     |             |           |                    |           |                             |   |
| Depreciation and Amortization                                   | 7,364               | 452         | 7,816     | 12                 | 7,829     | 653                         | 8,482   |
| Amortization of Goodwill  | 378                 | —           | 378       | —                  | 378       | —                           | 378   |
| Increase in property, plant and equipment and intangible assets | ¥ 8,909             | ¥ 2,624     | ¥ 11,534  | ¥ 2                | ¥ 11,537  | ¥ 995                       | ¥ 12,532  |

- 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 ¥(1,800) million includes intersegment transaction eliminations of ¥6,086 million less corporate expenses of ¥(7,886) 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 ¥9,086 million includes less intersegment eliminations of ¥(85,274) million and corporate assets of ¥94,361 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 ¥2,539 million is recognized on Beauty Care segment.

## (Information about changes in Reportable Segments)

As described in "Changes in Accounting Policies", effective from the beginning of the first quarter period under review, the Company has adopted the Accounting Standard for Revenue Recognition and changed its accounting method for revenue recognition. The Company has made similar changes to the method of calculating income and loss in its Business Segments. As a result of this change, compared with the previous method of calculation, Beauty Care sales are ¥1,109 million lower and segment income is ¥34 million lower. Other business sales are ¥148 million lower and there is no impact on segment income. Additionally, the sales of Reconciliations are ¥68 million higher and there is no impact on segment income.

**(Per Share Information)**

|                              | FY2021<br>(January 1, 2020–<br>December 31, 2020) | FY2022<br>(January 1, 2021–<br>December 31, 2021) |
|------------------------------|---|---|
| Net assets per share         | ¥781.11   | ¥772.60   |
| Net income per share         | ¥53.04  | ¥51.74  |
| Diluted net income per share | ¥52.99  | ¥51.69  |

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, 2022 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, 2022 is 242,460 and the average number of shares is 243,582 during the period. The number of shares of deducted treasury stock at December 31, 2021 was 244,708 and the average number of shares is 206,798 during the period.

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

| Item   | FY2021<br>(January 1, 2021–<br>December 31, 2021) | FY2022<br>(January 1, 2022–<br>December 31, 2022) |
|--|---|---|
| <b>Net income per share</b>  |   |   |
| Profit attributable to owners of parent (millions of yen)  | ¥11,734   | ¥11,446   |
| Amounts not attributable to shareholders of common stock (millions of yen)   | —   | —   |
| Profit attributable to owners of parent associated with common stock (millions of yen)   | ¥11,734   | ¥11,446   |
| Weighted average number of shares of common stock during the fiscal year   | 221,226,689                                       | 221,230,520                                       |
| <b>Diluted net income per share</b>  |   |   |
| Adjustment of profit attributable to owners of parent (millions of yen)  | —   | —   |
| Number of shares of common stock increased   | 236,266   | 235,617   |
| [Of which, subscription rights to shares]  | (236,266)   | (235,617)   |
| 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   | FY2021<br>(At December 31, 2021) | FY2022<br>(At December 31, 2022) |
|--|----------------------------------|----------------------------------|
| Total net assets (millions of yen)   | ¥173,267                         | ¥171,459                         |
| Amount deducted from total net assets (millions of yen)                          | ¥463                             | ¥534                             |
| [Of which, subscription rights to shares (millions of yen)]                      | ¥(243)                           | ¥(243)                           |
| [Of which, non-controlling interests (millions of yen)]                          | ¥(220)                           | ¥(291)                           |
| Net assets associated with common stock (millions of yen)                        | ¥172,803                         | ¥170,924                         |
| Number of shares of common stock used in the calculation of net assets per share | 221,229,395                      | 221,231,643                      |

**(Subsequent Event)**

None