

Summary of Financial Results

For the First Quarter of Fiscal Year Ending December 31, 2023 (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.

April 28, 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	
Contact:	Naoki Kume, Director, Finance	Tel: +81-3-3563-5517
Filing Date of Quarterly Securities Report:		May 15, 2023
Start of Cash Dividend Payment:		—
Supplemental Materials Prepared for Quarterly Financial Results:		Yes
Conference Presentation for Quarterly Financial Results:		Yes(for analysts)

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the First Three Months of Fiscal 2023

(January 1, 2023–March 31, 2023)

(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	%
FY2023 Three Months	42,136	11.9	4,549	137.9	4,832	16.7	2,743	(61.8)
FY2022 Three Months	37,662	(13.5)	1,912	(55.6)	4,140	(28.2)	7,180	82.3

Note: Comprehensive income: ¥2,741 million (-53.1%) for the three months ended March 31, 2023;
¥5,842 million (78.4%) for the three months ended March 31, 2022

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2023 Three Months	12.40	12.39
FY2022 Three Months	32.46	32.42

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2023 First Quarter	202,015	167,322	82.6	753.95
FY2022	205,935	171,459	83.0	772.60

Reference: Equity capital: FY2023 First Quarter: ¥166,800 million; FY2022: ¥170,924 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	—	21.00	—	31.00	52.00
FY2023	—	—	—	—	—
FY2023 (Forecast)	—	21.00	—	31.00	52.00

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

3. Consolidated Performance Forecast for 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

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

Notes to Summary Information

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

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

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

(4) Number of shares issued and outstanding (common stock)
 1) Number of shares issued and outstanding at the end of each period (including treasury stock)
 At March 31, 2023 229,136,156 shares
 At December 31, 2022 229,136,156 shares
 2) Number of shares of treasury stock at the end of each period
 At March 31, 2023 7,898,863 shares
 At December 31, 2022 7,904,513 shares
 3) Average number of shares issued and outstanding in each period
 Three months ended March 31, 2023 221,234,231 shares
 Three months ended March 31, 2022 221,229,395 shares

Note: The number of shares of treasury stock at March 31, 2023 includes the Company's shares held by the officer compensation Board Incentive Plan (BIP) trust (236,810 shares). The number of shares of treasury stock deducted in the calculation of average number of shares outstanding during the first three months of fiscal 2023 includes the Company's shares held by BIP trust (239,872 shares).

Information Regarding Quarterly Review Procedures

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

Explanation of Appropriate Use of Performance Forecast and Other Special Items

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties. For performance projections, please refer to "1. Qualitative Information on Consolidated Performance for the First Quarter of Fiscal 2023 (3) Explanation of Consolidated Performance Forecast and Other Predictive Information" on page 5.

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1. Qualitative Information on Consolidated Performance for the Three Months of Fiscal 2023

(1) Explanation of Consolidated Operating Results

During the three months of fiscal 2023 (January 1–March 31, 2023), the Japanese economy saw the flow of people recover as a result of the easing of COVID-19 restrictions, with expectations that the normalization of economic and social activities would boost business confidence. However, soaring resource and energy prices affected by the conflict in Ukraine and other factors as well as the shift of these prices to selling prices continued to put downward pressure on business confidence, casting a shadow over the outlook despite prospects for a slight improvement.

In the domestic cosmetics market, in addition to the lifting of activity restrictions in the second half of 2022, the effects of the weakened yen and the return of inbound demand drove growth in the consumption of high-value products, although consumption did not reach the levels seen prior to the COVID-19 pandemic. In addition, demand for makeup products has been growing since around the time of the easing of mask mandates in the middle of March, with businesses shifting to an active “post-mask marketing campaign” footing. Meanwhile, lifestyle changes due to the COVID-19 pandemic have driven shifts in how and what people consume, as in the case of stay-at-home demand, and there have also been changes in sales channel structure. We are now, therefore, in a situation where further creativity is needed to respond to these changes.

In the overseas cosmetics market, economic and social activities have been on a recovery trend from the turmoil caused by COVID-19. However, various downward pressures on the economy and consumption, such as the rise in energy prices and the chronic inflation caused by Russia’s invasion of Ukraine, and financial instability due to interest rate hikes in Europe and the United States, have fueled a sense of uncertainty about the future. In the Chinese market, the end of the zero-COVID policy has brought economic activity toward normalization, which has driven an active flow of people and a recovery in consumption of services. A weaker job market has, however, dulled the recovery in the consumption of goods.

Within this market environment, the POLA ORBIS Group (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, the Group achieved the following consolidated operating results for the three months of fiscal 2023.

Consolidated net sales for the three months of fiscal 2023 increased 11.9% year on year to ¥42,136 million, reflecting a recovery from the turmoil caused by the COVID-19 pandemic in Japan and overseas. Driven by increased gross profit due to increased sales, operating income increased 137.9% year on year to ¥4,549 million, and ordinary income increased 16.7% year on year to ¥4,832 million due to the impact of foreign exchange gain of ¥247 million recorded in the previous year. As a result of the factors noted above and the impact of decrease in income taxes – deferred recorded in the previous year, profit attributable to owners of parent decreased 61.8% year on year to ¥2,743 million.

Operating Results Overview

(Millions of yen)

	Three Months Ended March 31			
	2022	2023	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥37,662	¥42,136	¥4,473	11.9
Operating Income	1,912	4,549	2,637	137.9
Ordinary Income	4,140	4,832	691	16.7
Profit Attributable to Owners of Parent	¥7,180	¥2,743	¥(4,437)	(61.8)

Operating Results by Segment

Net Sales (Segment Sales to External Customers)

(Millions of yen)

	Three Months Ended March 31			
	2022	2023	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥36,516	¥40,950	¥4,433	12.1
Real Estate	523	518	(4)	(0.9)
Others	622	666	44	7.1
Total	¥37,662	¥42,136	¥4,473	11.9

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

(Millions of yen)

	Three Months Ended March 31			
	2022	2023	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥2,026	¥4,359	¥2,332	115.1
Real Estate	189	161	(27)	(14.7)
Others	0	2	1	113.5
Reconciliations of Segment Profit (Note)	(305)	26	331	—
Total	¥1,912	¥4,549	¥2,637	137.9

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

Beauty Care

The Beauty Care segment consists of the flagship brands POLA and ORBIS, the overseas brand Jurlique, and the brands under development THREE, DECENCIA, 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, by promoting the integration of online and offline channels (OMO: Online Merges with Offline), we are developing a new business model that integrates customer information and seamlessly connects each channel. Through measures such as sending online customers to consignment sales channels, we are working to realize a high life-time-value business that leverages the features and strengths of each channel. In addition to the resumption of the flow of people due to the lifting of activity restrictions, sales of new products and esthetic treatment were favorable. As a result, all domestic businesses performed better than the previous year. In addition, in order to make up-front investments to reverse customer numbers, which are on a recovery trend, and to improve customer life time value, we are working to expand customer contact points and increase awareness such as by enhancing offline events and strengthening our hiring and training of Beauty Directors. In the overseas business, we are working to drive a recovery in business in the post-pandemic world and to expand customer contact points for establishing a brand presence in China, a top priority market. Although the overall performance of the overseas business exceeded that of the previous year, there have been delays in the recovery, particularly in China following the end of its zero-COVID policy. As a result, POLA brand net sales and operating income increased 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 provides close communication that accompanies customers throughout their lives in its one-stop app, a cornerstone of the brand experience, which will help realize more sophisticated customer data analysis and promote something extra added to skin care purchases through one-to-one communication. In this manner, ORBIS is making efforts to further boost the number of customers, which is on a recovery trend, and to maximize customer lifetime value. In the direct selling channel, the number of customers exceeded the previous year with a growth of ORBIS U. series and acquiring new customers by the special care line for UV which has been renewed. The external channel is significantly growing mainly in the EC platforms. In the overseas business, to accelerate growth and return to profitability in China, a priority market, ORBIS continued to work on strengthening

investments to expand customer contact points and raise brand recognition. Following on from last year, ORBIS achieved double-digit growth. As a result of the above, ORBIS brand net sales exceeded those of the corresponding period of the previous year. However, operating income was unchanged in the corresponding period of the previous year due to the impact of higher selling and administrative expenses stemming from increased sales.

The Jurlique brand continues to work toward business growth in the travel retail market, particularly in Australia and in China and Asia. We are pursuing business recovery at an early date in the Australia market and Hong Kong market, which are recovering their economy and consumption from the turmoil caused by COVID-19, and accelerating growth in the Chinese market, which is showing signs of recovery, with a focus on online business, while also expanding net sales in each region. The brand is also working to improve the break-even point and achieve profitability at an early date through further structural reforms. However, due to the delayed recovery in travel retail, Jurlique brand net sales were unchanged in the corresponding period of the previous year, and operating losses expanded due to the impact of higher selling and administrative expenses and other costs.

For brands under development, the THREE brand is carrying out structural reforms targeting profitability in 2024. Overall net sales for the brands under development were higher year on year. In addition, operating loss improved due to strict cost controls implemented for each brand. Effective March 6, 2023, the Group has decided to exit from two brands, Amplitude and ITRIM, to make a reformation on its brand portfolio on the beauty care segment as a part of enhancement on its profitability.

As a result of the factors noted above, net sales—sales to external customers—were ¥40,950 million, up 12.1% year on year, and operating income was ¥4,359 million, up 115.1% 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 the three months of fiscal 2023, net sales and operating income fell below those of the corresponding period of the previous year mainly due to the impact of the sales of some office buildings in the previous year.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥518 million, down 0.9% year on year, and operating income was ¥161 million, down 14.7% year on year.

Others

The Others segment is the building maintenance business.

The building maintenance business is mainly engaged in the operation and management of buildings. During the three months of fiscal 2023, both net sales and operating income increased year on year due to an increase in the unit price of construction contracts.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥666 million, up 7.1% year on year, and operating income was ¥2 million, up 113.5% year on year.

(2) Explanation of Consolidated Financial Position

As of March 31, 2023, total assets stood at ¥202,015 million, down 1.9%, or ¥3,919 million, from December 31, 2022. Factors related to this change included increases of ¥9,010 million in investments in securities and ¥2,287 million in other under current assets associated with an increase in income taxes receivable, as well as decreases of ¥8,820 million in cash and deposits and ¥5,235 million in short-term investments in securities.

Total liabilities amounted to ¥34,692 million, up 0.6%, or ¥216 million, from December 31, 2022. Factors related to this change included an increase of ¥823 million in other under current liabilities associated with an increase in deposit received and ¥463 million in income taxes payable, as well as decrease of ¥342 million in contract liabilities.

Net assets amounted to ¥167,322 million, down 2.4%, or ¥4,136 million, from December 31, 2022. Factors related to this change included a recording of ¥2,743 million in profit attributable to owners of parent, ¥6,865 million in dividends from retained earnings.

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

The Group has made no revisions to the full-year consolidated performance forecast announced on February 14, 2023.

(Information for reference)

Cumulative Results for Fiscal 2022

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥37,662	¥78,748	¥119,654	¥166,307
Operating Income	1,912	4,917	7,668	12,581
Ordinary Income	4,140	8,876	12,169	14,928
Profit Attributable to Owners of Parent	¥7,180	¥10,904	¥13,035	¥11,446

Quarterly Results for Fiscal 2022

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥37,662	¥41,085	¥40,906	¥46,652
Operating Income	1,912	3,005	2,751	4,913
Ordinary Income	4,140	4,736	3,292	2,758
Profit Attributable to Owners of Parent	¥7,180	¥3,723	¥2,130	¥(1,588)

2. Quarterly Consolidated Financial Statements**(1) Consolidated Balance Sheets**

(Millions of yen)

	FY2022 December 31, 2022	FY2023 First Quarter March 31, 2023
Assets		
Current assets		
Cash and deposits	¥ 63,318	¥ 54,497
Notes and accounts receivable – trade	17,817	17,025
Short-term investments in securities	17,993	12,757
Merchandise and finished goods	11,149	11,064
Work in process	661	783
Raw materials and supplies	3,337	3,158
Other	4,055	6,342
Allowance for doubtful accounts	(59)	(55)
Total current assets	118,273	105,575
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,253	16,159
Land	14,226	14,226
Other, net	13,966	13,660
Total property, plant and equipment	44,446	44,047
Intangible assets		
Right of trademark	797	776
Software	11,510	11,807
Other	296	273
Total intangible assets	12,604	12,857
Investments and other assets		
Investments in securities	16,154	25,165
Deferred Tax Assets	10,606	10,544
Other	4,021	4,017
Allowance for doubtful accounts	(172)	(192)
Total investments and other assets	30,610	39,535
Total non-current assets	87,661	96,439
Total assets	¥205,935	¥202,015

(Millions of yen)

	FY2022 December 31, 2022	FY2023 First Quarter March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 2,745	¥ 2,725
Current portion of long-term borrowings	12	12
Income taxes payable	1,252	1,715
Contract liabilities	5,437	5,094
Provision for bonuses	1,749	1,487
Other provisions	173	62
Other	14,584	15,408
Total current liabilities	25,954	26,507
Non-current liabilities		
Long-term borrowings	59	56
Other provisions	167	160
Net defined benefit liability	1,884	1,671
Asset retirement obligations	3,744	3,663
Other	2,665	2,633
Total non-current liabilities	8,521	8,185
Total liabilities	34,476	34,692
Net assets		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	81,025	81,025
Retained earnings	82,759	78,636
Treasury stock	(2,860)	(2,842)
Total shareholders' equity	170,924	166,820
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	120	177
Foreign currency translation adjustments	(303)	(371)
Remeasurements of defined benefit plans	182	175
Total accumulated other comprehensive income	(0)	(19)
Subscription rights to shares	243	243
Non-controlling interests	291	278
Total net assets	171,459	167,322
Total liabilities and net assets	¥205,935	¥202,015

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

Consolidated Statements of Income

(Millions of yen)

	Three Months Ended March 31	
	FY2022 (January 1, 2022– March 31, 2022)	FY2023 (January 1, 2023– March 31, 2023)
Net sales	¥37,662	¥42,136
Cost of sales	6,816	7,748
Gross profit	30,845	34,387
Selling, general and administrative expenses		
Sales commission	7,865	8,584
Promotion expenses	2,799	2,553
Advertising expenses	2,402	2,806
Salaries, allowances and bonuses	4,829	4,880
Provision for bonuses	957	934
Other	10,078	10,078
Total selling, general and administrative expenses	28,933	29,838
Operating income	1,912	4,549
Non-operating income		
Interest income	34	45
Foreign exchange gains	2,183	247
Other	96	92
Total non-operating income	2,314	385
Non-operating expenses		
Interest expense	20	24
Commission expenses	31	58
Other	34	20
Total non-operating expenses	86	103
Ordinary income	4,140	4,832
Extraordinary losses		
Loss on disposal of non-current assets	59	116
Loss on valuation of investment securities	—	102
Loss on liquidation of business	165	399
Other	6	2
Total extraordinary losses	231	620
Income before income taxes	3,908	4,211
Income taxes – current	838	1,414
Income taxes – deferred	(4,130)	40
Total income taxes	(3,291)	1,454
Net Income	7,200	2,757
Profit attributable to non-controlling interests	20	13
Profit attributable to owners of parent	¥ 7,180	¥ 2,743

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three Months Ended March 31	
	FY2022 (January 1, 2022– March 31, 2022)	FY2023 (January 1, 2023– March 31, 2023)
Net Income	¥7,200	¥2,757
Other comprehensive income		
Valuation difference on available-for-sale securities	80	56
Foreign currency translation adjustments	(1,454)	(64)
Remeasurements of defined benefit plans	15	(7)
Total other comprehensive income	(1,358)	(15)
Comprehensive income	5,842	2,741
Comprehensive income attributable to owners of parent	5,813	2,724
Comprehensive income attributable to non-controlling interests	¥28	¥17

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)

None

(Significant Changes in Shareholders' Equity)

None

(Changes in Accounting Policies)

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has adopted the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021) from the beginning of the first quarter period under review. The Company will apply the new accounting policy prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements.

(Additional Information)

(Implementation of treatment of Accounting Treatment and Disclosure when Applying the Group Totalization System)

Effective from the first quarter of the current fiscal year, the Company and its domestic consolidated subsidiaries have shifted from a consolidated tax payment system to a group totalization system. In accordance with this change, the accounting treatment and disclosure of income taxes, local taxes, and tax effect accounting are based on the "Treatment of Accounting and Disclosure when Applying the Group Totalization System" (PITF No. 42, August 12, 2021; hereinafter "PITF No. 42").

In accordance with Paragraph 32 (1) of the PITF No. 42, the Company has deemed that there is no impact from the change in accounting policy accompanying the application of the PITF No. 42.

(Segment Information)

I. First Quarter of Fiscal 2022 (January 1, 2022-March 31, 2022)

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

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥36,516	¥523	¥37,040	¥622	¥37,662	—	¥37,662
Intersegment Sales or Transfers	22	118	140	281	422	¥(422)	—
Total	36,539	641	37,180	903	38,084	(422)	37,662
Segment Profit	¥2,026	¥189	¥2,216	¥0	¥2,217	¥(305)	¥1,912

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

2. The segment profit reconciliation of ¥(305) million includes intersegment transaction eliminations of 1,064 million, and corporate expenses of ¥(1,370) million not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

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

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

None

(Significant Changes in Goodwill)

None

II. First Quarter of Fiscal 2023 (January 1, 2023–March 31, 2023)

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

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥40,950	¥518	¥41,469	¥666	¥42,136	—	¥42,136
Intersegment Sales or Transfers	43	113	157	307	464	¥(464)	—
Total	40,994	631	41,626	974	42,600	(464)	42,136
Segment Profit	¥4,359	¥161	¥4,521	¥2	¥4,523	¥26	¥4,549

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

2. The segment profit reconciliation of ¥26 million includes intersegment transaction eliminations of ¥2,347 million, and corporate expenses of ¥(2,321) million not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

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

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

None

(Significant Changes in Goodwill)

None

(Subsequent Events)

None