Summary of Financial Results

For the First Quarter of Fiscal Year Ending 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.

April 28, 2022

POLA ORBIS HOLDINGS INC.

Listing:	Tokyo Stock Exchange, Prime Market (Code No.: 4927)	
URL:	https://www.po-holdings.co.jp/	
Representative:	Satoshi Suzuki, Representative Director And President	
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Filing Date of Quarterly Securities Report:		May 13, 2022
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 2022
(January 1, 2022–March 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 Three Months	37,662	(13.5)	1,912	(55.6)	4,140	(28.2)	7,180	82.3
FY2021 Three Months	43,561	0.6	4,307	114.7	5,763	—	3,939	—

Note: Comprehensive income: ¥5,842 million (78.4%) for the three months ended March 31, 2022;
¥3,274 million (—%) for the three months ended March 31, 2021

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2022 Three Months	32.46	32.42
FY2021 Three Months	17.81	17.79

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2022 First Quarter	204,514	171,220	83.5	771.72
FY2021	208,039	173,267	83.1	781.11

Reference: Equity capital: FY2022 First Quarter: ¥170,728 million; FY2021: ¥172,803 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	—	20.00	—	31.00	51.00
FY2022	—				
FY2022 (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, 2022
(January 1, 2022–December 31, 2022)

(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	186,000	4.1	17,700	4.8	17,700	(6.7)	16,200	38.1	73.23

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

Notes to Summary Information

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

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

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

(4) Number of shares issued and outstanding (common stock)
1) Number of shares issued and outstanding at the end of each period (including treasury stock)
At March 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 March 31, 2022 7,906,761 shares
At December 31, 2021 7,906,761 shares
3) Average number of shares issued and outstanding in each period
Three months ended March 31, 2022 221,229,395 shares
Three months ended March 31, 2021 221,221,801 shares

Note: The number of shares of treasury stock at March 31, 2022 includes the Company's shares held by the officer compensation Board Incentive Plan (BIP) trust (244,708 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 2022 (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 2022

(1) Explanation of Consolidated Operating Results

During the three months of fiscal 2022 (January 1–March 31, 2022), the Japanese economy continued to tread a difficult path toward normalization due mainly to a sluggish personal consumption, especially for face-to-face services, as a result of the application of quasi-emergency measures and gradual expansion of regions to which the measures are applied, as well as extension of the application period following the sixth wave of COVID-19 (the novel coronavirus). In addition, geopolitical risks stemming from the unrest in Russia and Ukraine aggravated the economic chaos caused by the COVID-19 pandemic since February. This has caused other situations such as the sharp rise in resource prices, including crude oil, which is also affecting the Japanese economy. In the domestic cosmetics market, while demand for makeup products continued to decline, due to fewer opportunities to go out following the spread of COVID-19, there are signs of recovery comparing to the corresponding period of the previous year. Meanwhile, basic skincare products which were recovering as the same level as pre-COVID-19 is currently slowing down its trend. Also, e-commerce channel which has covered the demands on store market channel which is highly affected by measures for public health, remains steadily. Initiatives aimed at merging offline and online services have been stepped up in anticipation of coexistence with COVID-19 and the post-COVID-19 era and the expansion of differentiated services with utilization of digital and IT technologies is expected to become important besides convenience of purchase.

In the overseas cosmetics market, concerns about COVID-19 have also lingered. The zero-COVID policy still persists in China, which the Group has designated as a priority market, and lockdown measures which make the decline of supply chain function have been taken, including suspension of business activities and public transportation, and closure of major roads. Coupled with geopolitical risks stemming from the unrest in Russia and Ukraine, the situation remains unpredictable.

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 2022.

Consolidated net sales for the three months of fiscal 2022 decreased 13.5% year on year to ¥37,662 million. Operating income decreased 55.6% year on year to ¥1,912 million as a result of a decrease in gross profit due to decreased sales, and ordinary income was ¥4,140 million due to the recording of foreign exchange gains ¥2,183 million resulting from yen depreciation. As a result of the factors noted above and a decrease in income taxes – deferred as a result of business liquidation on a subsidiary, profit attributable to owners of parent increased 82.3% year on year to ¥7,180 million.

Operating Results Overview (Millions of yen)

	Three Months Ended March 31			
	2021	**2022**	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥43,561	**¥37,662**	¥(5,899)	(13.5)
Operating Income	4,307	**1,912**	(2,395)	(55.6)
Ordinary Income	5,763	**4,140**	(1,622)	(28.2)
Profit Attributable to Owners of Parent	¥3,939	**¥7,180**	¥3,240	82.3

Operating Results by Segment

Net Sales (Segment Sales to External Customers) (Millions of yen)

	Three Months Ended March 31			
	2021	**2022**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥42,445	**¥36,516**	¥(5,929)	(14.0)
Real Estate	530	**523**	(7)	(1.4)
Others	585	**622**	37	6.3
Total	¥43,561	**¥37,662**	¥(5,899)	(13.5)

Segment Profit (Loss) (Operating Income (Loss)) (Millions of yen)

	Three Months Ended March 31			
	2021	**2022**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥4,190	**¥2,026**	¥(2,163)	(51.6)
Real Estate	206	**189**	(16)	(8.1)
Others	13	**0**	(12)	(92.7)
Reconciliations of Segment Profit (Note)	(102)	**(305)**	(202)	—
Total	¥4,307	**¥1,912**	¥(2,395)	(55.6)

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

Beauty Care

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

POLA is seeking to further improve the value of its brand and strengthen its business foundation through efforts to launch highly functional products mainly in the field of anti-aging and skin-brightening, and to focus on the growth markets of China and travel retail. In the domestic business, purchasing activities of existing customers was boosted as a result of the enhanced approach by customer segment using an app in the e-commerce business, which is one of the priority strategies. Brand recognition has been improved through digital contact points, as an initiative to promote OMO (Online Merges with Offline). At the same time, POLA has focused also on directing customers to physical stores. By implementing these initiatives, POLA has worked to retain customers seamlessly between channels and improve loyalty and life time value. In the overseas business, while POLA is accelerating business growth in the Chinese market, it has focused on marketing that gives priority to maintaining and improving its brand loyalty in that market over the medium to long term by curbing discounted prices and gift with purchase offers. However, affected substantially by the spread of COVID-19 especially on the domestic consignment sales channel, POLA brand net sales and operating income declined year on year.

ORBIS is proceeding with enhancing its presence through the creation of brand differentiation and acquiring skincare product users, with a focus on the ORBIS U anti-aging skincare series, in order to re-grow into a highly profitable business. In Japan, efforts to promote the purchase of the mainstay ORBIS U skincare series as well as special care products such as Wrinkle White Essence, which improves wrinkles and brightens skin, through communication with each customer segment, resulted in pushing up spending per customer and higher net sales of skincare including special care products than the previous year. Overseas, in China, a priority market, ORBIS is focusing on raising its brand recognition by expanding customer contact points and selling skincare products through both online and offline marketing. ORBIS utilized live commerce to conduct online brand communication, resulting in increased net sales on major e-commerce platforms. However, overall net sales for the ORBIS brand dropped below those of the corresponding period of the previous year due to difficulties on the domestic store business affected by the expansion of COVID-19 and the customer decline on the e-commerce channel. On the other hand, operating income rose year on year by efforts on fixed costs control.

For overseas brands, the Group is working to achieve business growth in Australia and Asia for Jurlique and in the United States, where H20 PLUS originated. Jurlique was affected by factors such as difficulties in acquiring new customers through offline and online marketing in Australia and the re-expansion of COVID-19 in Hong Kong but achieved double-digit growth mainly in e-commerce channel in China, which is positioned as a priority market, despite being affected by the zero-COVID policy resulting in net sales rose year on year those of the corresponding period of the previous year whole Jurlique brand basis. In terms of costs, Jurlique actively worked to reduce fixed costs; resulting in operating loss decreased those of the corresponding period of the previous year. H2O has proceeded production and sales mainly on the US market after joining the Group. H2O has achieved sales growth in the e-commerce channel and the hotel amenity business in this period, however, the business environmental which is surrounding the company is tough and its operating results is unachieved to the business plan. Standing on this situation, the Group has decided to exit from the entire businesses which H2O is developing, to make a reformation on its brand portfolio on the beauty care segment aiming as a part of enhancement on its profitability.

For brands under development, although the FUJIMI brand became a wholly owned subsidiary in April last year, the THREE and Amplitude brands struggled, resulting in lower overall sales for the brands under development compared to the same period last year. As for operating income, an increase in amortization of goodwill related to the acquisition of the FUJIMI brand resulted in a larger operating loss.

As a result of the factors noted above, net sales—sales to external customers—were ¥36,516 million, down 14.0% year on year, and operating income was ¥2,026 million, down 51.6% 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 2022, net sales and operating income fell below those of the corresponding period of the previous year as a result of some tenants moving out.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥523 million, down 1.4% year on year, and operating income was ¥189 million, down 8.1% 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. While net sales rose year on year thanks to higher building maintenance and construction orders, operating income fell year on year as a result of an increase in cost of sales higher than sales due to the sharp rise in material costs.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥622 million, up 6.3% year on year, and operating income was ¥0 million, down 92.7% year on year.

(2) Explanation of Consolidated Financial Position

As of March 31, 2022, total assets stood at ¥204,521 million, down 1.7%, or ¥3,525 million, from December 31, 2021. Factors related to this change included increases of ¥4,151 million in investments in securities and ¥4,270 million in deferred tax assets, as well as decreases of ¥13,459 million in cash and deposits and ¥2,295 million in notes and accounts receivable – trade.

Total liabilities amounted to ¥33,294 million, down 4.3%, or ¥1,478 million, from December 31, 2021. Factors related to this change included an increase of ¥4,015 million in contract liabilities, as well as decreases of ¥1,265 million in income taxes payable, ¥1,928 million in other provision associated with a decrease of provision for point program and ¥1,468 million in other under current liabilities.

Net assets amounted to ¥171,220 million, down 1.2%, or ¥2,047 million, from December 31, 2021. Factors related to this change included a recording of ¥7,180 million in profit attributable to owners of parent, ¥6,865 million in dividends from retained earnings and a decrease of ¥1,462 million in foreign currency translation adjustments.

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

H2O PLUS HOLDINGS, INC. and its wholly owned subsidiary (sub-subsidiary), H2O PLUS, LLC, will be dissolved and liquidated on April 28, 2022. As a result, the Group has decided to revise its consolidated performance forecast for the fiscal year ending December 31, 2022, which was announced on February 14, 2022, as follows.

	(Millions of yen)				
	Twelve Months Ending December 31				
	Net Sales	Operating Income	Ordinary Income	Profit attributable to Owners of Parent	Net Income Per Share(yen)
Previous Forecast (A)	¥186,000	¥17,700	¥17,700	¥11,900	53.79
Current Forecast (B)	186,000	17,700	17,700	16,200	73.23
Amount Change (B-A)	—	—	—	4,300	—
Percent Change (%)	—	—	—	36.1	—
(reference) Actual Results for Fiscal 2021	¥178,642	¥16,888	¥18,968	¥11,734	53.04

(Information for reference)
Cumulative Results for Fiscal 2021

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥43,561	¥89,055	¥131,164	¥178,642
Operating Income	4,307	9,095	12,241	16,888
Ordinary Income	5,763	10,477	13,432	18,968
Profit Attributable to Owners of Parent	¥3,939	¥7,086	¥8,661	¥ 11,734

Quarterly Results for Fiscal 2021

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥43,561	¥45,493	¥42,109	¥47,477
Operating Income	4,307	4,788	3,145	4,647
Ordinary Income	5,763	4,714	2,954	5,536
Profit Attributable to Owners of Parent	¥3,939	¥3,146	¥ 1,574	¥ 3,073

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2021 December 31, 2021	**FY2022 First Quarter March 31, 2022**
Assets		
Current assets		
Cash and deposits	¥ 72,425	**¥ 58,965**
Notes and accounts receivable – trade	17,545	**15,250**
Short-term investments in securities	20,146	**20,463**
Merchandise and finished goods	10,841	**11,000**
Work in process	734	**722**
Raw materials and supplies	4,295	**4,088**
Other	3,648	**5,565**
Allowance for doubtful accounts	(41)	**(37)**
Total current assets	129,596	**116,018**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,697	**16,543**
Land	13,986	**14,010**
Other, net	9,765	**11,786**
Total property, plant and equipment	40,449	**42,341**
Intangible assets		
Goodwill	2,366	**2,271**
Right of trademark	896	**871**
Software	11,774	**11,693**
Other	388	**365**
Total intangible assets	15,425	**15,202**
Investments and other assets		
Investments in securities	12,105	**16,257**
Deferred Tax Assets	6,160	**10,431**
Other	4,539	**4,499**
Allowance for doubtful accounts	(237)	**(236)**
Total investments and other assets	22,568	**30,951**
Total non-current assets	78,443	**88,495**
Total assets	¥208,039	**¥204,514**

(Millions of yen)

	FY2021 December 31, 2021	**FY2022 First Quarter March 31, 2022**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 2,513	**¥ 2,324**
Income taxes payable	1,736	**470**
Provision for bonuses	1,831	**1,637**
Other provisions	2,170	**241**
Current portion of long-term borrowings	11	**11**
Contract liabilities	—	**4,015**
Other	16,972	**15,503**
Total current liabilities	25,236	**24,205**
Non-current liabilities		
Long-term borrowings	72	**68**
Other provisions	136	**159**
Net defined benefit liability	3,434	**3,146**
Asset retirement obligations	2,868	**2,775**
Other	3,024	**2,938**
Total non-current liabilities	9,536	**9,088**
Total liabilities	34,772	**33,294**
Net assets		
Shareholders' equity		
Common stock	10,000	**10,000**
Capital surplus	81,027	**81,027**
Retained earnings	83,853	**83,144**
Treasury stock	(2,867)	**(2,867)**
Total shareholders' equity	172,013	**171,304**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5	**85**
Foreign currency translation adjustments	999	**(463)**
Remeasurements of defined benefit plans	(215)	**(199)**
Total accumulated other comprehensive income	790	**(576)**
Subscription rights to shares	243	**243**
Non-controlling interests	220	**248**
Total net assets	173,267	**171,220**
Total liabilities and net assets	¥208,039	**¥204,514**

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

Consolidated Statements of Income

(Millions of yen)

	Three Months Ended March 31	
	FY2021 (January 1, 2021– March 31, 2021)	**FY2022 (January 1, 2022– March 31, 2022)**
Net sales	¥43,561	**¥37,662**
Cost of sales	6,399	**6,816**
Gross profit	37,162	**30,845**
Selling, general and administrative expenses		
Sales commission	8,595	**7,865**
Promotion expenses	3,287	**2,743**
Advertising expenses	3,082	**2,402**
Salaries, allowances and bonuses	4,818	**4,829**
Provision for bonuses	894	**957**
Other	12,177	**10,135**
Total selling, general and administrative expenses	32,854	**28,933**
Operating income	4,307	**1,912**
Non-operating income		
Interest income	43	**34**
Foreign exchange gains	1,396	**2,183**
Other	77	**96**
Total non-operating income	1,518	**2,314**
Non-operating expenses		
Interest expense	24	**20**
Commission expenses	31	**31**
Information security expenses	—	**21**
Other	5	**12**
Total non-operating expenses	62	**86**
Ordinary income	5,763	**4,140**
Extraordinary income		
Other	0	**—**
Total extraordinary income	0	**—**
Extraordinary losses		
Loss on disposal of non-current assets	23	**59**
Impairment loss	185	**—**
Loss on valuation of investment securities	1	**—**
Loss on liquidation of business	—	**165**
Other	0	**6**
Total extraordinary losses	210	**231**
Income before income taxes	5,552	**3,908**
Income taxes – current	1,199	**838**
Income taxes – deferred	400	**(4,130)**
Total income taxes	1,600	**(3,291)**
Net Income	3,951	**7,200**
Profit attributable to non-controlling interests	11	**20**
Profit attributable to owners of parent	¥ 3,939	**¥ 7,180**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three Months Ended March 31	
	FY2021 (January 1, 2021– March 31, 2021)	**FY2022 (January 1, 2022– March 31, 2022)**
Net Income	¥3,951	**¥7,200**
Other comprehensive income		
Valuation difference on available-for-sale securities	46	**80**
Foreign currency translation adjustments	(736)	**(1,454)**
Remeasurements of defined benefit plans	12	**15**
Total other comprehensive income	(676)	**(1,358)**
Comprehensive income	3,274	**5,842**
Comprehensive income attributable to owners of parent	3,255	**5,813**
Comprehensive income attributable to non-controlling interests	¥19	**¥28**

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)

None

(Significant Changes in Shareholders' Equity)

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 the first quarter period are ¥110 million lower, cost of sales is ¥522 million higher, selling, general and administrative expenses are ¥848 million lower, and operating income, ordinary income and income before income taxes and minority interests are each ¥214 million higher. In addition, the balance of retained earnings at the beginning of the fiscal year is ¥981 million higher.

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.

(Segment Information)

I. First Quarter of Fiscal 2021 (January 1, 2021-March 31, 2021)

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	¥42,445	¥530	¥42,976	¥585	¥43,561	―	¥43,561
Intersegment Sales or Transfers	33	115	148	362	511	¥(511)	―
Total	42,479	645	43,124	948	44,073	(511)	43,561
Segment Profit	¥4,190	¥206	¥4,397	¥13	¥4,410	¥(102)	¥4,307

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 ¥(102) million includes intersegment transaction eliminations of ¥955 million, and corporate expenses of ¥(1,058) 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 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

3. 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, in the first quarter period under review, compared with the previous method of calculation, Beauty Care sales are ¥72 million lower and segment income is ¥214 million higher. Other business sales are ¥55 million lower and there is no impact on segment income. Additionally, the sales of Reconciliations are ¥16 million lower and there is no impact on segment income.

(Subsequent Events)

None