

November 25, 2016

Company Name: POLA ORBIS HOLDINGS INC.
 Representative: Satoshi Suzuki, President & CEO
 TSE Code: 4927 (TSE 1st Section)
 Contact: Akira Fujii, Director in charge of PR & IR
 TEL: +81-3-3563-5517

Announcement Regarding Transfer of Non-current Assets, Recording of Extraordinary Income from the Transfer, and Recording of Extraordinary Loss in Association with a Consolidated Subsidiary

The POLA ORBIS Group (hereafter, the “Group”) hereby announces that POLA ORBIS HOLDINGS INC. (hereafter, the “Company”) resolved at the Board of Directors’ meeting held on November 25, 2016, to transfer its non-current assets, to record an extraordinary income from the transfer and to record an extraordinary loss associated with its consolidated subsidiary, in the fourth quarter of fiscal 2016, as outlined below.

1. Transfer of non-current assets

1) Reason for the transfer of non-current assets

Although the Company has been operating the property described in 2) below as a rental office building since its acquisition in 1989, and has owned the artworks also described in 2) and established a bailment agreement with the Pola Art Foundation (hereafter, “Pola Art Foundation”), it decided to transfer these assets with a view to centralizing management resources and maximizing the Group’s corporate value.

2) Details of the assets to be transferred

	Description and location of the assets	Transfer value	Book value	Gain on transfer	Current usage
(1)	POLA EBISU BUILDING 3-9-19 Higashi, Shibuya-ku, Tokyo, Japan Land:1,616.63m ² and building	¥9,520 million	¥5,569 million	¥3,653 million	Rental property
(2)	Artworks (paintings, etc.)	¥7,727 million	¥4,231 million	¥3,496 million	Artworks
	Total	¥17,247 million	¥9,800 million	¥7,149 million	

Note: The transaction methods will be in cash.

3) Outline of the transferees

(1) Property (Land and building)

Although the transferee is a domestic corporation, the Company does not disclose the identity of the transferee due to the transferee’s wish. There is no capital, personnel or transactional relationship, or status as a related party to be disclosed between the transferee and the Company.

(2) Artworks

1	Name of entity	Pola Art Foundation (a public interest incorporated foundation)	
2	Location	2-2-3 Nishi-Gotanda, Shinagawa-ku, Tokyo, Japan	
3	Name and title of the representative	Satoshi Suzuki, Chairman	
4	Description of business	<ul style="list-style-type: none"> - Grants for overseas study by young artists - Grants for overseas study exhibition - Research grants for art museum curatorial staff members - Grants in support of art-related international exchange - Management of art museum - Research, conservation, and exhibitions of the collections - Funding of other projects aimed at achieving foundation objectives 	
5	Capital	None (The Pola Art Foundation is a public interest incorporated foundation)	
6	Date of foundation	May 1996	
7	Net assets (net worth)	¥229,798 million (as of fiscal year ended March 2016)	
8	Total assets	¥229,916 million (as of fiscal year ended March 2016)	
9	Major shareholder and shareholding ratio	None	
10	Relationship between the listed company and the relevant company	Capital relationship	Ratio of voting rights: 35.55% Shareholding ratio : 34.31% (The Pola Art Foundation is a shareholder of the Company)
		Personnel relationship	Two of the Company's directors hold concurrent positions as directors at the Pola Art Foundation.
		Transactional relationship	The Company and the Pola Art Foundation has established a bailment agreement over artworks.
		Status as a related party	The Pola Art Foundation is a major shareholder who owns 34.31% of outstanding shares of the Company and therefore corresponds to a related party of the Company.

4) Time schedule of the transfer

(1) Property (Land and building)

1	Date of resolution at the Board of Directors' meeting	November 25, 2016
2	Date of conclusion of the agreement	November 28, 2016 (tentative)
3	Date of the transfer of the assets	December 2016 (tentative)

(2) Artworks

1	Date of resolution at the Board of Directors' meeting	November 25, 2016
2	Date of conclusion of the agreement	November 25, 2016
3	Date of the transfer of the assets	December 5, 2016 (tentative)

5) Impact on business performance

In association with the transfer of the non-current assets, the Company is scheduled to record an extraordinary income and associated reduction in income taxes for the current fiscal year, amounting collectively to approximately ¥9,600 million in the fourth quarter of fiscal year ending December 2016.

6) Measure to ensure fairness in related-party transactions and measure to prevent conflicts of interest

The Pola Art Foundation, a public interest incorporated foundation and the transferee of non-current assets (artworks) described in 2) above (hereafter, the “Transaction”), is a major shareholder of the Company and one that has a considerable impact on the Company. Therefore, seeking to ensure fairness in the Transaction and to prevent any conflicts of interest, the Company drafted the following measures so that the interests of minority shareholders are not unduly impaired.

(1) Measure drafted to ensure fairness

To ensure that the Transaction is fair, the Company consulted with a third-party committee (hereafter, the “Third-Party Committee”) comprising members who have high-level expertise in law, accounting and fine art and who are independent of the Company as well as of the Pola Art Foundation, which is a major shareholder, to determine if the Transaction would adversely affect the interests of minority shareholders of the Company in terms of reasonableness in executing the Transaction as well as the appropriateness of the purchaser involved, the appropriateness of the transfer price and the suitability of procedures related to the Transaction. In addition, to ensure fairness in the Transaction, the Company selected a company dealing specifically in fine art that meets the following criteria and called upon said company to appraise said assets.

- Extensive experience dealing with modern paintings —European and Japanese—which comprise the bulk of the Company’s collection of artwork
- Socially responsible, backed by extensive experience
- No vested interest in either the Company or the Pola Art Foundation

In considering the issues for which the Company seeks advice, the Third-Party Committee received information from the Company regarding the purpose of the Transaction and the reasons behind the methods chosen for the Transaction, and also closely examined the results of appraisals performed by the company dealing specifically in fine art and interviewed each company. Based on these factors, the Third-Party Committee determined reasonableness in executing the Transaction as well as the appropriateness of the purchaser involved, the appropriateness of the transfer price and the suitability of procedures related to the Transaction, and documented the details in a report showing that the Transaction does not adversely affect the interests of minority shareholders of the Company.

(2) Measure drafted to prevent conflicts of interest

Two of the Company’s directors hold concurrent positions as directors at the Pola Art Foundation. To preclude any conflicts of interest, neither of these individuals at any time participated in discussions or was involved in resolutions that pertain to the Transaction whether such events occurred at meetings of the Company’s Board of Directors or those of the Pola Art Foundation’s Board of Directors.

The Company also obtained the agreement of corporate auditors in attendance at the Board of Directors’ meeting held on November 25, 2016, that the resolution process for the Transaction was executed properly.

2. Recording of extraordinary loss

An impairment loss on intangible fixed assets related to Pola Orbis Jurlique Holdings Pty Ltd (headquarters: The State of New South Wales, Australia) who is the holding company of the Company's consolidated subsidiary, Jurlique International Pty. Ltd. (hereafter, "Jurlique"), in the amount of approximately ¥9,500 million will be recorded in the fourth quarter of fiscal year ending December 2016.

Jurlique, which offers organic cosmetic products using ingredients derived from plants grown its own farm, was acquired and joined the Group in 2012.

Up to now, Jurlique has set China as its priority market and has sought the business expansion in the country including opening counters at department stores and directly-operated stores. However, the business has been under harsh conditions nowadays due to slowdown of growth in cosmetics market, geographical dispersion of demands from urban areas to rural areas, shift of consumers' buying trends from physical stores to online, and so forth. From the current fiscal year, Jurlique has taken measures to change its business model in the country, namely shifting from managing directly-operated stores to a use of a distributor who has extensive knowledge of the locality. As a result, some recovery started to be seen in terms of profit due to cost reductions; however, performance of the Chinese business is still behind the plan.

In addition, under tough circumstances in other countries, such as Hong Kong where the number of foreign visitors decreases, and Asia and Oceania regions where the competition intensifies among duty-free shops, the overall business performance of Jurlique has not caught up with the initial plan that was set at the time of acquisition.

In consideration of the aforementioned circumstances, Jurlique reviewed the medium- to long-term business plan and future cash flow projections generated therefrom for the next fiscal year onward. An impairment test was also carried out, which resulted in the decision to record the impairment loss as noted above. Going forward, Jurlique will thoroughly review its marketing strategies, including products and merchandising, in an effort to enhance the brand's appeal and improve its business performance.

3. Consolidated performance forecast for fiscal 2016

As a result of considering the aforementioned 1."Transfer of non-current assets", 2."Recording of extraordinary loss" and the Company's recent performance trends, the consolidated earnings forecast for the full fiscal year ending December 2016, has not changed from the previous forecast as announced on October 31, 2016.