Summary of Financial Results

For the Nine Months of the Fiscal Year Ending December 31, 2016 (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.

October 31, 2016

POLA ORBIS HOLDINGS INC.

Listing:	Tokyo Stock Exchange, First Section (Code No.: 4927)	
URL:	http://www.po-holdings.co.jp/	
Representative:	Satoshi Suzuki, President	
Contact:	Naoki Kume, Director and Vice President, Finance	Tel: +81-3-3563-5517
Filing Date of Quarterly Securities Report:		November 11, 2016
Start of Cash Dividend Payment:		—
Supplemental Materials Prepared for Quarterly Financial Results:		Yes
Conference Presentation for Quarterly Financial Results:		None

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the Nine Months of Fiscal 2016
(January 1, 2016–September 30, 2016)

(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	%
FY2016 Nine Months	159,150	4.4	18,310	20.1	17,450	13.3	12,294	32.8
FY2015 Nine Months	152,503	7.4	15,247	47.1	15,404	41.7	9,257	89.7

Note: Comprehensive income: ¥8,214 million(72.4%) for the Nine Months of FY2016;
¥4,764 million (-12.7%) for the Nine Months of FY2015

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2016 Nine Months	222.37	222.06
FY2015 Nine Months	167.45	167.26

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2016 Third Quarter	218,704	179,487	81.9	3,238.74
FY2015	235,734	180,635	76.5	3,260.00

Reference: Equity capital: FY2016 Third Quarter: ¥179,072 million; FY2015: ¥180,238 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	70.00	—	80.00	150.00
FY2016	—	90.00			
FY2016 (Forecast)			—	110.00	200.00

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

3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2016
(January 1, 2016–December 31, 2016)

(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
FY2016	223,000	3.8	26,000	15.5	25,300	13.2	17,200	22.0	311.09

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

Note: Please refer to "2. Summary Information (Notes) (2) Changes in Accounting Policies, Accounting Estimates, and Restatement" on page 6 for further detailed information.

(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 September 30, 2016 57,284,039 shares
At December 31, 2015 57,284,039 shares
2) Number of shares of treasury stock at the end of each period
At September 30, 2016 1,993,400 shares
At December 31, 2015 1,996,110 shares
3) Average number of shares issued and outstanding in each period
Nine months ended September 30, 2016 55,288,200 shares
Nine months ended September 30, 2015 55,286,373 shares

Information Regarding Audit Procedures

This quarterly financial report is not included in the scope of the quarterly review procedures pursuant to the Financial Instruments and Exchange Act (the "Act"). At the time of disclosure of this report, review procedures for the quarterly financial statements pursuant to the Act, have not been completed.

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 Nine Months of Fiscal 2016 (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 Nine Months of Fiscal 2016

(1) Explanation of Consolidated Operating Results

During the nine months of fiscal 2016 (January 1–September 30, 2016), the Japanese economy continued on a moderate recovery track backed by improvement in the employment situation and corporate earnings, and trends in personal consumption were firm overall. However, there are concerns about the impact of overseas economies and fluctuations in financial capital markets.

Although the domestic cosmetics market grew steadily, there were signs of weakening growth in inbound consumption by tourists visiting Japan, and attention needs to be paid to trends in inbound consumption. However, the market scale increased slightly when inbound consumption is excluded. In the overseas cosmetics market, a modest expansion continued, despite a slowdown in economic growth in China and other emerging countries in Asia.

Within this market environment, the POLA ORBIS Group (the “Group”) continued its efforts to achieve enhanced corporate value by further strengthening the domestic earnings structure, accelerating overseas expansion, and improving capital efficiency during the current fiscal year, which marks the final year of the three-year medium-term management plan (from 2014 to 2016).

As a result of these factors, the Group achieved the following consolidated operating results for the nine months of fiscal 2016.

Consolidated net sales for the nine months of fiscal 2016 grew 4.4% year on year, to ¥159,150 million, reflecting the strong performance of the brands under development—THREE and decencia, in addition to the flagship brand POLA. Operating income rose 20.1% year on year, to ¥18,310 million, resulting from higher gross profit accompanying the increase in sales. Ordinary income advanced 13.3% year on year, to ¥17,450 million. In addition to the above results, profit attributable to owners of parent grew 32.8% year on year, to ¥12,294 million, due to an increase in income taxes, despite the recording of extraordinary income in association with the transfer of noncurrent assets.

Operating Results Overview (Millions of yen)

	Nine Months Ended September 30			
	2015	**2016**	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥152,503	**¥159,150**	¥6,647	4.4
Operating Income	15,247	**18,310**	3,062	20.1
Ordinary Income	15,404	**17,450**	2,046	13.3
Profit Attributable to Owners of Parent	¥9,257	**¥12,294**	¥3,036	32.8

Operating Results by Segment

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

	Nine Months Ended September 30			
	2015	**2016**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥142,005	**¥147,308**	¥5,302	3.7
Real Estate	2,198	**2,285**	87	4.0
Others	8,299	**9,556**	1,257	15.2
Total	¥152,503	**¥159,150**	¥6,647	4.4

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

	Nine Months Ended September 30			
	2015	**2016**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥14,128	**¥17,703**	¥3,575	25.3
Real Estate	911	**1,188**	277	30.5
Others	398	**(197)**	(596)	–
Reconciliations of Segment Profit (Note)	(190)	**(384)**	(193)	–
Total	¥15,247	**¥18,310**	¥3,062	20.1

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—***pdc***, ***FUTURE LABO***, ***decencia***, ***ORLANE***, and ***THREE***.

POLA is seeking to achieve long-term stable growth through revamped branding and educational investment and change of the sales commission system for development of professional Beauty Directors. Business in the domestic market performed favorably thanks to a steady increase in customers due to proactive launches of new products and sales promotions, including a full update of esthetic services in April, and the launch in August of ***B.A SERUM REVUP***, a new-sensation beauty essence aimed at achieving fresh-looking skin, in addition to expansion of inbound sales from tourists visiting Japan in health and beauty foods and cosmetics. In overseas markets, results have been challenging overall with the exception of the Hong Kong market. As a result of these factors, POLA recorded net sales exceeding those of the corresponding period of the previous year.

ORBIS is making efforts to reinforce brand communication, acquire customers by means of social media, and improve second-time purchase rates with the aim of achieving further growth and improved profitability through brand evolution. In the domestic market, the number of customers grew due to the launch in March of ***ORBIS=U WHITE*** series for skin-whitening and anti-aging care, in addition to enhancements to the point system and communications using social media. Operating income, however, fell below that of the corresponding period of the previous year owing to the decrease of the efficiency for points expenses. China and Singapore saw favorable sales growth, with results exceeding those of the corresponding period of the previous year. As a result of these factors, net sales of the ORBIS brand were on par with those of the corresponding period of the previous year.

For overseas brands, the Group is endeavoring to maintain a high rate of growth and achieve the contribution to revenues and earnings, focusing on Asia as a growth driver. ***Jurlique*** showed a performance on par with that of the previous year in the Australian market but struggled in the travel retail market and the Hong Kong market. Additionally, influenced by the change from retail sales to distributor sales since March in the Chinese market, net sales fell below those of the corresponding period of the previous year. ***H2O PLUS*** carried out brand restaging to restore growth and commenced sales of new products at stores with the updated concept and design starting in the U.S. in September. However, the Group decided in June to idle the Chinese business and suspended business activities. As a result, net sales fell below those of the corresponding period of the previous year.

Brands under development recorded net sales exceeding those of the corresponding period of the previous year, due to the strong performance of ***THREE*** and ***decencia***.

As a result of the factors noted above, net sales—sales to external customers—were ¥147,308 million, up 3.7% year on year, and operating income was ¥17,703 million, up 25.3% 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 rent levels but leaning more toward raising rents and occupancy 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 nine months of fiscal 2016, net sales exceeded those of the corresponding period of the previous year due to rises in tenant occupancy rates and unit prices per tsubo (equivalent to approximately 3.3 square meters), as a result of revising occupancy conditions in light of the situation in the market and at other companies as well as carrying out measures to improve the value of buildings.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥2,285 million, up 4.0% year on year, and operating income was ¥1,188 million, up 30.5% year on year.

Others

The Others segment comprises the pharmaceuticals and building maintenance businesses.

The pharmaceuticals business draws on results accumulated by Group companies in research related to cosmetics and quasi-pharmaceuticals to develop, manufacture and sell new pharmaceuticals and conduct contract manufacturing of pharmaceuticals. During the nine months of fiscal 2016, net sales were up year on year as a result of the Group's continued sales activities specializing in the priority field of dermatology, in addition to sales of ***Duac® Gel***, a combination drug for the treatment of acne vulgaris, under a license agreement with the GlaxoSmithKline Group, and the launch in April of ***LUCONAC® Solution 5%***, a treatment for onychomycosis. Meanwhile, operating income declined year on year, due to the additional costs incurred for initial promotion of the two new drugs.

The building maintenance business is engaged in the operation and management of buildings mainly catering to the needs of Group companies. During the nine months of fiscal 2016, the Group saw growth in orders received thanks to ongoing sales activities, but due to the decline in order unit price, net sales were on par with those of the corresponding period of the previous year.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥9,556 million, up 15.2% year on year, and operating loss amounted to ¥197 million (¥398 million in operating income for the corresponding period of the previous year).

(2) Explanation of Consolidated Financial Position

As of September 30, 2016, total assets stood at ¥218,704 million, down 7.2%, or ¥17,030 million, from December 31, 2015. Factors related to this change included decreases of ¥9,734 million in cash and deposits, ¥4,738 million in notes and accounts receivable – trade, ¥796 million in land due to the sale of idle property, ¥1,958 million in goodwill and ¥1,086 million in right of trademark due to exchange rate movements.

Total liabilities amounted to ¥39,216 million, down 28.8%, or ¥15,881 million, from December 31, 2015. Factors related to this change included decreases of ¥3,419 million in income taxes payable and ¥12,057 million in "Other" of current liabilities mainly due to a decrease in sales commission payable.

Net assets amounted to ¥179,487 million, down 0.6%, or ¥1,148 million, from December 31, 2015. Factors contributing to this change included a decrease of ¥3,908 million in foreign currency translation adjustments due to exchange rate movements and ¥9,398 million in dividends from retained earnings, partially offset by profit attributable to owners of parent of ¥12,294 million.

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

The Company has decided to transfer all the shares of pdc INC. and FUTURE LABO INC. in November 2016 or later, for the purpose of concentrating the business resources on the Group's strong fields of "mid-range or high-end priced products" and "channels with direct customer touchpoint" in beauty care, the core business of the Group, and further improving its investment efficiency. The impact of this stock transfer on the Company's consolidated performance is currently under close examination, therefore there are no revisions to the full-year consolidated performance forecast announced on August 1, 2016.

(Information for reference)

Cumulative Results for Fiscal 2015

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥45,392	¥99,783	¥152,503	¥214,788
Operating Income	2,909	9,239	15,247	22,511
Ordinary Income	3,047	9,673	15,404	22,359
Profit Attributable to Owners of Parent	¥ 2,446	¥ 6,090	¥ 9,257	¥ 14,095

Quarterly Results for Fiscal 2015

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥45,392	¥54,390	¥52,719	¥62,285
Operating Income	2,909	6,329	6,008	7,263
Ordinary Income	3,047	6,626	5,730	6,955
Profit Attributable to Owners of Parent	¥ 2,446	¥ 3,644	¥ 3,167	¥ 4,837

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Current Period

None

(2) Changes in Accounting Policies, Accounting Estimates, and Restatement

(Changes in Accounting Policies)

Effective from the first quarter of fiscal 2016, the Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued on September 13, 2013; the “Business Combinations Accounting Standard”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013; the “Consolidation Accounting Standard”), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013; the “Business Divestitures Accounting Standard”), and other accounting standards have been applied. Accordingly, the method of recording differences associated with changes in the Company’s ownership interests in subsidiaries under ongoing control of the Company was changed to record them as capital surplus, and the method of recording acquisition-related costs was changed to recognize them as expenses for the fiscal year in which the costs are incurred. Furthermore, for business combinations carried out on or after January 1, 2016, the accounting method was changed to reflect the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs. In addition, the presentation of net income, etc. has been changed, and the presentation of minority interests has been changed to non-controlling interests. In order to reflect these changes in presentation, reclassification was made to the quarterly consolidated financial statements for the nine months of fiscal 2015 and to the consolidated financial statements for fiscal 2015.

Application of the Business Combinations Accounting Standard and other standards is in accordance with the transitional treatment provided in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard, and Article 57-4 (4) of the Business Divestitures Accounting Standard, and these standards will be applied from the beginning of the first quarter of fiscal 2016 and on into the future.

These changes have no effect on the quarterly consolidated financial statements for the nine months of fiscal 2016.

(Change in the Depreciation Method for Property, Plant and Equipment)

In accordance with a revision of the Corporation Tax Act, “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (PITF No. 32, issued on June 17, 2016) has been applied effective from the second quarter of fiscal 2016. Accordingly, the depreciation method for facilities attached to buildings and structures that were acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

This change has minimal effect on the operating income, ordinary income and profit before income taxes for the nine months of fiscal 2016.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2015 December 31, 2015	**FY2016 Third Quarter September 30, 2016**
Assets		
Current assets		
Cash and deposits	¥ 47,451	**¥ 37,716**
Notes and accounts receivable – trade	27,646	**22,907**
Short-term investments in securities	16,700	**19,400**
Merchandise and finished goods	13,463	**13,777**
Work in process	1,294	**1,121**
Raw materials and supplies	4,693	**4,197**
Other	8,928	**9,795**
Allowance for doubtful accounts	(154)	**(135)**
Total current assets	120,022	**108,780**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,354	**18,174**
Land	19,135	**18,339**
Other, net	14,877	**15,364**
Total property, plant and equipment	53,367	**51,877**
Intangible assets		
Goodwill	11,894	**9,936**
Right of trademark	8,983	**7,897**
Other	11,866	**11,266**
Total intangible assets	32,745	**29,101**
Investments and other assets		
Investments in securities	21,447	**21,641**
Other	8,219	**7,375**
Allowance for doubtful accounts	(67)	**(72)**
Total investments and other assets	29,599	**28,945**
Total non-current assets	115,711	**109,923**
Total assets	¥235,734	**¥218,704**

(Millions of yen)

	FY2015 December 31, 2015	**FY2016 Third Quarter September 30, 2016**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 5,386	**¥ 5,004**
Short-term loans payable	600	**600**
Income taxes payable	5,523	**2,104**
Provision for bonuses	1,734	**2,453**
Provision for point program	3,450	**3,213**
Other provisions	390	**151**
Other	26,727	**14,669**
Total current liabilities	43,812	**28,196**
Non-current liabilities		
Long-term loans payable	1,000	**1,000**
Other provisions	56	**53**
Net defined benefit liability	4,026	**3,931**
Other	6,202	**6,035**
Total non-current liabilities	11,285	**11,020**
Total liabilities	55,098	**39,216**
Net assets		
Shareholders' equity		
Common stock	10,000	**10,000**
Capital surplus	90,722	**90,724**
Retained earnings	77,381	**80,276**
Treasury stock	(2,194)	**(2,191)**
Total shareholders' equity	175,909	**178,809**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	512	**325**
Foreign currency translation adjustments	4,359	**451**
Remeasurements of defined benefit plans	(542)	**(514)**
Total accumulated other comprehensive income	4,329	**262**
Subscription rights to shares	183	**214**
Non-controlling interests	214	**201**
Total net assets	180,635	**179,487**
Total liabilities and net assets	¥235,734	**¥218,704**

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

Consolidated Statements of Income

(Millions of yen)

	Nine Months Ended September 30	
	FY2015 (January 1, 2015– September 30, 2015)	**FY2016 (January 1, 2016– September 30, 2016)**
Net sales	¥152,503	**¥159,150**
Cost of sales	29,081	**29,890**
Gross profit	123,421	**129,260**
Selling, general and administrative expenses		
Sales commission	34,456	**34,217**
Promotion expenses	16,677	**19,383**
Advertising expenses	5,978	**6,287**
Salaries, allowances and bonuses	16,353	**15,323**
Provision for bonuses	2,212	**2,227**
Provision for point program	2,667	**3,018**
Other	29,827	**30,492**
Total selling, general and administrative expenses	108,174	**110,949**
Operating income	15,247	**18,310**
Non-operating income		
Interest income	216	**188**
Dividend income	5	**7**
Other	235	**147**
Total non-operating income	457	**342**
Non-operating expenses		
Interest expense	64	**53**
Foreign exchange losses	176	**1,116**
Other	59	**32**
Total non-operating expenses	301	**1,202**
Ordinary income	15,404	**17,450**
Extraordinary income		
Gain on sales of non-current assets	0	**2,996**
Reversal of foreign currency translation adjustments	538	**7**
Other	4	**30**
Total extraordinary income	543	**3,034**
Extraordinary losses		
Loss on disposal of non-current assets	175	**171**
Other	25	**59**
Total extraordinary losses	201	**231**
Profit before income taxes	15,745	**20,253**
Income taxes – current	6,309	**7,643**
Income taxes – deferred	144	**301**
Total income taxes	6,454	**7,945**
Profit	9,291	**12,307**
Profit attributable to non-controlling interests	33	**13**
Profit attributable to owners of parent	¥ 9,257	**¥ 12,294**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine Months Ended September 30	
	FY2015 (January 1, 2015– September 30, 2015)	**FY2016 (January 1, 2016– September 30, 2016)**
Profit	¥9,291	**¥12,307**
Other comprehensive income		
Valuation difference on available-for-sale securities	68	**(186)**
Foreign currency translation adjustments	(4,620)	**(3,927)**
Remeasurements of defined benefit plans	24	**27**
Share of other comprehensive income of associates accounted for using equity method	0	**(7)**
Total other comprehensive income	(4,526)	**(4,093)**
Comprehensive income	4,764	**8,214**
Comprehensive income attributable to owners of parent	4,743	**8,227**
Comprehensive income attributable to non-controlling interests	¥21	**¥(12)**

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)
None

(Significant Changes in Shareholders' Equity)
None

(Segment Information)
Ⅰ. Nine months of Fiscal 2015 (January 1, 2015-September 30, 2015)
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	¥142,005	¥2,198	¥144,203	¥8,299	¥152,503	―	¥152,503
Intersegment Sales or Transfers	60	357	417	1,568	1,986	¥(1,986)	―
Total	142,065	2,555	144,621	9,868	154,489	(1,986)	152,503
Segment Profit	¥14,128	¥911	¥15,039	¥398	¥15,438	¥(190)	¥15,247

Notes: 1. “Others” comprises business operations that are not categorized as reportable segments and include the pharmaceuticals and building maintenance businesses.
2. The segment profit reconciliation of ¥(190) million includes intersegment transaction eliminations of ¥1,467 million, and corporate expenses of ¥(1,657) 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. Nine Months of Fiscal 2016 (January 1, 2016–September 30, 2016)

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	¥147,308	¥2,285	¥149,593	¥9,556	¥159,150	—	¥159,150
Intersegment Sales or Transfers	54	475	529	1,775	2,304	¥(2,304)	—
Total	147,362	2,760	150,123	11,332	161,455	(2,304)	159,150
Segment Profit (Loss)	¥17,703	¥1,188	¥18,892	¥(197)	¥18,694	¥(384)	¥18,310

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

2. The segment profit reconciliation of ¥(384) million includes intersegment transaction eliminations of ¥1,755 million, and corporate expenses of ¥(2,140) 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

(Significant Subsequent Events)

Transfer of the shares of a significant consolidated subsidiary

The Company resolved at its Board of Directors' meeting and concluded the agreement on October 3, 2016 on the transfer of all the shares of pdc INC. which is one of the consolidated subsidiaries of the Company, as outlined below:

(1) Reasons for the transfer of the shares

By concentrating the business resources on the Group's strong fields of "mid-range or high-end priced products" and "channels with direct customer touchpoint" in beauty care business which is the core of the Group business, and further improving its investment efficiency, the Company aims to achieve its long-term vision, "Highly Profitable Global Company".

(2) Transferee

Yamada Bee Sales Company, Inc.

(3) Date of the transfer of the shares

December 1, 2016 (tentative)

(4) Name, business description, and transaction relationship with the Company

1. Company name: pdc INC.
2. Description of business: Sales of cosmetices etc.
3. Transaction relationship: Charge for management fee pursuant to management agreement

(5) Number and price of shares transferred, profit or loss from the transfer, and holding ratio after the transfer

1. Number of shares transferred: 250 shares
2. Price of shares transferred: 1,200 million yen
3. Profit or loss from the transfer: Currently under close examination, as the amount of net assets of pdc INC. as of the date of the transfer is uncertain.
4. Holding ratio of the Company after the transfer: －%

Transfer of the shares of a significant consolidated subsidiary

The Company resolved at its Board of Directors' meeting and concluded the agreement on October 3, 2016 on the transfer of all the shares of FUTURE LABO INC. which is one of the consolidated subsidiaries of the Company, as outlined below:

(1) Reasons for the transfer of the shares

By concentrating the business resources on the Group's strong fields of "mid-range or high-end priced products" and "channels with direct customer touchpoint" in beauty care business which is the core of the Group business, and further improving its investment efficiency, the Company aims to achieve its long-term vision, "Highly Profitable Global Company".

(2) Transferee

Pharma Foods International Co., Ltd.

(3) Date of the transfer of the shares

November 1, 2016 (tentative)

(4) Name, business description, and transaction relationship with the Company

1. Company name: FUTURE LABO INC.
2. Description of business: Sales of cosmetices etc.
3. Transaction relationship: Charge for management fee pursuant to management agreement

(5) Number and price of shares transferred, profit or loss from the transfer, and holding ratio after the transfer

1. Number of shares transferred: 690 shares
2. Price of shares transferred: 1,200 million yen
3. Profit or loss from this transfer: Currently under close examination, as the amount of net assets of FUTURE LABO INC. as of the date of the transfer is uncertain.
4. Holding ratio of the Company after the transfer: －%