Summary of Financial Results

For the Fiscal Year Ended December 31, 2014 (Consolidated)

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

February 13, 2015

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

Annual Shareholders' Meeting: March 26, 2015
Filing Date of Securities Report: March 26, 2015
Start of Cash Dividend Payment: March 27, 2015
Supplemental Materials Prepared for Yearly Financial Results: Yes
Conference Presentation for Yearly Financial Results: Yes (for analysts)

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the Fiscal Year Ended December 31, 2014

(January 1, 2014–December 31, 2014)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014	198,094	3.5	17,683	10.4	19,067	6.9	10,382	41.9
FY2013	191,355	5.8	16,017	18.5	17,836	22.1	7,318	9.5

Note: Comprehensive income: FY2014: ¥10,728 million (-4.0%); FY2013: ¥11,171 million (5.8%)

	Net Income Per Share	Diluted Net Income Per Share	Return on Shareholders' Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2014	187.81	187.61	5.9	8.6	8.9
FY2013	132.39	132.29	4.3	8.4	8.4

Reference: Equity in losses of affiliates: FY2014: ¥0 million; FY2013: ¥16 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
At December 31	Millions of yen	Millions of yen	%	Yen
FY2014	224,536	180,793	80.4	3,264.13
FY2013	218,005	173,887	79.5	3,133.82

Reference: Equity capital: At December 31, 2014: ¥180,454 million; At December 31, 2013: ¥173,250 million

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2014	16,643	(8,391)	(3,661)	39,111
FY2013	13,500	(2,452)	(2,815)	34,137

2. Dividends

	Annual Cash Dividends Per Share					Total Dividends Paid (Annual)	Payout Ratio (Consolidated)	Dividends to Net Assets (Consolidated)
	Q1-end	Q2-end	Q3-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2013	–	25.00	–	30.00	55.00	3,040	41.5	1.8
FY2014	–	40.00	–	147.00	187.00	10,338	99.6	5.8
FY2015 (Forecast)	–	70.00	–	80.00	150.00		79.0	

Note: Breakdown of year-end dividend in FY2014:
Ordinary dividend: ¥47 per share; Special dividend: ¥100 per share

3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2015
(January 1, 2015–December 31, 2015)

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	99,700	3.9	8,400	0.8	8,400	4.4	4,400	18.9	79.59
Full year	207,500	4.7	20,000	13.1	20,000	4.9	10,500	1.1	189.93

Notes to Summary Information

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

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

Note: Please refer to "4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" on page 18 for further detailed information.

(3) Number of shares issued and outstanding (common stock)
1) Number of shares issued and outstanding at the end of each period (including treasury stock)
At December 31, 2014 57,284,039 shares
At December 31, 2013 57,284,039 shares
2) Number of shares of treasury stock at the end of each period
At December 31, 2014 2,000,000 shares
At December 31, 2013 2,000,000 shares
3) Average number of shares issued and outstanding in each period
Fiscal year ended December 31, 2014 55,284,039 shares
Fiscal year ended December 31, 2013 55,284,039 shares

Note: For the number of shares used as the base for calculation of consolidated net income per share, please refer to "4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Per Share Information)" on page 25 for further detailed information.

(Reference) Summary of Non-consolidated Financial Performance
1. Non-consolidated Financial Performance for the Fiscal Year Ended December 31, 2014
(January 1, 2014–December 31, 2014)
(1) Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014	8,587	42.2	6,009	77.2	6,747	58.8	(3,780)	–
FY2013	6,040	1.3	3,390	(3.9)	4,249	0.9	3,417	27.0

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2014	(68.39)	–
FY2013	61.82	61.78

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
At December 31	Millions of yen	Millions of yen	%	Yen
FY2014	186,076	114,435	61.4	2,067.45
FY2013	185,311	122,042	65.8	2,205.91

Reference: Equity capital: At December 31, 2014: ¥114,296 million; At December 31, 2013: ¥121,951 million

Information Regarding Audit Procedures

At the time of disclosure of this report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange 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. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results (Outlook for Fiscal 2015)” on page 4.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

Operating results for fiscal 2014

In the fiscal year ended December 31, 2014, the Japanese economy continued on a modest recovery track despite signs of weakness in personal consumption and other areas since the consumption tax hike.

Although the domestic cosmetics market grew steadily overall, the unit purchase price continued to trend downwards. In the overseas cosmetics market, mild growth continued despite an economic slowdown seen in China.

It was within this market environment that the POLA ORBIS Group (the "Group") endeavored to strengthen its domestic earnings structure, accelerate overseas development, and increase corporate value by improving capital efficiency in keeping with its three-year medium-term management plan started in fiscal 2014.

As a result of these factors, the Group achieved the following consolidated operating results for fiscal 2014.

Consolidated net sales for fiscal 2014 increased 3.5% year on year to ¥198,094 million, due to favorable performance by the ORBIS brand. Operating income rose 10.4% year on year to ¥17,683 million, as net sales drove gross profit higher, and ordinary income increased 6.9% year on year to ¥19,067 million. Net income increased 41.9% year on year to ¥10,382 million due to an impairment loss posted on H2O PLUS, offset by extraordinary income resulting from transfer of non-current assets and a decrease in income taxes.

Operating Results Overview (Millions of yen)

	Twelve Months Ended December 31			
	2013	**2014**	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥191,355	**¥198,094**	¥6,738	3.5
Operating Income	16,017	**17,683**	1,665	10.4
Ordinary Income	17,836	**19,067**	1,231	6.9
Net Income	¥ 7,318	**¥ 10,382**	¥3,063	41.9

Operating Results by Segment

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

	Twelve Months Ended December 31			
	2013	**2014**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥178,306	**¥184,475**	¥6,168	3.5
Real Estate	3,035	**3,179**	143	4.7
Others	10,013	**10,440**	427	4.3
Total	¥191,355	**¥198,094**	¥6,738	3.5

Segment Income (Operating Income) (Millions of yen)

	Twelve Months Ended December 31			
	2013	**2014**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥14,780	**¥16,535**	¥1,755	11.9
Real Estate	1,258	**1,227**	(31)	(2.5)
Others	410	**472**	61	15.0
Reconciliations of Segment Income (Note)	(431)	**(551)**	(119)	–
Total	¥16,017	**¥17,683**	¥1,665	10.4

Note: Reconciliations of segment income refer to elimination of profits arising from inter-company transactions and expenses not allocated to reportable segments. Please see note 2 in “3. Information about Net Sales, Profit (Loss), Assets and Other Items by Reportable Segment” on page 24 for the details of reconciliations of segment income in fiscal 2014.

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***, ***ORLANE***, ***decencia***, and ***THREE***.

POLA is seeking to further boost customer satisfaction through efforts to further enhance POLA’s sales-process quality such as developing new products in the anti-aging and skin-whitening fields and strengthening consulting skills

In the domestic market, with a view to expanding its share of the high-prestige cosmetics market, POLA actively introduced new products to the market, including ***APEX***, anti-aging cosmetics that propose items tailored to each customer according to personal skin analysis, launched in July, and ***RED B.A.***, targeting customers beginning to use anti-aging skincare products, launched in October. However, conditions were harsh in the domestic market, amid factors including deterioration of consumer sentiment for high-end products following the tax hike, and a fall in per-capita spending. In overseas markets, the number of customers at department store counters increased in China, the key market, but this did not make up for the challenging situation in the domestic market. As a result, POLA recorded net sales below those of the previous year.

ORBIS efforts to improve skincare-focused product offerings, reinforce online sales, and leverage new promotion systems to evolve customer communications methods while enhancing the efficiency of sales promotions.

In the domestic market, ORBIS was able to increase both per-capita spending and customer numbers as a result of favorable performance by ORBIS=U, launched in February as a key product strategy for the brand rebuilding. In overseas markets, ORBIS has continued sales promotion activities to increase brand awareness mainly in China and Singapore. As a result, ORBIS exceeded the net sales of the previous year.

For overseas brands, the Group endeavored to maintain high expansion and contribute to revenues and earnings, focusing on Asia as a growth driver. ***Jurlique*** steadily expanded sales centered on the Chinese and Australian markets, through measures including the launch in September of ***Nutri-Define***, a new anti-aging series leveraging the Group’s R&D expertise, and net sales increased year on year. Net sales declined from the previous year for ***H2O PLUS***, reflecting a change in brand strategy in the North American market and poor sales in the Chinese market.

Meanwhile, as a result of strong sales throughout the year for ***THREE*** and ***decencia***, net sales of brands under development were up from a year earlier.

As a result of the factors noted above, net sales—sales to external customers—were ¥184,475 million, up 3.5% year on year, and operating income was ¥16,535 million, up 11.9% year on year.

Real Estate

The Real Estate segment concentrates on the leasing of office buildings in cities. Efforts are currently directed toward at sustaining rent levels but leaning more toward raising rents and occupancy rates by creating attractive office environments. Another area of emphasis is the rental residential properties business. This business highlights new-model condominiums perfect for families with young children. During fiscal 2014, net sales of the segment increased year on year, which was realized by its efforts to sustain rent levels and attract tenants.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥3,179 million, up 4.7% year on year, and operating income was ¥1,227 million, down 2.5% year on year.

Furthermore, POLA GOTANDA BUILDING No.3, being operated as a rental office building, was transferred to a third party in Dec, 2014 with a view to centralizing management resources and maximizing the Group's corporate value.

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 and sell new drugs. During fiscal 2014, due to the Group's continued sales activities specializing in the field of dermatology, sales were higher than a year earlier.

The building maintenance business primarily caters to the needs of Group companies. In fiscal 2014, the Group engaged in sales activities to conclude contracts with new customers, resulting in higher sales than a year earlier.

As a reflection of the above, net sales—sales to external customers—generated by the Others segment totaled ¥10,440 million, up 4.3% year on year, and operating income amounted to ¥472 million, up 15.0% year on year.

Outlook for Fiscal 2015

Although weakness remains in personal consumption and other areas for the moment, the Japanese economy is expected to see a mild recovery backed by the impact of falling oil prices and the effects of various government policies amid a continuing trend toward improvement in the employment and income climate. However, attention must be paid to risks of an economic decline such as weakness in consumer sentiment or an economic slump overseas.

Against this backdrop, in its three-year medium-term management plan starting in 2014, the Group will draw on its corporate philosophy, which is to "Inspire all people and touch their hearts." Key strategies under that plan in Japan will be to sustain stable growth of flagship brands to lead group, and realize sales growth and monetization of brands under development. Internationally, the priority will be to maintain the high growth of overseas brands and start contributing to Group profitability, and restructure of overseas expansion of flagship brands. Management thus aims to attain its consolidated targets by implementing these key strategies.

For the fiscal year ending December 31, 2015, the Group forecasts, on a consolidated basis, net sales of ¥207,500 million, up 4.7% year on year, operating income of ¥20,000 million, up 13.1%, ordinary income of ¥20,000 million, up 4.9%, and net income of ¥10,500 million, up 1.1% year on year.

(2) Analysis of Financial Position

1) Assets, liabilities, and net assets

As of December 31, 2014, total assets stood at ¥224,536 million, up 3.0%, or ¥6,531 million, from December 31, 2013. Factors contributing to this increase included the following: increases of ¥4,952 million in cash and deposits, ¥5,004 million in short-term investments in securities and ¥1,029 million in investments in securities from the management of surplus funds, ¥1,319 million in merchandise and finished goods. These were offset to some degree by a decreases of ¥3,131 million in land due to the sale of office buildings for lease and ¥5,894 million in intangible assets due to accounting for an impairment loss.

Total liabilities amounted to ¥43,742 million, decreased 0.9%, or ¥375 million, from December 31, 2013 Factors related to this change included increases of ¥1,063 million in provision for point program and ¥938 million in short-term loans payable associated with the bank borrowings of an overseas subsidiary, and decreases of ¥2,138 million in income taxes payable, and ¥221 million in accounts payable – other primarily due to a decrease in sales commission payable.

Net assets amounted to ¥180,793 million, up 4.0%, or ¥6,906 million, from December 31, 2013. Factors contributing to this increase included the following: net income of ¥10,382 million and an increase of ¥1,293 million in foreign currency translation adjustments as a result of a weaker yen. These were partially offset by a decrease of ¥3,869 million in dividends from retained earnings.

2) Cash flows

The balance of cash and cash equivalents as of December 31, 2014 was ¥39,111 million, up ¥4,973 million, from the end of the previous fiscal year.

The status of cash flows from operating activities, investing activities and financing activities for fiscal 2014, and noteworthy increases and decreases to these cash flows, are described below.

Cash flows from operating activities

Net cash provided by operating activities increased 23.3% from a year ago, to ¥16,643 million. The primary components contributing to an increase in net cash were ¥12,978 million in income before income taxes, ¥6,948 million in depreciation and amortization, and ¥6,150 million in impairment loss. Major components leading to a decrease in net cash were ¥6,699 million in income taxes paid and ¥1,189 million in increase of inventories.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥8,391, increased 242.2% from a year ago. The main factors were as follows. There was a decrease in cash resulting from outflows of ¥9,103 million due to purchase of short-term investments in securities and ¥21,702 million due to purchase of investment securities for the management of surplus funds in line with investment plans, ¥6,297 million due to purchase of property, plant and equipment, and ¥1,834 million due to purchase of intangible assets. Meanwhile, there was an increase in cash resulting from ¥24,700 million in proceeds from sales and redemption of short-term investments in securities and ¥6,184 million in proceeds from sales of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities increased 30.1% from a year ago, to ¥3,661 million. The increase was primarily attributable to the application of ¥3,861 million in cash dividends paid.

(Reference) Cash flow related indicators

	FY2010	FY2011	FY2012	FY2013	FY2014
Equity ratio (%)	81.5	81.3	78.8	79.5	80.4
Equity ratio based on market value (%)	49.6	59.6	65.5	95.2	119.5
Cash flow/Interest-bearing debt ratio (years)	0.2	0.2	0.2	0.3	0.3
Interest coverage ratio (times)	173.5	392.8	214.6	137.3	100.9

Equity ratio = Shareholders' equity/Total assets

Equity ratio based on market value = Market capitalization/Total assets

Cash flow/Interest-bearing debt ratio = Interest-bearing debt/Cash flow

Interest coverage ratio = Cash flow/Interest payments

Notes:
1. All indicators were calculated using consolidated financial figures.
2. Market capitalization was calculated based on the number of shares issued and outstanding, excluding treasury stock.
3. Cash flow refers to cash flows from operating activities.
4. Interest-bearing debt includes all debts on which we pay interest among the debts shown on the consolidated balance sheets.

(3) Basic Policy on Profit Distribution and Dividends for Fiscal Years 2014 and 2015

The Group considers improvement of capital efficiency and profit distribution to be among its most important management obligations, and its basic policy is to pay stable and ongoing dividends based on a consolidated payout ratio of 50% or higher.

With regard to dividends for fiscal 2014, the Company paid an interim dividend of ¥40.00 per share as an ordinary dividend, and plans to pay a year-end dividend of ¥47.00 as scheduled. In addition, as announced in the "Announcement Regarding Revision to the Cash Dividends Forecast" dated November 28, 2014, the Company considered comprehensively the use of cash gained through the transfer of non-current assets from various aspects including the future growth strategies, enhancement of capital efficiency and financial stability, to conclude that it is most desirable to distribute it as shareholder returns. As a result, the Company plans an annual dividend of ¥187.00, including an additional year-end special dividend of ¥100.00 per share.

With regard to dividends for fiscal 2015, in keeping with the abovementioned basic policy, management plans to increase the interim dividend by ¥30.00 per share, to ¥70.00 per share, and the year-end dividend by ¥33.00 per share, to ¥80.00 per share, for an annual dividend of ¥150.00.

The Company will invest internal reserves to reinforce its operating structure and support future business development.

2. Corporate Group

Disclosures have been omitted as no material changes were made with regard to the Organization Chart in the Business Details section in the most recent securities report, submitted on March 27, 2014.

For status of subsidiaries and affiliates, please refer to “1. Items related to scope of consolidation” within “(5) Notes to Consolidated Financial Statements (Basis for Preparation of Consolidated Financial Statements)” on page 18, which provides details on changes in subsidiaries during the current fiscal year.

3. Management Policies

(1) Basic Management Policy

In keeping with its corporate philosophy, which is to “Inspire all people and touch their hearts,” management will leverage the Group’s strengths in direct selling, skincare, and its multi-brand strategy to generate stable domestic growth and accelerate overseas expansion to become a highly profitable global enterprise in the beauty care and health fields as its Long-Term Vision 2020.

(2) Management Indicators

Under the three-year medium-term management plan started in 2014, the Company targets Compound Annual Growth Rate (“CAGR”) of 3% to 4% in consolidated net sales and CAGR of 15% or higher in consolidated operating income. Management seeks a return on shareholders’ equity of 8% or higher by the end of 2016.

(3) Medium- to Long-term Management Strategy and Issues to be Addressed

During the three-year medium-term management plan (2014 to 2016), which constitutes Stage 2 toward materializing Long-Term Vision 2020, the Company aims to further strengthen its domestic earnings structure and accelerate overseas development and to increase corporate value by improving capital efficiency, and will accordingly pursue the following key strategies.

1) Domestically, sustain stable growth of flagship brands to lead Group earnings while pursuing sales growth and monetization of brands under development

- Reinforce the business platform to achieve long-term stable growth for POLA
- Further improve growth and profitability for ORBIS by realizing brand re-building
- Realize sales growth and monetization of overall brands under development in 2016

2) Internationally, sustain the high sales of overseas brands and start contributions to group profitability and restructure the overseas expansion of flagship brands

- Materialize profitable expansion for Jurlique and H2O PLUS, centered in Asia
- Concentrate on core competence with overseas strategies for flagship brands, thereby enhancing profitability and creating a successful business model in key countries

3) Strengthen operatings

- In R&D and production, create new value in Japan and abroad, develop high-value-added offerings, and strengthen cost competitiveness by integrating the domestic production structure
- In human resources, cultivate people who can operate globally and foster prospective managers

4) Improve capital efficiency and shareholder returns

- Increase the return on shareholders’ equity by enhancing profitability and capital efficiency
- Achieve stable and ongoing dividends based on a consolidated payout ratio of 50% or higher

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	FY2013 December 31, 2013	**FY2014 December 31, 2014**
Assets		
Current assets		
Cash and deposits	¥ 34,492	**¥ 39,445**
Notes and accounts receivable – trade	24,023	**23,936**
Short-term investments in securities	17,608	**22,612**
Merchandise and finished goods	12,099	**13,419**
Work in process	1,699	**1,468**
Raw materials and supplies	4,983	**5,172**
Deferred tax assets	4,675	**4,457**
Other	3,104	**7,550**
Allowance for doubtful accounts	(150)	**(163)**
Total current assets	102,537	**117,900**
Non-current assets		
Property, plant and equipment		
Buildings and structures	61,726	**54,026**
Accumulated depreciation	(43,440)	**(34,246)**
Buildings and structures, net	18,286	**19,779**
Machinery, equipment and vehicles	12,503	**10,238**
Accumulated depreciation	(10,464)	**(7,862)**
Machinery, equipment and vehicles, net	2,039	**2,375**
Land	22,380	**19,248**
Leased assets	4,754	**5,239**
Accumulated depreciation	(2,929)	**(3,667)**
Leased assets, net	1,825	**1,572**
Construction in progress	2,999	**213**
Other	19,752	**20,133**
Accumulated depreciation	(10,294)	**(10,284)**
Other, net	9,457	**9,849**
Total property, plant and equipment	56,989	**53,039**
Intangible assets		
Goodwill	15,856	**14,092**
Right of trademark	12,327	**10,013**
Other	9,842	**8,024**
Total intangible assets	38,025	**32,131**
Investments and other assets		
Investments in securities	14,122	**15,152**
Long-term loans receivable	60	**91**
Deferred tax assets	2,712	**2,561**
Other	3,677	**3,713**
Allowance for doubtful accounts	(120)	**(52)**
Total investments and other assets	20,452	**21,466**
Total non-current assets	115,467	**106,636**
Total assets	¥218,005	**¥224,536**

(Millions of yen)

	FY2013 December 31, 2013	**FY2014** **December 31, 2014**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 4,105	**¥ 4,427**
Short-term loans payable	1,034	**1,972**
Lease obligations	617	**509**
Accounts payable – other	12,431	**12,209**
Income taxes payable	3,568	**1,429**
Provision for bonuses	1,731	**1,612**
Provision for directors' bonuses	40	**39**
Provision for sales returns	85	**105**
Provision for point program	1,783	**2,846**
Provision for loss on business liquidation	–	**32**
Provision for business structure improvement	822	**368**
Other	4,422	**5,422**
Total current liabilities	30,640	**30,976**
Non-current liabilities		
Long-term loans payable	1,000	**1,000**
Lease obligations	831	**801**
Provision for retirement benefits	5,908	**–**
Net defined benefit liability	–	**5,829**
Provision for environmental measures	67	**65**
Deferred tax liabilities	1,066	**784**
Other	4,602	**4,285**
Total non-current liabilities	13,477	**12,765**
Total liabilities	44,117	**43,742**
Net assets		
Shareholders' equity		
Common stock	10,000	**10,000**
Capital surplus	90,718	**90,718**
Retained earnings	67,941	**74,454**
Treasury stock	(2,199)	**(2,199)**
Total shareholders' equity	166,460	**172,973**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	454	**448**
Foreign currency translation adjustments	6,335	**7,628**
Remeasurements of defined benefit plans	–	**(595)**
Total accumulated other comprehensive income	6,789	**7,481**
Subscription rights to shares	90	**138**
Minority interests	546	**200**
Total net assets	173,887	**180,793**
Total liabilities and net assets	¥218,005	**¥224,536**

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

Consolidated Statements of Income

(Millions of yen)

	Twelve Months Ended December 31	
	FY2013 (January 1, 2013– December 31, 2013)	**FY2014 (January 1, 2014– December 31, 2014)**
Net sales	¥191,355	**¥198,094**
Cost of sales	38,655	**39,326**
Gross profit	152,700	**158,767**
Selling, general and administrative expenses		
Sales commission	46,202	**45,932**
Promotion expenses	18,767	**20,079**
Packing and transportation expenses	4,853	**5,135**
Advertising expenses	7,145	**7,186**
Salaries, allowances and bonuses	22,167	**22,884**
Welfare expenses	3,684	**3,997**
Retirement benefit expenses	660	**782**
Provision for bonuses	1,602	**1,597**
Provision for point program	1,771	**2,831**
Depreciation and amortization	4,796	**4,927**
Amortization of goodwill	1,061	**898**
Other	23,968	**24,830**
Total selling, general and administrative expenses	136,682	**141,083**
Operating income	16,017	**17,683**
Non-operating income		
Interest income	406	**345**
Dividend income	48	**11**
Foreign exchange gains	1,282	**990**
Other	235	**336**
Total non-operating income	1,972	**1,684**
Non-operating expenses		
Interest expense	94	**177**
Other	60	**124**
Total non-operating expenses	154	**301**
Ordinary income	¥ 17,836	**¥ 19,067**

(Millions of yen)

	Twelve Months Ended December 31	
	FY2013 (January 1, 2013– December 31, 2013)	**FY2014 (January 1, 2014– December 31, 2014)**
Extraordinary income		
Gain on sales of non-current assets	¥ 468	**¥ 2,176**
Gain on sales of investment securities	441	–
Other	3	**2**
Total extraordinary income	913	**2,178**
Extraordinary losses		
Loss on disposal of non-current assets	391	**186**
Impairment loss	3,057	***1 6,150**
Loss on business liquidation	1,030	**206**
Business structure improvement expenses	931	**1,654**
Other	44	**68**
Total extraordinary losses	5,455	**8,267**
Income before income taxes	13,293	**12,978**
Income taxes – current	7,122	**2,678**
Income taxes – deferred	(1,084)	**281**
Total income taxes	6,037	**2,960**
Income before minority interests	7,256	**10,018**
Minority interests in net loss of consolidated subsidiaries	(62)	**(364)**
Net income	¥7,318	**¥10,382**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Twelve Months Ended December 31	
	FY2013 (January 1, 2013– December 31, 2013)	**FY2014 (January 1, 2014– December 31, 2014)**
Income before minority interests	¥7,256	**¥10,018**
Other comprehensive income		
Valuation difference on available-for-sale securities	122	**(5)**
Foreign currency translation adjustments	3,785	**1,309**
Remeasurements of defined benefit plans	–	**(595)**
Share of other comprehensive income of associates accounted for using equity method	6	**2**
Total other comprehensive income	3,915	**710**
Comprehensive income	11,171	**10,728**
Comprehensive income attributable to owners of the parent	11,241	**11,074**
Comprehensive income attributable to minority interests	¥ (69)	**¥ (346)**

(3) Consolidated Statements of Changes in Net Assets

FY2013 (January 1, 2013 – December 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	¥10,000	¥90,718	¥63,386	¥(2,199)	¥161,905
Changes of items during the period					
Dividends from retained earnings			(2,764)		(2,764)
Net income			7,318		7,318
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	4,554	–	4,554
Balance at the end of the period	¥10,000	¥90,718	¥67,941	¥(2,199)	¥166,460

(Millions of yen)

	Accumulated other comprehensive income				Subscrip-tion rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income			
Balance at the beginning of the period	¥331	¥2,535	–	¥2,867	¥40	¥ 82	¥164,896
Changes of items during the period							
Dividends from retained earnings							(2,764)
Net income							7,318
Net changes of items other than shareholders' equity	122	3,799	–	3,922	50	463	4,435
Total changes of items during the period	122	3,799	–	3,922	50	463	8,990
Balance at the end of the period	¥454	¥6,335	–	¥6,789	¥90	¥546	¥173,887

FY2014 (January 1, 2014 – December 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	**¥10,000**	**¥90,718**	**¥67,941**	**¥(2,199)**	**¥166,460**
Changes of items during the period					
Dividends from retained earnings			**(3,869)**		**(3,869)**
Net income			**10,382**		**10,382**
Net changes of items other than shareholders' equity					
Total changes of items during the period	**–**	**–**	**6,512**	**–**	**6,512**
Balance at the end of the period	**¥10,000**	**¥90,718**	**¥74,454**	**¥(2,199)**	**¥172,973**

(Millions of yen)

	Accumulated other comprehensive income				Subscrip-tion rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income			
Balance at the beginning of the period	**¥454**	**¥6,335**	**¥ –**	**¥6,789**	**¥ 90**	**¥546**	**¥173,887**
Changes of items during the period							
Dividends from retained earnings							**(3,869)**
Net income							**10,382**
Net changes of items other than shareholders' equity	**(5)**	**1,293**	**(595)**	**691**	**47**	**(346)**	**393**
Total changes of items during the period	**(5)**	**1,293**	**(595)**	**691**	**47**	**(346)**	**6,906**
Balance at the end of the period	**¥448**	**¥7,628**	**¥(595)**	**¥7,481**	**¥138**	**¥200**	**¥180,793**

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Twelve Months Ended December 31	
	FY2013 (January 1, 2013– December 31, 2013)	**FY2014 (January 1, 2014– December 31, 2014)**
Cash flows from operating activities		
Income before income taxes	¥13,293	**¥12,978**
Depreciation and amortization	6,704	**6,948**
Impairment loss	3,057	**6,150**
Amortization of goodwill	1,061	**898**
Increase (decrease) in allowance for doubtful accounts	26	**(66)**
Increase (decrease) in provision for point program	143	**1,060**
Increase (decrease) in provision for retirement benefits	(487)	–
Increase (decrease) in net defined benefit liability	–	**(910)**
Increase (decrease) in other provision	160	**(116)**
Interest and dividend income	(454)	**(357)**
Interest expense	94	**177**
Foreign exchange loss (gain)	(1,221)	**(935)**
Loss (gain) on sales of non-current assets	(460)	**(2,158)**
Loss on disposal of non-current assets	391	**186**
Loss (gain) on sales of investment securities	(441)	–
Loss on business liquidation	1,030	**206**
Business structure improvement expenses	931	**1,654**
Decrease (increase) in notes and accounts receivable – trade	(1,059)	**343**
Decrease (increase) in inventories	(1,166)	**(1,189)**
Increase (decrease) in notes and accounts payable – trade	268	**389**
Increase (decrease) in consumption taxes payable	311	**1,301**
Decrease (increase) in other assets	(219)	**(1,152)**
Increase (decrease) in other liabilities	892	**(1,390)**
Other	220	**84**
Subtotal	23,078	**24,102**
Interest and dividends received	529	**414**
Interest paid	(98)	**(164)**
Payments for business structure improvement expenses	(55)	**(907)**
Income taxes paid	(9,838)	**(6,699)**
Other	(115)	**(101)**
Net cash provided by operating activities	¥13,500	**¥16,643**

(Millions of yen)

	Twelve Months Ended December 31	
	FY2013 (January 1, 2013– December 31, 2013)	**FY2014 (January 1, 2014– December 31, 2014)**
Cash flows from investing activities		
Payments into time deposits	¥ (651)	**¥ (854)**
Proceeds from withdrawal of time deposits	991	**998**
Purchase of short-term investments in securities	(8,695)	**(9,103)**
Proceeds from sales and redemption of short-term investments in securities	20,501	**24,700**
Purchase of property, plant and equipment	(5,707)	**(6,297)**
Proceeds from sales of property, plant and equipment	723	**6,184**
Purchase of intangible assets	(1,666)	**(1,834)**
Payments for disposal of non-current assets	(81)	**(272)**
Purchase of investment securities	(9,200)	**(21,702)**
Proceeds from sales of investment securities	1,624	**–**
Purchase of long-term prepaid expenses	(64)	**(140)**
Payments for lease and guarantee deposits	(235)	**(335)**
Proceeds from collection of lease and guarantee deposits	137	**295**
Other	(128)	**(30)**
Net cash used in investing activities	(2,452)	**(8,391)**
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(723)	**890**
Net increase in long-term loans payable	1,000	**–**
Repayments of lease obligations	(787)	**(690)**
Cash dividends paid	(2,750)	**(3,861)**
Proceeds from stock issuance to minority shareholders	483	**–**
Repayments to minority shareholders	(36)	**–**
Net cash used in financing activities	(2,815)	**(3,661)**
Effect of exchange rate change on cash and cash equivalents	798	**384**
Net increase (decrease) in cash and cash equivalents	9,031	**4,973**
Cash and cash equivalents at beginning of period	25,106	**34,137**
Cash and cash equivalents at end of period	¥34,137	**¥39,111**

(5) Notes to Consolidated Financial Statements

(Going Concern Assumptions)

None

(Basis for Preparation of Consolidated Financial Statements)

1. Items Related to Scope of Consolidation

   (1) Consolidated Subsidiaries: **47**

   Principal subsidiaries:

   POLA INC.

   ORBIS Inc.

   POLA CHEMICAL INDUSTRIES INC.

   P.O. REAL ESTATE INC.

   and 43 other subsidiaries

   (Newly included: **2**)

   In fiscal 2014, DomierDECO INC. and EXPRESTIGE, INC. were newly established and included in the scope of consolidation.

   (2) Non-consolidated Subsidiaries: **None**

2. Items Related to Application of Equity Method

   (1) Equity Method Affiliates: **1**

   Affiliates:

   B2O IMPORT AND TRADE OF COSMETICS AND PERFUMES LIMITED

   (2) Non-consolidated Subsidiaries Not Accounted for by the Equity Method: **None**

(Changes in Accounting Policies)

Adoption of Accounting Standard for Retirement Benefits

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, issued on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012) were adopted by the Group from the end of fiscal 2014 (Provisions in Article 35 of Accounting Standard for Retirement Benefits and Article 67 of Guidance on Accounting Standard for Retirement Benefits were not applied.). Under the new accounting policies, the calculation method changes to record net defined benefit liability by deducting the amount of pension assets from retirement benefit obligations. As the result, unrecognized actuarial gains and losses and unrecognized past service costs are recorded and included in net defined benefit liability.

With the adoption of Accounting Standard for Retirement Benefits, the amount of impact arising from the change is included in remeasurements of defined benefit plans under accumulated other comprehensive income ("AOCI") at the end of fiscal 2014, according to the transitional method stated in Article 37 of the Accounting Standard.

As a result of the change, net defined benefit liability amounted to ¥5,829 million and remeasurements of defined benefit plans under AOCI decreased ¥595 million on the consolidated balance sheets of fiscal 2014.

Also, net assets per share at December 31, 2014 decreased ¥10.78.

(Changes in Presentation Method)

Consolidated Statements of Income

In fiscal 2013, equity in losses of affiliates was presented as a separate item under non-operating expenses. In fiscal 2014, however, it is included in “Other” due to a decrease in materiality. To reflect this change, a retroactive reclassification of this item has been made for the consolidated financial statements for fiscal 2013. As a result, ¥16 million recorded as equity in losses of affiliates under non-operating expenses in fiscal 2013 was reclassified to be included in “Other” of ¥60 million in fiscal 2014.

Consolidated Statements of Cash Flows

In fiscal 2013, increase (decrease) in provision for point program was included in increase (decrease) in other provision under cash flows from operating activities. In fiscal 2014, however, it is presented as a separate item due to an increase in materiality. To reflect this change, a retroactive reclassification of this item has been made for the consolidated financial statements for fiscal 2013. As a result, ¥304 million recorded as increase (decrease) in other provision under cash flows from operating activities in fiscal 2013 was reclassified as ¥143 million in increase (decrease) in provision for point program and ¥160 million in increase (decrease) in other provision in fiscal 2014.

In fiscal 2013, equity in loss of affiliates was presented as a separate item under cash flows from operating activities. In fiscal 2014, however, it is included in “Other” due to a decrease in materiality. To reflect this change, a retroactive reclassification of this item has been made for the consolidated financial statements for fiscal 2013. As a result, ¥16 million recorded as equity in loss of affiliates under cash flows from operating activities in fiscal 2013 was reclassified to be included in “Other” of ¥220 million in fiscal 2014.

In fiscal 2013, payments for business structure improvement expenses was included in “Other” under cash flows from operating activities. In fiscal 2014, however, it is presented as a separate item due to an increase in materiality. To reflect this change, a retroactive reclassification of this item has been made for the consolidated financial statements for fiscal 2013. As a result, ¥(171) million recorded as “Other” under cash flows from operating activities in fiscal 2013 was reclassified as ¥(55) million in payments for business structure improvement expenses and ¥(115) million in “Other” in fiscal 2014.

(Items Related to Consolidated Statements of Income)

***1. Impairment Loss**

The Group recorded the following impairment loss in fiscal 2014.

Fiscal Year Ended December 31, 2014 (January 1, 2014–December 31, 2014)

1. Asset group and amount being accounted for as impairment loss:

(Millions of yen)

Location	Function	Type	Impairment loss amount
Domestic			
Musashino, Tokyo Nagoya, Aichi Kobe, Hyogo	Store	Buildings and structures Property, plant and equipment (Other)	**¥ 15**
Minato, Tokyo	Office	Buildings and structures Leased assets Property, plant and equipment (Other)	**63**
Overseas			
Shandong, China Tianjin, China Jiangsu, China Shanghai, China Ontario, Canada	Store	Buildings and structures	**62**
Illinois, USA	Office Factory	Buildings and structures Machinery, equipment and vehicles Property, plant and equipment (Other)	**165**
Illinois, USA	Business asset	Goodwill Right of trademark Intangible assets (Other)	**5,842**
Total			**¥6,150**

2. Background to recognizing impairment loss

   Among stores, offices, and factories, if any asset groups have been continuously recording operating losses and the net amount of estimated future cash flows falls short of their book value, impairment losses are recognized under extraordinary losses by reducing their book value to the amount that is recoverable.

   In the situation where the operating results of H2O PLUS deviated from the original plan, an impairment test was conducted based on accounting principles generally accepted in the United States ("U.S. GAAP"). As a result, impairment losses on goodwill, right of trademark and intangible assets (other) were accounted for under extraordinary losses by reducing their book value to the amount that is recoverable, after excluding the cumulative amount of amortization already recognized under accounting principles generally accepted in Japan ("Japanese GAAP").

3. Grouping method of assets

   Stores, offices, and factories are grouped separately, mainly on a business department basis whereby income and expenditures are continually being examined.

   Goodwill, right of trademark, and intangible assets (other) are grouped by company unit.

4. Calculation methods of recoverable value

   Recoverable value is measured by value-in-use based on future cash flows.

(Investment and Rental Property)

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

In fiscal 2013, net rental income from investment and rental properties was ¥1,559 million (rental income is recorded under net sales and non-operating income, while rental expenses are recorded under cost of sales, selling, general and administrative expenses, and non-operating expenses).

In fiscal 2014, net rental income from investment and rental properties is ¥1,599 million (rental income is recorded under net sales and non-operating income, while rental expenses are recorded under cost of sales, selling, general and administrative expenses, and non-operating expenses).

The carrying amounts on the consolidated balance sheet, net change during fiscal 2013 and fiscal 2014 and the fair value of those properties are stated below.

(Millions of yen)

		FY2013 (January 1, 2013–December 31, 2013)	**FY2014 (January 1, 2014–December 31, 2014)**
Carrying Amounts on the Consolidated Balance Sheet	Balance at Beginning of Period	¥25,299	**¥26,364**
	Change	¥1,064	**¥(1,171)**
	Balance at End of Period	¥26,364	**¥25,193**
Fair Value at End of Period		¥45,875	**¥47,624**

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

2. Main change

(Fiscal 2013)

Increase: Acquisition of residential properties for lease: ¥1,695 million

Refurbishment of office buildings for lease: ¥241 million

Decrease: Depreciation on office buildings and residential properties and other properties for lease: ¥549 million

Sale of office buildings for lease and idle property ¥139 million

(Fiscal 2014)

Increase: Acquisition of residential properties for lease: ¥1,079 million

Refurbishment of office buildings for lease: ¥216 million

Transfer from properties for business use to idle assets: ¥1,073 million

Decrease: Depreciation on office buildings and residential properties and other properties for lease: ¥644 million

Sale of office buildings for lease: ¥3,037 million

3. Method for calculating fair values

The fair values of the major properties are determined at the amounts using appraisal certificates provided by outside real estate assessors. For the other properties, however, the fair value of land is determined at the amount adjusted using the indices that are considered to properly reflect market price. The fair values of depreciable assets such as buildings are determined at the carrying amounts on the consolidated balance sheets.

(Segment Information)

1. General Information about Reportable Segments

A reportable segment is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group primarily develops, manufactures and markets cosmetics products and related products. It promotes a multi-brand strategy of holding a range of brands and winning market shares for each of its high-profile brands in order to satisfy the diversifying needs of its customers based on their values. Comprehensive strategies are planned and products are marketed by each brand name in Japan and overseas. In addition to its cosmetics business, a variety of businesses is conducted to contribute to the Group's profits.

Therefore, reportable segments consist of the Beauty Care business, the Group's core business, and the Real Estate business, which indirectly supports the Group's core business.

The Beauty Care business manufactures and markets cosmetics and health foods and sells fashion items (women's underwear, women's apparel and jewelry) under the following brand names: ***POLA, ORBIS, pdc, FUTURE LABO, ORLANE, decencia, THREE, H2O PLUS and Jurlique***. The Real Estate business is engaged in the leasing of office buildings and residential properties.

2. Calculation Method for Net Sales, Profit (Loss), Assets, Liabilities and Other Items by Reportable Segment

The accounting method for the Group's reportable business segments is generally the same as described in "Basis for Preparation of Consolidated Financial Statements."

Segment income is based on operating income. The amounts of inter-segment unrealized profits and transfers are calculated based on prevailing market prices.

3. Information about Net Sales, Profit (Loss), Assets and Other Items by Reportable Segment
Fiscal Year Ended December 31, 2013 (January 1, 2013–December 31, 2013)

(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	¥178,306	¥3,035	¥181,342	¥10,013	¥191,355	–	¥191,355
Intersegment Sales or Transfers	73	647	720	3,262	3,983	¥(3,983)	–
Total	178,380	3,682	182,063	13,276	195,339	(3,983)	191,355
Segment Income	14,780	1,258	16,039	410	16,449	(431)	16,017
Segment Assets	172,972	30,731	203,703	11,582	215,286	2,718	218,005
Other Items							
Depreciation and Amortization	5,658	613	6,271	262	6,534	170	6,704
Amortization of Goodwill	1,061	–	1,061	–	1,061	–	1,061
Increase in property, plant and equipment and intangible assets	¥ 5,855	¥2,107	¥ 7,962	¥ 800	¥ 8,762	¥ (92)	¥ 8,670

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

2. Reconciliations consist of the following:

(1) The segment income reconciliation of ¥(431) million includes intersegment transaction eliminations of ¥1,940 million minus corporate expenses of ¥2,372 million, not allocated to each segment. Corporate expenses are primarily the Company’s administrative expenses not allocated to reportable segments.

(2) The segment assets reconciliation of ¥2,718 million includes corporate assets of ¥63,460 million, not allocated to each segment, minus intersegment eliminations of ¥60,742 million. Corporate assets are primarily the Company’s financial assets and assets in the administrative division not allocated to reportable segments.

(3) Reconciliations of depreciation and amortization, and increases in property, plant and equipment, and intangible assets are those related to corporate assets and intersegment eliminations.

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

4. Amortization and increase in long-term prepaid expenses are included in depreciation and amortization, and increases in property, plant and equipment, and intangible assets, respectively.

Fiscal Year Ended December 31, 2014 (January 1, 2014–December 31, 2014)

(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	**¥184,475**	**¥3,179**	**¥187,654**	**¥10,440**	**¥198,094**	**–**	**¥198,094**
Intersegment Sales or Transfers	**70**	**589**	**660**	**3,278**	**3,938**	**¥(3,938)**	**–**
Total	**184,545**	**3,768**	**188,314**	**13,719**	**202,033**	**(3,938)**	**198,094**
Segment Income	**16,535**	**1,227**	**17,763**	**472**	**18,235**	**(551)**	**17,683**
Segment Assets	**176,221**	**33,081**	**209,303**	**11,217**	**220,521**	**4,015**	**224,536**
Other Items							
Depreciation and Amortization	**5,916**	**707**	**6,623**	**300**	**6,923**	**24**	**6,948**
Amortization of Goodwill	**898**	**–**	**898**	**–**	**898**	**–**	**898**
Increase in property, plant and equipment and intangible assets	**¥ 6,489**	**¥1,830**	**¥ 8,319**	**¥ 247**	**¥ 8,566**	**¥ (309)**	**¥ 8,257**

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

2. Reconciliations consist of the following:

(1) The segment income reconciliation of ¥(551) million includes intersegment transaction eliminations of ¥1,740 million minus corporate expenses of ¥2,291 million, not allocated to each segment. Corporate expenses are primarily the Company’s administrative expenses not allocated to reportable segments.

(2) The segment assets reconciliation of ¥4,015 million includes corporate assets of ¥74,417 million, not allocated to each segment, minus intersegment eliminations of ¥70,402 million. Corporate assets are primarily the Company’s financial assets and assets in the administrative division not allocated to reportable segments.

(3) Reconciliations of depreciation and amortization, and increases in property, plant and equipment, and intangible assets are those related to corporate assets and intersegment eliminations.

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

4. Amortization and increase in long-term prepaid expenses are included in depreciation and amortization, and increases in property, plant and equipment, and intangible assets, respectively.

(Per Share Information)

	FY2013 (January 1, 2013– December 31, 2013)	**FY2014 (January 1, 2014– December 31, 2014)**
Net assets per share	¥3,133.82	**¥3,264.13**
Net income per share	¥132.39	**¥187.81**
Diluted net income per share	¥132.29	**¥187.61**

Note 1: Basis for calculation of net income per share and diluted net income per share is stated below:

Item	FY2013 (January 1, 2013– December 31, 2013)	**FY2014 (January 1, 2014– December 31, 2014)**
Net income per share		
Net income (millions of yen)	¥7,318	**¥10,382**
Amounts not attributable to shareholders of common stock (millions of yen)	–	**–**
Net income associated with common stock (millions of yen)	¥7,318	**¥10,382**
Weighted average number of shares of common stock during the fiscal year	55,284,039	**55,284,039**
Diluted net income per share		
Adjustment of net income (millions of yen)	–	**–**
Number of shares of common stock increased	40,308	**57,738**
[Of which, subscription rights to shares]	(40,308)	**(57,738)**
Outline of the dilutive shares not included in the calculation of diluted net income per share due to their antidilutive effects	–	

Note 2: Basis for calculation of net assets per share is stated below:

Item	FY2013 (At December 31, 2013)	**FY2014 (At December 31, 2014)**
Total net assets (millions of yen)	¥173,887	**¥180,793**
Amount deducted from total net assets (millions of yen)	¥636	**¥338**
[Of which, subscription rights to shares (millions of yen)]	¥(90)	**¥(138)**
[Of which, minority interests (millions of yen)]	¥(546)	**¥(200)**
Net assets associated with common stock (millions of yen)	¥173,250	**¥180,454**
Number of shares of common stock used in the calculation of net assets per share	55,284,039	**55,284,039**

(Significant Subsequent Events)

None