

Summary of Financial Results

For the Fiscal Year Ended December 31, 2015 (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 15, 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
 Annual Shareholders' Meeting: March 30, 2016
 Filing Date of Securities Report: March 30, 2016
 Start of Cash Dividend Payment: March 31, 2016
 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, 2015

(January 1, 2015–December 31, 2015)

(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	%
FY2015	214,788	8.4	22,511	27.3	22,359	17.3	14,095	35.8
FY2014	198,094	3.5	17,683	10.4	19,067	6.9	10,382	41.9

Note: Comprehensive income: FY2015: ¥10,957 million (-3.2%); FY2014: ¥11,324 million (1.4%)

	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	%	%	%
FY2015	254.95	254.64	7.8	9.7	10.5
FY2014	187.81	187.61	5.9	8.6	8.9

Reference: Equity in losses of affiliates: FY2015: ¥— million; FY2014: ¥(0) 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
FY2015	235,734	180,635	76.5	3,260.00
FY2014	224,536	180,793	80.4	3,264.13

Reference: Equity capital: At December 31, 2015: ¥180,238 million; At December 31, 2014: ¥180,454 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
FY2015	28,379	(7,331)	(13,896)	45,843
FY2014	16,643	(8,391)	(3,661)	39,111

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	%	%
FY2014	—	40.00	—	147.00	187.00	10,338	99.6	5.8
FY2015	—	70.00	—	80.00	150.00	8,293	58.8	4.6
FY2016(Forecast)	—	90.00	—	110.00	200.00		64.3	

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		Net Income Attributable to Owners of Parent		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	102,000	2.2	9,500	2.8	9,500	(1.8)	7,200	18.2	130.23
Full year	219,000	2.0	25,000	11.1	25,100	12.3	17,200	22.0	311.10

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 “5. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” on page 19 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, 2015 57,284,039 shares
 At December 31, 2014 57,284,039 shares
 2) Number of shares of treasury stock at the end of each period
 At December 31, 2015 1,996,110 shares
 At December 31, 2014 2,000,000 shares
 3) Average number of shares issued and outstanding in each period
 Fiscal year ended December 31, 2015 55,286,732 shares
 Fiscal year ended December 31, 2014 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 “5. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Per Share Information)” on page 24 for further detailed information.

(Reference) Summary of Non-consolidated Financial Performance

1. Non-consolidated Financial Performance for the Fiscal Year Ended December 31, 2015

(January 1, 2015–December 31, 2015)

(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	%
FY2015	14,920	73.7	12,332	105.2	12,384	83.5	10,249	—
FY2014	8,587	42.2	6,009	77.2	6,747	58.8	(3,780)	—

	Net Income Per Share	Diluted Net Income Per Share
FY2015	185.39	185.16
FY2014	(68.39)	—

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
At December 31	Millions of yen	Millions of yen	%	Yen
FY2015	202,663	112,889	55.6	2,038.54
FY2014	186,076	114,435	61.4	2,067.45

Reference: Equity capital: At December 31, 2015: ¥112,706 million; At December 31, 2014: ¥114,296 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 2016)” on page 5.

Table of Contents

1. Analysis of Operating Results and Financial Position	2
(1) Analysis of Operating Results	2
(2) Analysis of Financial Position	5
(3) Basic Policy on Profit Distribution and Dividends for Fiscal Years 2015 and 2016	6
2. Corporate Group	7
3. Management Policies	8
(1) Basic Management Policy	8
(2) Management Indicators	8
(3) Medium- to Long-term Management Strategy and Issues to be Addressed	8
4. Basic Approach to the Selection of Accounting Standards	9
5. Consolidated Financial Statements	10
(1) Consolidated Balance Sheets	10
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	12
(3) Consolidated Statements of Changes in Net Assets	15
(4) Consolidated Statements of Cash Flows	17
(5) Notes to Consolidated Financial Statements	19

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

Operating results for fiscal 2015

During the fiscal year ended December 31, 2015, the Japanese economy continued on a moderate recovery track backed by improvement in corporate earnings and the employment situation, despite signs of weakness in exports.

The domestic cosmetics market grew steadily as a result of the momentum of the recovery in the Japanese economy, in addition to inbound consumption by tourists visiting Japan; however, the market has shrunk year on year when excluding inbound consumption. In the overseas cosmetics market, a mild expansion continued overall, despite weakness in economic growth in emerging Asian countries and elsewhere.

Within this market environment, the POLA ORBIS Group (the "Group") continued its efforts to enhance corporate value by further strengthening the domestic earnings structure, accelerating overseas expansion, and improving capital efficiency during the current fiscal year, which marked the second year of the three-year medium-term management plan started in 2014.

As a result of these factors, the Group achieved the following consolidated operating results for fiscal 2015.

Consolidated net sales for fiscal 2015 increased 8.4% year on year, to ¥214,788 million, reflecting favorable performance of the POLA brand supported by inbound demand and steady growth in businesses of the THREE and decencia brands, in addition to an increase in sales due to a switchover to a point system for the ORBIS brand. Operating income rose 27.3% year on year, to ¥22,511 million, resulting from both an increase in gross profit accompanying the increase of sales and cost efficiency. Ordinary income advanced 17.3% year on year, to ¥22,359 million. In addition to the above results, net income increased 35.8% year on year, to ¥14,095 million, mainly due to the impact of the impairment losses and others recorded in the corresponding period of the previous year.

Operating Results Overview

(Millions of yen)

	Twelve Months Ended December 31			
	2014	2015	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥198,094	¥214,788	¥16,693	8.4
Operating Income	17,683	22,511	4,827	27.3
Ordinary Income	19,067	22,359	3,292	17.3
Net Income	¥10,382	¥14,095	¥3,712	35.8

Operating Results by Segment

Net Sales (Segment Sales to External Customers)

(Millions of yen)

	Twelve Months Ended December 31			
	2014	2015	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥184,475	¥200,570	¥16,095	8.7
Real Estate	3,179	2,951	(227)	(7.2)
Others	10,440	11,266	825	7.9
Total	¥198,094	¥214,788	¥16,693	8.4

Segment Income (Operating Income)

(Millions of yen)

	Twelve Months Ended December 31			
	2014	2015	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥16,535	¥21,290	¥4,754	28.8
Real Estate	1,227	1,265	38	3.1
Others	472	293	(178)	(37.8)
Reconciliations of Segment Income (Note)	(551)	(339)	212	—
Total	¥17,683	¥22,511	¥4,827	27.3

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 23 for the details of reconciliations of segment income in fiscal 2015.

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 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, **WHITE SHOT INNER LOCK IX**, a health and beauty food launched in February, performed favorably throughout the year, mainly due to inbound demand from tourists visiting Japan. POLA also took proactive measures, such as launching the new **B.A** series, a lineup of anti-aging products focusing on the skin generation mechanism, in August. In overseas markets, business remained solid because of successful new product launches, as well as sales promotion activities. As a result of these factors, POLA recorded net sales above those of the corresponding period of the previous year.

ORBIS is making efforts to raise the level of service for each customer through reinforcement of the corporate branding, enhancement of the skincare product lineup, and sales promotion measures centered on a business platform fortified through brand rebuilding measures.

In the domestic market, ORBIS took proactive measures such as the launch of **ORBIS=U encore** in September, which achieves full-scale anti-aging care, and sales promotions utilizing social media, aimed at further evolution of the brand, which had been rebuilt. In overseas markets, despite the successful launch of new products along with advertising campaigns in Taiwan, sales decreased due to the conclusion of sales activities in the South Korean business in August of the previous year. As a result of these factors, net sales of the ORBIS brand exceeded those of the corresponding period of the previous year. However, actual net sales excluding the effect of the switchover to the point system were on par with the corresponding period of the previous year.

For overseas brands, the Group endeavored to maintain a high rate of growth and contribute to revenues and earnings, focusing on Asia as a growth driver. **Jurlique** recorded sales exceeding the corresponding period of the previous year, due to solid performance in the Australian market supported by higher purchase rates of store-visitors and a rise in the per customer spending, while business conditions continued to be severe in the Chinese market, suffering from the influence of the department store slump due to sluggish economic growth. **H2O PLUS** carried out measures aimed at revitalizing the brand, including a reduction of sales channels in the North American market and the closing of underperforming stores in the Chinese market, resulting in sales falling short of the corresponding period of the previous year. As a result, overall net sales of overseas brands decreased year on year.

Brands under development, mainly **THREE** and **decencia**, continued to perform strongly. As a result, net sales of the brands under development exceeded those of the corresponding period of the previous year.

As a result of the factors noted above, net sales—sales to external customers—were ¥200,570 million, up 8.7% year on year, and operating income was ¥21,290 million, up 28.8% 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 fiscal 2015, performance remained strong for the existing properties due to high occupancy rates along with a rise in unit prices in line with market conditions. However, net sales fell below those of the corresponding period of the previous year due to a decrease in rent income resulting from the transfer of the POLA GOTANDA BUILDING No. 3 in December of the previous year.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥2,951 million, down 7.2% year on year, and operating income was ¥1,265 million, up 3.1% 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 and sell new drugs. During fiscal 2015, in addition to the Group's continued sales activities specializing in the field of dermatology, "**Duac® Gel**," a combination drug for the treatment of acne vulgaris was launched in alliance with GlaxoSmithKline K.K. As a result, net sales were up year on year. Meanwhile, operating income declined year on year, due to the additional costs incurred for initial promotion of "**Duac® Gel**."

The Group entered into an exclusive license agreement in Japan for "**Duac® Gel**" in January 2016 and the authorization for its manufacturing and marketing will be transferred to the Group in due course.

The building maintenance business caters mainly to the needs of Group companies. In fiscal 2015, the Group received a high level of orders thanks to sales activities to conclude contracts with new customers, with the aim of expanding orders from outside the Group, resulting in higher sales compared with a year earlier.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥11,266 million, up 7.9% year on year, and operating income amounted to ¥293 million, down 37.8% year on year.

Outlook for Fiscal 2016

The Japanese economy is expected to see a mild recovery backed by the effects of various government policies amid a continuing trend toward improvement in the employment and income climate. However, there is a risk of downward pressure on the Japanese economy due to a downturn in China and other emerging Asian economies.

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.” The domestic 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, 2016, the Group forecasts, on a consolidated basis, net sales of ¥219,000 million, up 2.0%, operating income of ¥25,000 million, up 11.1%, ordinary income of ¥25,100 million, up 12.3%, and net income attributable to owners of parent of ¥17,200 million, up 22.0% year on year.

(2) Analysis of Financial Position**1) Assets, liabilities, and net assets**

As of December 31, 2015, total assets stood at ¥235,734 million, up 5.0%, or ¥11,198 million, from December 31, 2014. Factors related to this change included increases of ¥8,005 million in cash and deposits, ¥3,709 million in notes and accounts receivable – trade, ¥3,841 million in “Other” of intangible assets, and ¥6,295 million in investments in securities from the management of surplus funds, and decreases of ¥5,912 million in short-term investments in securities, ¥2,198 million in goodwill and ¥1,029 million in right of trademark due to exchange rate movements and other factors.

Total liabilities amounted to ¥55,098 million, up 26.0%, or ¥11,355 million, from December 31, 2014. Factors related to this change included increases of ¥958 million in notes and accounts payable – trade, ¥8,555 million in accounts payable – other primarily due to an increase in sales commission payable, and ¥4,093 million in income taxes payable, and decreases of ¥1,372 million in short-term loans payable due to the repayment of bank borrowings of an overseas subsidiary and ¥1,802 million in net defined benefit liability due to the revision of the Accounting Standard for Retirement Benefits.

Net assets amounted to ¥180,635 million, down 0.1%, or ¥157 million, from December 31, 2014. Factors contributing to this change included the following: decreases of ¥3,269 million in foreign currency translation adjustments due to exchange rate movements and ¥11,996 million in dividends from retained earnings. These were partially offset by net income of ¥14,095 million and an increase of ¥828 million in retained earnings due to the revision of the Accounting Standard for Retirement Benefits.

2) Cash flows

The balance of cash and cash equivalents as of December 31, 2015 was ¥45,843 million, up ¥6,732 million, from the end of the previous fiscal year.

The status of cash flows from operating activities, investing activities, and financing activities for fiscal 2015, and noteworthy increases and decreases to these cash flows, are described below.

Cash flows from operating activities

Net cash generated from operating activities increased 70.5% from a year ago, to ¥28,379 million. The primary components contributing to an increase in net cash were ¥22,685 million in income before income taxes, ¥6,528 million in depreciation and amortization, ¥765 million in amortization of goodwill, and a ¥4,073 million increase in other liabilities due to an increase in sales commission payable. Major components leading to a decrease in net cash were a ¥3,998 million increase in notes and accounts receivable – trade due to an increase in accounts receivable – trade and ¥2,191 million in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥7,331 million, decreased 12.6% from a year ago. The main factors were as follows. There was a decrease in net cash resulting from outflows of ¥3,601 million due to purchase of short-term investments in securities and ¥21,399 million due to purchase of investment securities for the management of surplus funds in line with investment plans, ¥4,575 million due to purchase of property, plant and equipment, and ¥1,623 million due to purchase of intangible assets. Meanwhile, there was an increase in net cash resulting from ¥23,600 million in proceeds from sales and redemption of short-term investments in securities and ¥1,091 million in proceeds from sales of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities increased 279.5% from a year ago, to ¥13,896 million. The increase was primarily attributable to the application of ¥12,012 million in cash dividends paid.

(Reference) Cash flow related indicators

	FY2011	FY2012	FY2013	FY2014	FY2015
Equity ratio (%)	81.3	78.8	79.5	80.4	76.5
Equity ratio based on market value (%)	59.6	65.5	95.2	119.5	188.1
Cash flow/Interest-bearing debt ratio (years)	0.2	0.2	0.3	0.3	0.1
Interest coverage ratio (times)	392.8	214.6	137.3	100.9	195.0

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 2015 and 2016

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.

The Company intends to pay a year-end dividend of ¥80.00 per share, as scheduled. As a result, the Company plans an annual dividend of ¥150.00 which includes the interim dividend of ¥70.00 per share.

With regard to dividends for fiscal 2016, in keeping with the abovementioned basic policy, management plans to increase the annual dividend by ¥50.00 per share, to ¥200.00 per share, including an interim dividend of ¥90.00 per share and a year-end dividend of ¥110.00 per share. As a result, the consolidated payout ratio is expected to rise to 64.3%.

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 26, 2015.

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 19, 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, “Inspire all people and touch their hearts,” the Group capitalizes on its strengths in direct selling, R&D capacity of concentrating corporate resources into skincare, and its multi-brand strategy, seeking to generate stable growth in Japan and accelerate development of the Group’s presence overseas with the aim of becoming a highly profitable global enterprise in the field of beauty and health 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

(POLA brand)

Achievement of long-term stable growth through a new brand strategy started under a new management structure.

- Define “Science (Produce innovation with a spirit of scientific curiosity and challenge). Art (Produce excitement and emotion with exceptional beauty and skill). Love (Respect each individual person to build loving relationships).” as unique values of POLA and revamp the corporate logo and other visuals
- Educational investment and change of sales commission system towards development of professional Beauty Directors (◆POLA LADIES) .

◆From January 2016, the representation of “POLA LADIES” changes to “Beauty Directors”.

(ORBIS brand)

Further growth and improved profitability through brand evolution

- Reinforcement of brand communication
- Make the point system more attractive to reinforce communication with customers
- Review its business strategy for new store opening

(Brands under development)

- Further growth and contribution to profitability by each brand

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

(Jurlique brand)

- Achievement of profitable business growth focused on Asia through redesign of the supply chain and enhancement of product development capabilities

(H2O PLUS brand)

- Aim for early realization of contribution to profitability through business model change and brand restaging

(Flagship brands)

- Improved revenue by selection and concentration of overseas businesses and successful model building in key countries

3) Strengthen operations

(R&D and production)

- Creating new value both in Japan and abroad, and evolution of manufacturing

(Human resources)

- Cultivate people who can operate globally and foster prospective managers

4) Improve capital efficiency and shareholder returns

(Capital efficiency)

- Increase the return on shareholders’ equity by enhancing profitability and capital efficiency

(Shareholder returns)

- Achieve stable and ongoing dividends based on a consolidated payout ratio of 50% or higher

4. Basic Approach to the Selection of Accounting Standards

Over the near term, the Group will prepare its consolidated financial statements based on Japanese GAAP, taking into account the inter-period comparability of the consolidated financial statements and comparability between companies.

With regard to the application of International Financial Reporting Standards (IFRS), the Group's policy is to take appropriate measures in light of the situation in Japan and abroad while considering the trends of adopting international accounting standards among other companies in the same industry in Japan.

5. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

(Millions of yen)

	FY2014 December 31, 2014	FY2015 December 31, 2015
Assets		
Current assets		
Cash and deposits	¥ 39,445	¥47,451
Notes and accounts receivable – trade	23,936	27,646
Short-term investments in securities	22,612	16,700
Merchandise and finished goods	13,419	13,463
Work in process	1,468	1,294
Raw materials and supplies	5,172	4,693
Deferred tax assets	4,457	4,825
Other	7,550	4,102
Allowance for doubtful accounts	(163)	(154)
Total current assets	117,900	120,022
Non-current assets		
Property, plant and equipment		
Buildings and structures	54,026	54,974
Accumulated depreciation	(34,246)	(35,620)
Buildings and structures, net	19,779	19,354
Machinery, equipment and vehicles	10,238	10,538
Accumulated depreciation	(7,862)	(8,340)
Machinery, equipment and vehicles, net	2,375	2,197
Land	19,248	19,135
Leased assets	5,239	5,831
Accumulated depreciation	(3,667)	(4,128)
Leased assets, net	1,572	1,702
Construction in progress	213	779
Other	20,133	20,416
Accumulated depreciation	(10,284)	(10,219)
Other, net	9,849	10,197
Total property, plant and equipment	53,039	53,367
Intangible assets		
Goodwill	14,092	11,894
Right of trademark	10,013	8,983
Other	8,024	11,866
Total intangible assets	32,131	32,745
Investments and other assets		
Investments in securities	15,152	21,447
Long-term loans receivable	91	72
Deferred tax assets	2,561	2,316
Other	3,713	5,829
Allowance for doubtful accounts	(52)	(67)
Total investments and other assets	21,466	29,599
Total non-current assets	106,636	115,711
Total assets	¥224,536	¥235,734

(Millions of yen)

	FY2014 December 31, 2014	FY2015 December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 4,427	¥ 5,386
Short-term loans payable	1,972	600
Lease obligations	509	514
Accounts payable – other	12,209	20,765
Income taxes payable	1,429	5,523
Provision for bonuses	1,612	1,734
Provision for directors' bonuses	39	47
Provision for sales returns	105	103
Provision for point program	2,846	3,450
Provision for loss on business liquidation	32	128
Provision for business structure improvement	368	110
Other	5,422	5,447
Total current liabilities	<u>30,976</u>	<u>43,812</u>
Non-current liabilities		
Long-term loans payable	1,000	1,000
Lease obligations	801	1,011
Net defined benefit liability	5,829	4,026
Provision for environmental measures	65	56
Deferred tax liabilities	784	808
Other	4,285	4,382
Total non-current liabilities	<u>12,765</u>	<u>11,285</u>
Total liabilities	<u>43,742</u>	<u>55,098</u>
Net assets		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	90,718	90,722
Retained earnings	74,454	77,381
Treasury stock	(2,199)	(2,194)
Total shareholders' equity	<u>172,973</u>	<u>175,909</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	448	512
Foreign currency translation adjustments	7,628	4,359
Remeasurements of defined benefit plans	(595)	(542)
Total accumulated other comprehensive income	<u>7,481</u>	<u>4,329</u>
Subscription rights to shares	138	183
Minority interests	200	214
Total net assets	<u>180,793</u>	<u>180,635</u>
Total liabilities and net assets	<u>¥224,536</u>	<u>¥235,734</u>

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

Consolidated Statements of Income

(Millions of yen)

	Twelve Months Ended December 31	
	FY2014 (January 1, 2014– December 31, 2014)	FY2015 (January 1, 2015– December 31, 2015)
Net sales	¥198,094	¥214,788
Cost of sales	39,326	41,800
Gross profit	158,767	172,988
Selling, general and administrative expenses		
Sales commission	45,932	48,822
Promotion expenses	20,079	23,616
Packing and transportation expenses	5,135	5,083
Advertising expenses	7,186	8,117
Salaries, allowances and bonuses	22,884	23,373
Welfare expenses	3,997	3,977
Retirement benefit expenses	782	771
Provision for bonuses	1,597	1,625
Provision for point program	2,831	3,732
Depreciation and amortization	4,927	4,655
Amortization of goodwill	898	765
Other	24,830	25,934
Total selling, general and administrative expenses	141,083	150,477
Operating income	17,683	22,511
Non-operating income		
Interest income	345	279
Dividend income	11	13
Foreign exchange gains	990	—
Other	336	291
Total non-operating income	1,684	585
Non-operating expenses		
Interest expense	177	139
Foreign exchange losses	—	336
Business structure improvement expenses	—	121
Other	124	139
Total non-operating expenses	301	737
Ordinary income	¥ 19,067	¥22,359

(Millions of yen)

	Twelve Months Ended December 31	
	FY2014 (January 1, 2014– December 31, 2014)	FY2015 (January 1, 2015– December 31, 2015)
Extraordinary income		
Gain on sales of non-current assets	¥ 2,176	¥738
Reversal of foreign currency translation adjustments	—	538
Other	2	—
Total extraordinary income	2,178	1,276
Extraordinary losses		
Loss on disposal of non-current assets	186	272
Impairment loss	6,150	107
Loss on business liquidation	206	539
Business structure improvement expenses	1,654	—
Other	68	31
Total extraordinary losses	8,267	950
Income before income taxes	12,978	22,685
Income taxes – current	2,678	9,036
Income taxes – deferred	281	(469)
Total income taxes	2,960	8,567
Income before minority interests	10,018	14,118
Minority interests in net loss of consolidated subsidiaries	(364)	23
Net income	¥10,382	¥14,095

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Twelve Months Ended December 31	
	FY2014 (January 1, 2014– December 31, 2014)	FY2015 (January 1, 2015– December 31, 2015)
Income before minority interests	¥10,018	¥14,118
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	63
Foreign currency translation adjustments	1,309	(3,278)
Remeasurements of defined benefit plans	—	53
Share of other comprehensive income of associates accounted for using equity method	2	0
Total other comprehensive income	1,306	(3,160)
Comprehensive income	11,324	10,957
Comprehensive income attributable to owners of the parent	11,670	10,943
Comprehensive income attributable to minority interests	¥ (346)	¥ 13

(3) Consolidated Statements of Changes in Net Assets

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
Cumulative effect of changes in accounting policies					—
Balance at the beginning of the period after reflecting changes in accounting policies	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
Disposal of treasury stock					—
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				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	¥454	¥6,335	—	¥6,789	¥90	¥546	¥173,887
Cumulative effect of changes in accounting policies							—
Balance at the beginning of the period after reflecting changes in accounting policies	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
Disposal of treasury stock							—
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

FY2015 (January 1, 2015 – December 31, 2015)

(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	¥74,454	¥(2,199)	¥172,973
Cumulative effect of changes in accounting policies			828		828
Balance at the beginning of the period after reflecting changes in accounting policies	10,000	90,718	75,283	(2,199)	173,802
Changes of items during the period					
Dividends from retained earnings			(11,996)		(11,996)
Net income			14,095		14,095
Disposal of treasury stock		4		4	8
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	4	2,098	4	2,107
Balance at the end of the period	¥10,000	¥90,722	¥77,381	¥(2,194)	¥175,909

(Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	¥448	¥7,628	¥(595)	¥7,481	¥138	¥200	¥180,793
Cumulative effect of changes in accounting policies							828
Balance at the beginning of the period after reflecting changes in accounting policies	448	7,628	(595)	7,481	138	200	181,622
Changes of items during the period							
Dividends from retained earnings							(11,996)
Net income							14,095
Disposal of treasury stock							8
Net changes of items other than shareholders' equity	63	(3,269)	53	(3,151)	44	13	(3,093)
Total changes of items during the period	63	(3,269)	53	(3,151)	44	13	(986)
Balance at the end of the period	¥512	¥4,359	¥(542)	¥4,329	¥183	¥214	¥180,635

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Twelve Months Ended December 31	
	FY2014 (January 1, 2014– December 31, 2014)	FY2015 (January 1, 2015– December 31, 2015)
Cash flows from operating activities		
Income before income taxes	¥12,978	¥22,685
Depreciation and amortization	6,948	6,528
Impairment loss	6,150	107
Amortization of goodwill	898	765
Increase (decrease) in allowance for doubtful accounts	(66)	11
Increase in provision for point program	1,060	605
Increase (decrease) in other provision	(116)	140
Decrease in net defined benefit liability	(910)	(439)
Interest and dividend income	(357)	(293)
Interest expense	177	139
Foreign exchange loss (gain)	(935)	594
Reversal of foreign currency translation adjustments	—	(538)
Gain on sales of non-current assets	(2,158)	(735)
Loss on disposal of non-current assets	186	272
Loss on business liquidation	206	539
Business structure improvement expenses	1,654	121
Decrease (increase) in notes and accounts receivable – trade	343	(3,998)
Decrease (increase) in inventories	(1,189)	300
Increase in notes and accounts payable – trade	389	1,057
Increase (decrease) in consumption taxes payable	1,301	(56)
Increase in other assets	(1,152)	(1,453)
Increase (decrease) in other liabilities	(1,390)	4,073
Other	84	11
Subtotal	24,102	30,439
Interest and dividends received	414	306
Interest paid	(164)	(145)
Payments for business structure improvement expenses	(907)	—
Income taxes paid	(6,699)	(2,191)
Other	(101)	(28)
Net cash provided by operating activities	¥16,643	¥28,379

(Millions of yen)

	Twelve Months Ended December 31	
	FY2014 (January 1, 2014– December 31, 2014)	FY2015 (January 1, 2015– December 31, 2015)
Cash flows from investing activities		
Payments into time deposits	¥(854)	¥(1,241)
Proceeds from withdrawal of time deposits	998	892
Purchase of short-term investments in securities	(9,103)	(3,601)
Proceeds from sales and redemption of short-term investments in securities	24,700	23,600
Purchase of property, plant and equipment	(6,297)	(4,575)
Proceeds from sales of property, plant and equipment	6,184	1,091
Purchase of intangible assets	(1,834)	(1,623)
Payments for disposal of non-current assets	(272)	(410)
Purchase of investments in securities	(21,702)	(21,399)
Purchase of long-term prepaid expenses	(140)	(185)
Payments for lease and guarantee deposits	(335)	(233)
Proceeds from collection of lease and guarantee deposits	295	271
Other	(30)	85
Net cash used in investing activities	(8,391)	(7,331)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	890	(1,274)
Repayments of lease obligations	(690)	(609)
Cash dividends paid	(3,861)	(12,012)
Other	—	0
Net cash used in financing activities	(3,661)	(13,896)
Effect of exchange rate change on cash and cash equivalents	384	(419)
Net increase in cash and cash equivalents	4,973	6,732
Cash and cash equivalents at beginning of period	34,137	39,111
Cash and cash equivalents at end of period	¥39,111	¥45,843

(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: **43**

Principal subsidiaries:

POLA INC.

ORBIS Inc.

POLA CHEMICAL INDUSTRIES INC.

P.O. REAL ESTATE INC.

and 39 other subsidiaries

(Excluded: **4**)

In fiscal 2015, ORBIS KOREA Inc., Jurlique Spa Pty Ltd, and Jurlique Distribution Pty Ltd were excluded from the scope of consolidation due to the completion of liquidation procedures.

ORBIS CHINA HONG KONG LIMITED is in the process of liquidation. Considered the decrease in significance, it is excluded from the scope of consolidation.

(2) Non-consolidated Subsidiaries: **1**

ORBIS CHINA HONG KONG LIMITED is in the process of liquidation. Considered the decrease in significance, it is treated as a non-consolidated subsidiary.

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: **1**

ORBIS CHINA HONG KONG LIMITED is in the process of liquidation. Considered the decrease in significance, it is excluded from the scope of Equity Method Affiliates.

(Changes in Accounting Policies)**Adoption of Accounting Standard for Retirement Benefits**

With respect to the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, issued on May 17, 2012; the "Retirement Benefits Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on March 26, 2015; the "Guidance on Retirement Benefits"), the Group has applied the provisions stated in Article 35 of the Retirement Benefits Accounting Standard and Article 67 of the Guidance on Retirement Benefits from fiscal 2015, whereby the method of calculating retirement benefit obligations and service costs has been reviewed. Accordingly, the method of attributing expected retirement benefits to periods has been changed from the straight-line basis to the benefit formula basis, while the method of determining the discount rate has been changed from the method using a discount rate based on the number of years close to the average remaining service years of employees to the method using multiple discount rates determined according to each expected period of retirement benefit payments.

With the adoption of the Retirement Benefits Accounting Standard, the amount of impact arising from the change in the method of calculating retirement benefit obligations and service costs is included in retained earnings at the beginning of fiscal 2015, according to the transitional method stated in Article 37 of the Retirement Benefits Accounting Standard.

As a result of the change, net defined benefit liability decreased ¥1,242 million and deferred tax assets decreased ¥413 million, while retained earnings increased ¥828 million at the beginning of fiscal 2015. The impact on operating income, ordinary income and income before income taxes for fiscal 2015 was minimal.

(Investment and Rental Property)

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

In fiscal 2014, net rental income from investment and rental properties was ¥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).

In fiscal 2015, net rental income from investment and rental properties is ¥1,316 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 2014 and fiscal 2015 and the fair value of those properties are stated below.

(Millions of yen)

		FY2014 (January 1, 2014–December 31, 2014)	FY2015 (January 1, 2015–December 31, 2015)
Carrying Amounts on the Consolidated Balance Sheet	Balance at Beginning of Period	¥26,364	¥25,193
	Change	¥(1,171)	¥(761)
	Balance at End of Period	¥25,193	¥24,431
Fair Value at End of Period		¥47,624	¥52,361

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

2. Main change

(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

(Fiscal 2015)

Increase:	Refurbishment of office buildings for lease:	¥155 million
Decrease:	Depreciation on office buildings and residential properties and other properties for lease:	¥567 million
	Sale of idle property:	¥342 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, 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.

Fiscal Year Ended December 31, 2015 (January 1, 2015–December 31, 2015)

	(Millions of yen)						Amount Shown on the Consolidated Financial Statements (Note 3)
	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥ 200,570	¥ 2,951	¥ 203,522	¥ 11,266	¥ 214,788	—	¥ 214,788
Intersegment Sales or Transfers	81	509	591	2,502	3,093	¥ (3,093)	—
Total	200,652	3,461	204,113	13,768	217,882	(3,093)	214,788
Segment Income	21,290	1,265	22,556	293	22,850	(339)	22,511
Segment Assets	190,902	27,749	218,652	23,341	241,993	(6,259)	235,734
Other Items							
Depreciation and Amortization	5,573	599	6,173	320	6,494	33	6,528
Amortization of Goodwill	765	—	765	—	765	—	765
Increase in property, plant and equipment and intangible assets	¥ 6,445	¥ 231	¥ 6,676	¥ 5,080	¥ 11,757	¥ 316	¥ 12,074

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 ¥(339) million includes intersegment transaction eliminations of ¥1,953 million minus corporate expenses of ¥2,292 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 ¥(6,259) million includes corporate assets of ¥79,564 million, not allocated to each segment, minus intersegment eliminations of ¥85,824 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)

	FY2014 (January 1, 2014– December 31, 2014)	FY2015 (January 1, 2015– December 31, 2015)
Net assets per share	¥3,264.13	¥3,260.00
Net income per share	¥187.81	¥254.95
Diluted net income per share	¥187.61	¥254.64

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

Item	FY2014 (January 1, 2014– December 31, 2014)	FY2015 (January 1, 2015– December 31, 2015)
Net income per share		
Net income (millions of yen)	¥10,382	¥14,095
Amounts not attributable to shareholders of common stock (millions of yen)	—	—
Net income associated with common stock (millions of yen)	¥10,382	¥14,095
Weighted average number of shares of common stock during the fiscal year	55,284,039	55,286,732
Diluted net income per share		
Adjustment of net income (millions of yen)	—	—
Number of shares of common stock increased	57,738	66,820
[Of which, subscription rights to shares]	(57,738)	(66,820)
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	FY2014 (At December 31, 2014)	FY2015 (At December 31, 2015)
Total net assets (millions of yen)	¥180,793	¥180,635
Amount deducted from total net assets (millions of yen)	¥338	¥397
[Of which, subscription rights to shares (millions of yen)]	¥(138)	¥(183)
[Of which, minority interests (millions of yen)]	¥(200)	¥(214)
Net assets associated with common stock (millions of yen)	¥180,454	¥180,238
Number of shares of common stock used in the calculation of net assets per share	55,284,039	55,287,929

(Significant Subsequent Events)

Transfer of a fixed asset

The Company resolved at its Board of Directors' meeting held on February 15, 2016, on the transfer of a fixed asset which is owned by POLA CHEMICAL INDUSTRIES INC., a consolidated subsidiary of the Company, as outlined below:

(1) Reasons for the transfer of the fixed asset

In August 2014, the Company closed down the Shizuoka Factory owned by POLA CHEMICAL INDUSTRIES INC. with the aim of achieving fundamental enhancement of production efficiency under the optimum production system, and has been considering the use of the disused site. Consequently, the Company decided to transfer the aforementioned asset for the purpose of effective utilization of its corporate resources as well as improvement of its financial structure.

(2) Details of the asset to be transferred

Description and location of the asset	Transfer value	Current status
Type of the asset: Land Location: 648, Yayoi-cho, Suruga-ku, Shizuoka-shi, Shizuoka, Japan (Including its 18 adjoined parcels of land registered under parcel consolidation) Site area: 43,200 square meters	Undisclosed	Idle

The transfer value shall not be disclosed in accordance with the transferee's intension.

(3) Transferee

TOKOHA Gakuen (Educational Institution)

(4) Schedule of the transfer

Date of resolution at the Board of Directors' meeting: February 15, 2016

Date of the transfer agreement: February 18, 2016 (tentative)

Date of the transfer of the property: March 31, 2016 (tentative)

(5) Impact on business performance

In association with the transfer of the fixed asset, approximately ¥3,000 million is scheduled to be recorded as extraordinary income for the fiscal year ending December 31, 2016.