Summary of Financial Results

For the First Half of the Fiscal Year Ending December 31, 2021 (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.

July 30, 2021

POLA ORBIS HOLDINGS INC.

Listing: Tokyo Stock Exchange, First Section (Code No.: 4927)
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Filing Date of Quarterly Securities Report: August 12, 2021
Start of Cash Dividend Payment: September 10, 2021
Supplemental Materials Prepared for Quarterly Financial Results: Yes
Conference Presentation for Quarterly Financial Results: Yes(for analysts)

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the First Half of Fiscal 2021

(January 1, 2021–June 30, 2021)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021 First Half	89,055	6.3	9,095	54.7	10,477	130.6	7,086	673.3
FY2020 First Half	83,802	(24.0)	5,881	(63.8)	4,543	(70.8)	916	(90.8)

Note: Comprehensive income: ¥6,549 million (670.0%) for the first half ended June 30, 2021;
¥850 million (-91.6%) for the first half ended June 30, 2020

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2021 First Half	32.03	32.00
FY2020 First Half	4.14	4.14

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2021 Second Quarter	205,664	173,110	84.0	780.59
FY2020	203,742	169,854	83.2	766.05

Reference: Equity capital: FY2021 Second Quarter: ¥172,689 million; FY2020: ¥169,466 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	—	35.00	—	15.00	50.00
FY2021	—	20.00			
FY2021 (Forecast)			—	31.00	51.00

Note1: Revisions to the cash dividends forecast announced most recently: none

3. Consolidated Performance Forecast for Fiscal Year Ending December 31, 2021
(January 1, 2021–December 31, 2021)

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	190,000	7.8	19,000	38.2	19,000	51.0	11,300	144.0	51.08

Note: Revisions to the consolidated performance forecast announced most recently: none

Notes to Summary Information

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

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

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

(4) Number of shares issued and outstanding (common stock)
1) Number of shares issued and outstanding at the end of each period (including treasury stock)
At June 30, 2021 229,136,156 shares
At December 31, 2020 229,136,156 shares
2) Number of shares of treasury stock at the end of each period
At June 30, 2021 7,907,561 shares
At December 31, 2020 7,915,453 shares
3) Average number of shares issued and outstanding in each period
Six months ended June 30, 2021 221,224,712 shares
Six months ended June 30, 2020 221,219,903 shares

Note: The number of shares of treasury stock at June 30, 2021 includes the Company's shares held by the officer compensation Board Incentive Plan (BIP) trust (244,708 shares).

Information Regarding Quarterly Review Procedures

The quarterly financial results report is exempt from quarterly review by certified public accountants or accounting firms.

Explanation of Appropriate Use of Performance Forecast and Other Special Items

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties. For performance projections, please refer to "1. Qualitative Information on Consolidated Performance for the First Half of Fiscal 2021 (3) Explanation of Consolidated Performance Forecast and Other Predictive Information" on page 5.

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1. Qualitative Information on Consolidated Performance for the First Half of Fiscal 2021

(1) Explanation of Consolidated Operating Results

During the first half of fiscal 2021 (January 1–June 30, 2021), the future outlook for a recovery in the Japanese economy and consumption remained uncertain due to stronger downward pressure on the economy resulting from the re-expansion of COVID-19 (the novel coronavirus), which led to a third declaration of a state of emergency in major cities, as well as an extension of the state of emergency along with an expansion of the target regions. While difficult circumstances have continued, especially for face-to-face services, which are closely linked to people's outings and flow, personal consumption has remained strong primarily due to sale of consumer products, backed by growing "nesting" demand. Since vaccination has started in earnest in various parts of Japan, it is expected that economic activities will normalize and consumption will recover along with the vaccine rollout. In the domestic cosmetics market, the mail order business including e-commerce has continued to perform strongly, despite an unavoidable decline in consumer sentiment due to a continued significant decrease in inbound demand, as well as government requests for citizens to refrain from going out, in addition to temporary store closures and shortening of operating hours. In the overseas cosmetics market, the future outlook still remains in a tough situation due to the global impact of the COVID-19 pandemic. In the Chinese market, which the Group has designated as a priority area, the economy gradually began to recover, as the number of new cases of COVID-19 continued to be contained. Since the full resumption of economic activities, personal consumption (retail net sales) has continued to exceed the level of the previous year.

Within this market environment, the POLA ORBIS Group (the "Group") has worked to achieve the key objectives—"evolving domestic direct sales," "growing overseas businesses profitably," "profit contribution from brands under development," "strengthening operations," and "expanding new brands and domains of 'beauty'." These objectives are in line with the new medium-term management plan (from 2021 to 2023) that started in fiscal 2021. As a result, the Group achieved the following consolidated operating results for the first half of fiscal 2021.

Consolidated net sales for the first half of fiscal 2021 increased 6.3% year on year to ¥89,055 million driven by the growth on the overseas of POLA as a flagship brand. Operating income increased 54.7% year on year to ¥9,095 million due to an increase in gross profit resulting from an improvement on cost of sales ratio. Ordinary income increased 130.6% year on year to ¥10,477 million due to the recording of foreign exchange gains due to yen depreciation. As a result of the factors noted above, profit attributable to owners of parent increased 673.3% year on year to ¥7,086 million.

Operating Results Overview (Millions of yen)

	Six Months Ended June 30			
	2020	**2021**	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥83,802	**¥89,055**	¥5,253	6.3
Operating Income	5,881	**9,095**	3,214	54.7
Ordinary Income	4,543	**10,477**	5,933	130.6
Profit Attributable to Owners of Parent	¥916	**¥7,086**	¥6,170	673.3

Operating Results by Segment

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

	Six Months Ended June 30			
	2020	**2021**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥81,401	**¥86,819**	¥5,417	6.7
Real Estate	1,225	**1,053**	(172)	(14.0)
Others	1,175	**1,182**	7	0.6
Total	¥83,802	**¥89,055**	¥5,253	6.3

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

	Six Months Ended June 30			
	2020	**2021**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥5,290	**¥9,133**	¥3,843	72.7
Real Estate	503	**186**	(316)	(62.9)
Others	14	**27**	12	83.6
Reconciliations of Segment Profit (Note)	72	**(252)**	(324)	―
Total	¥5,881	**¥9,095**	¥3,214	54.7

Note: Reconciliations of segment profit refer to elimination of profits arising from inter-company transactions and expenses not allocated to reportable segments. Please see note 2 in "1. Information about Net Sales and Profit (Loss) by Reportable Segment" on page 10 and 11 for the details of reconciliations of segment income during the period.

Beauty Care

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

POLA is seeking to further improve the value of its brand and establish its customer foundation over the medium to long term, through efforts to launch highly functional products focused on the field of anti-aging and skin-brightening, develop professional human resources who embody the value of the brand, and increase its contact points in the growth markets of China and travel retail. Since the beginning of fiscal 2021, Wrinkle Shot has been approved as a wrinkle-improving quasi-drug. Also, renewed and improved major products, including a new skin-brightening serum, were launched in the White Shot series. POLA has also developed promotions for each customer segment and accelerated the use of online technology, with a focus on acquiring new customers and bringing back customers with few purchase records to increase the number of customers and maximize the annual life time value (LTV). Furthermore, POLA has made efforts to respond to changes in the environment by working on its e-commerce channel, which has continued to show strong performance. Overseas, POLA has steadily expanded its business mainly in China and in travel retail, which has largely driven the POLA brand as a whole. As a result, while COVID-19 continues to have an impact, POLA brand net sales and operating income rose year on year.

ORBIS is making efforts to enhance its presence through the creation of brand differentiation in order to re-grow into a highly profitable business. ORBIS is further strengthening its communications centered on products that embody the world view of the brand message, "Simply you. Simply beautiful." along with consistent marketing communication. In April, ORBIS launched the sunscreen Wrinkle White UV Protector, which improves wrinkles and brightens skin, in addition to expanding its skincare customer base with a focus on the ORBIS U anti-aging skincare series. ORBIS has also launched a subscription service aimed at improving its customer retention rate to improve LTV. Overseas, while ORBIS worked to improve its brand recognition rate by expanding customer contact points in Asia, due to the COVID-19 pandemic, a state near to lockdown has continued in Taiwan, which constitutes a high proportion of our overseas business. Similarly, in Japan, a decline in spending per customer due to a decrease in makeup product demand, as well as investment in new businesses, resulted in ORBIS brand net sales and operating income dropping below those of the corresponding period of the previous year.

For overseas brands, the Group took initiatives aimed at business growth in Australia and Asia for Jurlique and in the United States, where H2O PLUS originated. Following the spread of COVID-19, Jurlique was forced to suspend the operation of directly managed stores and major department stores in Australia. However, net sales rose year on

year owing to sales growth in Jurlique e-commerce channel, a recovery in sales activities in China and Hong Kong. On the cost front, Jurlique actively worked to shrink elling, general and administrative expenses, and the operating loss was reduced as a result. H2O PLUS is making effort to attract new customers in the EC channel with the aiming of achieving a solid brand position in the Clean Beauty market, and net sales exceeded those of the corresponding period of the previous year. Meanwhile, in the hotel amenity business, net sales rose year on year from expansion of shipments by a recovery in the tourism industries as vaccination for COVID-19 has expanded in the United States. On the cost front, selling, general and administrative expenses slightly exceeded those on the corresponding period of the previous year as investments on EC business decreased to attract new customers.

For brands under development, in addition to growth in domestic and overseas EC sales of DECENCIA and growth in domestic EC sales of THREE, there was a growth in sales of Amplitude, ITRIM, and FIVEISM × THREE, which were launched in 2018. Moreover, as a result of the addition of FUJIMI (tricot, Inc.), which became a subsidiary in April, net sales rose year on year, but an increase in amortization of goodwill and right of trademark resulted in a larger operating loss.

As a result of the factors noted above, net sales—sales to external customers—were ¥86,819 million, up 6.7% year on year, and operating income was ¥9,133 million, up 72.7% year on year.

Real Estate

The Real Estate segment concentrates on the leasing of office buildings in urban areas. Efforts are currently directed at sustaining and improving rental income and reducing vacancy rates by creating attractive office environments. Another area of emphasis is the residential properties rental business. This business highlights condominiums perfect for families with young children. During the first half of fiscal 2021, net sales and operating income fell below those of the corresponding period of the previous year as a result of some tenants moving out.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥1,053 million, down 14.0% year on year, and operating income was ¥186 million, down 62.9% year on year.

Others

The Others segment is the building maintenance business.

The building maintenance business is mainly engaged in the operation and management of buildings. During the six months of fiscal 2021, net sales and operating income rose yaer on year due to an increase of construction orders.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥1,182 million, up 0.6% year on year, and operating income was ¥27 million, up 83.6% year on year.

(2) Explanation of Consolidated Financial Position

As of June 30, 2021, total assets stood at ¥205,664 million, up 0.9%, or ¥1,921 million, from December 31, 2020. Factors related to this change included increases of ¥209 million in short-term investments in securities for the management of surplus funds, ¥512 million in merchandise and finished goods, ¥2,555 million in goodwill, ¥915 million in right of trademark, and ¥1,055 million in software, as well as decreases of ¥183 million in cash and deposits, and ¥1,670 million in notes and accounts receivable – trade.

Total liabilities amounted to ¥32,553 million, down 3.9%, or ¥1,334 million, from December 31, 2020. Factors related to this change included increases of ¥5 million in notes and accounts payable – trade, and ¥512 million in income taxes payable, as well as decreases of ¥457 million in provision for bonuses, and ¥1,217 million in other under current liabilities due to a decrease in accounts payable – other.

Net assets amounted to ¥ 173,110 million, up 1.9%, or ¥3,255 million, from December 31, 2020. Factors related to this change included an increase of ¥7,086 million in profit attributable to owners of parent and a decrease of ¥3,320 million in dividends from retained earnings.

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

The Group has made no revisions to the full-year consolidated performance forecast announced on February 12, 2021.

(Information for reference)

Cumulative Results for Fiscal 2020

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥43,316	¥83,802	¥125,814	¥176,311
Operating Income	2,006	5,881	9,222	13,752
Ordinary Income(Loss)	(154)	4,543	7,775	12,579
Profit(Loss) Attributable to Owners of Parent	¥(1,246)	¥ 916	¥ 1,565	¥ 4,632

Quarterly Results for Fiscal 2020

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥43,316	¥40,485	¥42,012	¥50,496
Operating Income	2,006	3,875	3,340	4,530
Ordinary Income(Loss)	(154)	4,698	3,231	4,804
Profit(Loss) Attributable to Owners of Parent	¥(1,246)	¥ 2,163	¥ 649	¥ 3,066

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2020 December 31, 2020	**FY2021 Second Quarter June 30, 2021**
Assets		
Current assets		
Cash and deposits	¥ 59,518	**¥ 59,334**
Notes and accounts receivable – trade	17,955	**16,284**
Short-term investments in securities	25,581	**25,791**
Merchandise and finished goods	11,922	**12,434**
Work in process	872	**798**
Raw materials and supplies	4,361	**4,799**
Other	5,186	**4,484**
Allowance for doubtful accounts	(39)	**(44)**
Total current assets	125,358	**123,883**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,072	**16,824**
Land	13,973	**13,985**
Other, net	10,078	**9,976**
Total property, plant and equipment	41,124	**40,786**
Intangible assets		
Goodwill	―	**2,555**
Right of trademark	28	**944**
Software	9,235	**10,290**
Other	96	**434**
Total intangible assets	9,360	**14,224**
Investments and other assets		
Investments in securities	15,973	**15,785**
Other	12,177	**11,235**
Allowance for doubtful accounts	(251)	**(251)**
Total investments and other assets	27,900	**26,769**
Total non-current assets	78,384	**81,780**
Total assets	¥203,742	**¥205,664**

(Millions of yen)

	FY2020 December 31, 2020	**FY2021 Second Quarter June 30, 2021**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 2,657	**¥ 2,662**
Income taxes payable	593	**1,105**
Provision for bonuses	1,615	**1,157**
Provision for point program	2,482	**2,100**
Other provisions	101	**140**
Current portion of long-term borrowings	―	**25**
Other	17,132	**15,914**
Total current liabilities	24,582	**23,106**
Non-current liabilities		
Long-term borrowings	―	**92**
Other provisions	101	**109**
Net defined benefit liability	3,937	**3,841**
Asset retirement obligations	2,154	**2,354**
Other	3,111	**3,047**
Total non-current liabilities	9,305	**9,446**
Total liabilities	33,887	**32,553**
Net assets		
Shareholders' equity		
Common stock	10,000	**10,000**
Capital surplus	80,785	**81,027**
Retained earnings	79,868	**83,634**
Treasury stock	(2,652)	**(2,867)**
Total shareholders' equity	168,001	**171,794**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(59)	**(66)**
Foreign currency translation adjustments	1,794	**1,182**
Remeasurements of defined benefit plans	(269)	**(221)**
Total accumulated other comprehensive income	1,465	**894**
Subscription rights to shares	243	**243**
Non-controlling interests	144	**177**
Total net assets	169,854	**173,110**
Total liabilities and net assets	¥203,742	**¥205,664**

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

Consolidated Statements of Income

(Millions of yen)

	Six Months Ended June 30	
	FY2020 (January 1, 2020– June 30, 2020)	**FY2021 (January 1, 2021– June 30, 2021)**
Net sales	¥83,802	**¥89,055**
Cost of sales	13,567	**13,471**
Gross profit	70,234	**75,584**
Selling, general and administrative expenses		
Sales commission	18,842	**17,389**
Promotion expenses	8,383	**8,272**
Advertising expenses	4,720	**6,329**
Salaries, allowances and bonuses	9,758	**10,577**
Provision for bonuses	863	**936**
Provision for point program	2,087	**1,673**
Other	19,697	**21,310**
Total selling, general and administrative expenses	64,353	**66,488**
Operating income	5,881	**9,095**
Non-operating income		
Interest income	93	**86**
Foreign exchange gains	—	**1,288**
Other	113	**113**
Total non-operating income	206	**1,487**
Non-operating expenses		
Interest expense	44	**59**
Loss on sales of investments securities	367	**—**
Foreign exchange losses	433	**—**
Compensation expenses	624	**—**
Commission expenses	61	**31**
Other	12	**14**
Total non-operating expenses	1,544	**106**
Ordinary income	4,543	**10,477**
Extraordinary income		
Gain on step acquisitions	—	**297**
Other	43	**0**
Total extraordinary income	43	**297**
Extraordinary losses		
Loss on disposal of non-current assets	117	**38**
Impaiment loss	643	**215**
Loss on valuation of investment securities	80	**9**
Loss related to COVID-19	1,232	**145**
Other	3	**1**
Total extraordinary losses	2,077	**409**
Income before income taxes	2,509	**10,365**
Income taxes – current	2,141	**2,860**
Income taxes – deferred	(560)	**395**
Total income taxes	1,581	**3,255**
Net Income	928	**7,109**
Profit (Loss) attributable to non-controlling interests	11	**22**
Profit attributable to owners of parent	¥ 916	**¥ 7,086**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six Months Ended June 30	
	FY2020 (January 1, 2020– June 30, 2020)	**FY2021 (January 1, 2021– June 30, 2021)**
Net Income	¥928	**¥7,109**
Other comprehensive income		
Valuation difference on available-for-sale securities	(121)	**(6)**
Foreign currency translation adjustments	100	**(601)**
Remeasurements of defined benefit plans	(56)	**48**
Total other comprehensive income	(77)	**(560)**
Comprehensive income	850	**6,549**
Comprehensive income attributable to owners of parent	839	**6,516**
Comprehensive income attributable to non-controlling interests	¥11	**¥32**

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)
None

(Significant Changes in Shareholders' Equity)
None

(Additional Information)
(Accounting estimates for the spread of COVID-19)
Although the situation regarding the spread of COVID-19 continues to be unstable, as evidenced by the issuance of the emergency declaration for the third time in the Tokyo metropolitan area in April 2021, there is no significant impact on the assumptions used as the basis for the accounting estimates in the consolidated financial statements as described in the (Additional Information) section of the Annual Securities Report for the previous fiscal year.
However, the impact of the spread of COVID-19 is highly uncertain, and changes in the timing of the convergence of COVID-19 and its impact on the economic environment may affect the business results and financial position of the Group.

(Segment Information)
I. First Half of Fiscal 2020 (January 1, 2020-June 30, 2020)
1. Information about Net Sales and Profit (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥ 81,401	¥1,225	¥82,626	¥1,175	¥83,802	—	¥83,802
Intersegment Sales or Transfers	48	260	308	825	1,134	¥(1,134)	—
Total	81,449	1,485	82,935	2,001	84,936	(1,134)	83,802
Segment Profit	¥ 5,290	¥503	¥ 5,793	¥ 14	¥ 5,808	¥ 72	¥ 5,881

Notes: 1. "Others" comprises business operations that are not categorized as reportable segments and include the building maintenance business.
2. The segment profit reconciliation of ¥72 million includes intersegment transaction eliminations of ¥1,946 million, and corporate expenses of ¥ (1,874) million not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.
3. Segment profit is adjusted for operating income reported in the quarterly consolidated statements of income.

2. Information about Impairment Loss of Non-current Assets and Goodwill by Reportable Segment
(Significant Impairment Loss of Non-current Assets)
None

(Significant Changes in Goodwill)
None

II. First Half of Fiscal 2021 (January 1, 2021–June 30, 2021)

1. Information about Net Sales and Profit (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	**¥86,819**	**¥1,053**	**¥87,872**	**¥1,182**	**¥89,055**	**—**	**¥89,055**
Intersegment Sales or Transfers	**58**	**233**	**291**	**893**	**1,185**	**¥(1,185)**	**—**
Total	**86,877**	**1,286**	**88,164**	**2,075**	**90,240**	**(1,185)**	**89,055**
Segment Profit	**¥9,133**	**¥186**	**¥9,320**	**¥27**	**¥9,347**	**¥(252)**	**¥9,095**

Notes: 1. “Others” comprises business operations that are not categorized as reportable segments and include the building maintenance business.
2. The segment profit reconciliation of ¥ (252) million includes intersegment transaction eliminations of ¥1,846 million, and corporate expenses of ¥ (2,098) million not allocated to each segment. Corporate expenses are primarily the Company’s administrative expenses not allocated to reportable segments.
3. Segment profit is adjusted for operating income reported in the quarterly consolidated statements of income.

2. Information about Impairment Loss of Non-current Assets and Goodwill by Reportable Segment

(Significant Impairment Loss of Non-current Assets)

None

(Significant Changes in Goodwill)

In the "Beauty Care" segment, the Company acquired shares of tricot, Inc. and includes it in the scope of consolidation. The amount of increase in goodwill due to this event was 2,650 million yen in the first half of the current fiscal year.

For details, please refer to "2. Quarterly Consolidated Financial Statements (3) Notes to Consolidated Financial Statements (Notes to Business combination and other relationships)".

(Business combination and other relationships)

(Business combination through acquisition)

Regarding Additional Acquisition of Shares in tricot, Inc. (Subsidiary Acquisition)

As discribed in "Subsequent Events" in the securities report for the previous consolidated fisical year, the company acquired a 29.61% stake in tricot, Inc. (hereinafter “Tricot”), on March 1, 2021 and a 59.83% stake on April 1, 2021. As a result, Tricot was made a subsidiary.

(1) Outline of business combination

(i)Name of the acquired company and its business lines

Company name: tricot, Inc.

Description of business: Mail-order sales of personalized supplement “FUJIMI” and other

(ii) Purpose for the acquisition of shares Tricot is a venture company that develops the “FUJIMI” brand and provides customized skin supplements and face masks that matches each and every user’s skin on a subscription basis.

Tricot was a portfolio company in our corporate venture capital business. Through our shareholding in Tricot, we have closely monitored its management and marketing activities, as well as the resulting rapid growth of the business. As a result, we have a high regard for the superiority of its services that are based on the results of the 20 beauty diagnosis questions on its website, its brand and products that accurately capture changing values, its ability to respond quickly to changes, as well as its entrepreneurial spirit, including its high sense of commitment to its goals.

In the course of exchanging opinions with the management of Tricot, we reached a consensus that by becoming a member of the POLA ORBIS Group (the “Group”), it could utilize our evidence and R&D technologies, and could expect to create synergies in production and logistics. Accordingly, we agreed that the Acquisition would accelerate the growth of Tricot and we started discussions.

The Company decided upon the Acquisition because it will strengthen the Group’s strategy of “aiming to be a collection of unique brands that respond to diversifying values of beauty,” which in turn will contribute to the enhancement of the Company’s corporate value over the medium to long term.

(iii)Date of business combination
April 1, 2021
(iv) Legal form of business combination
Acquisition of shares for cash consideration
(v) Company name after combination
The name remains unchanged
(vi)Ratio of voting rights acquired

Number of shares held immediately before the business combination (percentage of voting rights):	7,230 shares (Ratio of voting rights held: 40.17%) (of which 5,330 shares (29.61%) will be acquired on March 1, 2021
Number of shares additionally acquired on the date of business combination (percentage of voting rights):	10,770 shares(Ratio of voting rights held: 59.83%)
Ratio of voting rights held after the acquisition:	100%

(vii) Main reason for deciding to acquire the company
As the Company Group acquired shares for cash.

(2) Period associated with the business results of the acquired company included in the quarterly consolidated statement of income relating to the quarterly consolidated cumulative period
From April 1, 2021 to June 30, 2021.

(3) Acquisition cost of the acquired company and breakdown

Market value of equity held before business combination as of the business combination date:	392 million yen
Consideration for the acquisition:	3,323 million yen
Acquisition cost:	3,715 million yen

(4) Difference between the acquisition cost for the acquired company and the total sum of acquisition costs of each transaction for acquisition
297 million yen
The above amount is recorded as "Gain on step acquisition" of Extraordinary income in the consolidated statements of income.

(5) Goodwill, Cause of occurrence, Amortization method and period
(i) Goodwill
2,650 million yen
(ii) Cause of occurrence
This is mainly due to the future excess earning power expected from future business development.
(iii) Amortization method and period
Straight-line method for 7 years

(Subsequent Events)
None