# Summary of Financial Results

For the Fiscal Year Ended 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.

February 14, 2022

**POLA ORBIS HOLDINGS INC.**

| | | |
|---|---|---|
| Listing: | Tokyo Stock Exchange, First Section (Code No.: 4927) | |
| URL: | https://www.po-holdings.co.jp/ | |
| Representative: | Satoshi Suzuki, Representative Director And President | |
| Contact: | Naoki Kume, Director, Finance | Tel: +81-3-3563-5517 |
| Annual Shareholders' Meeting: | | March 25, 2022 |
| Filing Date of Securities Report: | | March 25, 2022 |
| Start of Cash Dividend Payment: | | March 28, 2022 |
| 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, 2021

(January 1, 2021–December 31, 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 | 178,642 | 1.3 | 16,888 | 22.8 | 18,968 | 50.8 | 11,734 | 153.3 |
| FY2020 | 176,311 | (19.8) | 13,752 | (55.8) | 12,579 | (58.9) | 4,632 | (76.5) |

Note: Comprehensive income: FY2021: ¥11,134million (149.4%); FY2020: ¥4,463 million (-77.7 %)

| | 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 | % | % | % |
| FY2021 | 53.04 | 52.99 | 6.9 | 9.2 | 9.5 |
| FY2020 | 20.94 | 20.92 | 2.6 | 5.8 | 7.8 |

### (2) Consolidated Financial Position

| | Total Assets | Net Assets | Equity Ratio | Net Assets Per Share |
|---|---|---|---|---|
| At December 31 | Millions of yen | Millions of yen | % | Yen |
| FY2021 | 208,039 | 173,267 | 83.1 | 781.11 |
| FY2020 | 203,742 | 169,854 | 83.2 | 766.05 |

Reference: Equity capital: At December 31, 2021: ¥172,803 million; At December 31, 2020: ¥169,466 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 |
| FY2021 | 23,830 | (2,174) | (9,100) | 71,693 |
| FY2020 | 23,394 | (3,342) | (27,133) | 58,844 |

**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 | % | % |
| FY2020 | — | 35.00 | — | 15.00 | 50.00 | 11,068 | 238.8 | 6.1 |
| FY2021 | — | 20.00 | — | 31.00 | 51.00 | 11,295 | 96.1 | 6.6 |
| FY2022(Forecast) | — | 21.00 | — | 31.00 | 52.00 | | 96.7 | |

**3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2022**
(January 1, 2022–December 31, 2022)

(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 | 186,000 | 4.1 | 17,700 | 4.8 | 17,700 | (6.7) | 11,900 | 1.4 | 53.79 |

## 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 : None
2) Changes other than (2)-1) : None
3) Changes in accounting estimates : None
4) Restatement : None

Note: For details, please refer to page 16, “Changes in Accounting Policies” in “Notes to Consolidated Financial Statements”.

(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, 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 December 31, 2021 7,906,761 shares
At December 31, 2020 7,915,453 shares
3) Average number of shares issued and outstanding in each period
Fiscal year ended December 31, 2021 221,226,689 shares
Fiscal year ended December 31, 2020 221,220,210 shares

Note: The number of shares of treasury stock at December 31, 2021 includes the Company’s shares held by the officer compensation Board Incentive Plan (BIP) trust (244,708 shares). The Company’s shares held by the officer compensation BIP trust are included in shares of treasury stock that are deducted in the calculation of the average number of shares of treasury stock during the period.

**(Reference) Summary of Non-consolidated Financial Performance**

**1. Non-consolidated Financial Performance for the Fiscal Year Ended December 31, 2021**

(January 1, 2021–December 31, 2021)

**(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 | % |
| FY2021 | 18,478 | (22.0) | 13,798 | (29.4) | 15,024 | (25.4) | 9,435 | (18.8) |
| FY2020 | 23,697 | (37.7) | 19,548 | (42.2) | 20,148 | (41.0) | 11,619 | (58.4) |

| | Net Income Per Share | Diluted Net Income Per Share |
|---|---|---|
| | Yen | Yen |
| FY2021 | 42.65 | 42.61 |
| FY2020 | 52.52 | 52.47 |

**(2) Financial Position**

| | Total Assets | Net Assets | Equity Ratio | Net Assets Per Share |
|---|---|---|---|---|
| At December 31 | Millions of yen | Millions of yen | % | Yen |
| FY2021 | 185,067 | 98,091 | 52.9 | 442.30 |
| FY2020 | 177,243 | 96,313 | 54.2 | 434.27 |

Reference: Equity capital: At December 31, 2021: ¥97,848 million; At December 31, 2020: ¥96,069 million

**Information Regarding Annual Audit Procedures**

The annual financial results report is exempt from annual audit 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. Overview of Consolidated Operating Results (4) Performance Forecast” on page 6.

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# 1. Overview of Consolidated Operating Results

## (1) Overview of Consolidated Operating Results for Fiscal 2021

During the fiscal year ended December 31, 2021 (January 1–December 31, 2021), the Japanese economy suffered unavoidable restrictions on economic activities. This was due to the spread and prolongation of COVID-19 (the novel coronavirus), which led to declarations of a state of emergency and applications of quasi-emergency measures. Since restrictions were removed at the end of September, the number of new cases of COVID-19 have remained at a low level, so personal consumption has tended to recover, especially for face-to-face services such as restaurants and travel, which had been sluggish for a long time. It is expected that the situation will continue to be impacted largely by trends in new cases of COVID-19, as well as public health measures taken in response. If activity restrictions such as declarations of a state of emergency are imposed again due to the spread of new variants of COVID-19, there is the risk that consumption of face-to-face services and the rest of the economy will be depressed once again, so the situation is extremely uncertain.

In the domestic cosmetics market, consumption of face-to-face services and other consumer behavior declined significantly due to the collapse of inbound demand caused by the spread of COVID-19, as well as prolonged activity restrictions and self-restraint from going out following declarations of a state of emergency. After the declarations of a state of emergency were lifted, there were signs of gradual recovery thanks to the vaccine rollout and long-term adoption of a new way of life. While it can be said that the market is in a recovery trend compared with the previous year, it has not yet recovered to the level it was at before the COVID-19 pandemic. Competition is intensifying with soaring marketing costs in the e-commerce market, which has been driving the domestic cosmetics market during the COVID-19 pandemic, so further innovations must be made to adapt to the situation.

In the overseas cosmetics market, there was a general trend toward recovery from the decline caused by COVID-19, with variations in each country or region. However, from the end of last year until now, the number of new cases of COVID-19 variant has increased rapidly, so the situation has become extremely severe. The Group has designated China as a priority market, but since China emerged from its COVID-19 crisis, strict pandemic prevention policies have been taken in response to even small outbreaks. These policies were implemented to resolve the disappointing consumption rebound caused by intermittent recurrence of the COVID-19 pandemic, and in preparation for the Beijing 2022 Olympic Winter Games. While consumption in China has returned to levels before the pandemic, the situation remains unpredictable, as movement of people remains sluggish.

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 medium-term management plan (from 2021 to 2023) that started in 2021. As a result, consolidated net sales for fiscal 2021 increased 1.3% year on year to ¥178,642 million. Driven by increased gross profit due to increased net sales, operating income increased 22.8% year on year to ¥16,888 million due to the recording foreign exchange gain ¥1,974 million, and ordinary income increased 50.8% year on year to ¥18,968 million. Profit attributable to owners of parent increased 153.3% year on year to ¥11,734 million.

Operating Results Overview (Millions of yen)

| | Twelve Months Ended December 31 | | | |
|---|---|---|---|---|
| | 2020 | **2021** | Year-on-Year | |
| | | | Amount Change | Percent Change (%) |
| Net Sales | ¥176,311 | **¥178,642** | ¥2,331 | 1.3 |
| Operating Income | 13,752 | **16,888** | 3,135 | 22.8 |
| Ordinary Income | 12,579 | **18,968** | 6,388 | 50.8 |
| Profit Attributable to Owners of Parent | ¥4,632 | **¥11,734** | ¥7,102 | 153.3 |

Operating Results by Segment

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

| | Twelve Months Ended December 31 | | | |
|---|---|---|---|---|
| | 2020 | **2021** | Year-on-Year | |
| | | | Amount Change | Percent Change (%) |
| Beauty Care | ¥171,658 | **¥174,150** | ¥2,492 | 1.5 |
| Real Estate | 2,291 | **2,112** | (179) | (7.8) |
| Others | 2,361 | **2,379** | 18 | 0.8 |
| Total | ¥176,311 | **¥178,642** | ¥2,331 | 1.3 |

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

| | Twelve Months Ended December 31 | | | |
|---|---|---|---|---|
| | 2020 | **2021** | Year-on-Year | |
| | | | Amount Change | Percent Change (%) |
| Beauty Care | ¥12,965 | **¥17,060** | ¥4,094 | 31.6 |
| Real Estate | 710 | **488** | (222) | (31.2) |
| Others | 128 | **70** | (57) | (45.1) |
| Reconciliations of Segment Income (Note) | (51) | **(731)** | (679) | ― |
| Total | ¥13,752 | **¥16,888** | ¥3,135 | 22.8 |

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 17 for the details of reconciliations of segment income in fiscal 2021.

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 mainly in the field of anti-aging and skin-brightening, and to focus on the growth markets of China and travel retail. In the domestic business, POLA has worked to strengthen online consulting in the e-commerce business, which is rapidly growing, as a measure to improve communication during the COVID-19 pandemic. Since the start of the COVID-19 pandemic, POLA has been focusing on the e-commerce channel, which thus has strongly driven its brand. Brand recognition has been improved through digital contact points, as an initiative to promote the priority strategy OMO (Online Merges with Offline). At the same time, POLA has thoroughly managed in-store hygiene and infection prevention measures, and focused on directing customers from digital contact points to physical stores. By implementing these measures, POLA has worked to retain customers seamlessly between channels and improve loyalty and life time value (LTV). This has resulted in the number of new customers acquired at our prestige store business (department store business) and other offline stores exceeding the level of the previous year. POLA will continue to expand communication transcending the boundaries between channels and optimize marketing functions. In the overseas business, while POLA is currently maintaining a high growth rate in China, it is also focused on maintaining and improving its brand loyalty in that market over the medium to long term. In the biggest Chinese sales seasons of W11 and W12, POLA focused on measures for repeat customers by curbing discounted prices and offers using GWP. As a result, POLA performed strongly with existing customers, and 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 expanding its skincare customer base, with a focus on the ORBIS U anti-aging skincare series, as well as the sunscreen, Wrinkle White UV Protector, which improves wrinkles and brightens skin, and ORBIS DEFENCERA, the only FOSHU (Food for Specified Health Uses) in Japan with recognized skincare functions. In Japan, net sales of skincare products grew to a level exceeding the previous year, as a result of expanding high-performance special care products and strengthening connections in skincare through communication with each customer segment. Overseas, ORBIS worked to raise its brand recognition by expanding customer contact points in the Chinese market, resulting in increased net sales on major e-commerce platforms. However, growth overseas did not offset a decline in sales in the domestic business caused by the impact of COVID-19, and the ORBIS brand net sales and operating income dropped below those of the previous year.

For overseas brands, the Group is working to achieve business growth in Australia and Asia for Jurlique and in the United States, where H20 PLUS originated. Jurlique sales declined in directly managed stores and major department stores, impacted severely by intermittent lockdowns implemented in Australia due to the spread of COVID-19. On the other hand, in China, Jurlique expanded its business with a focus on e-commerce channels, and continued double-digit growth for the whole year, resulting in higher net sales than those of the previous year. In terms of costs, Jurlique decreased operating loss by actively working to reduce fixed costs. H2O PLUS worked to do efficient advertising and promotion activities during the sales seasons, with the aim of expanding its business through the in-house e-commerce channel. As a result, purchases by repeat customers were promoted continuously, and net sales exceeded those of the previous year. In the hotel amenity business, more commercial facilities resumed operations due to recovery from the COVID-19 pandemic in the United States, resulting in net sales exceeding those of the previous year. In terms of costs, recording temporary expenses to improve the cost structure toward achieving early profitability resulted in increased operating loss.

For brands under development, in addition to sales growth in e-commerce channels centered on existing DECENCIA customers, sales growth caused by making the FUJIMI a wholly owned subsidiary in April resulted in overall net sales of brands under development exceeding those of the previous year. However, shrinking sales of THREE due to the spread of COVID-19 made a significant impact, resulting in lower operating income than that of the previous year.

As a result of the factors noted above, net sales—sales to external customers—were ¥174,150 million, up 1.5% year on year, and operating income was ¥17,060 million, up 31.6% 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 fiscal 2021, some tenants moved out due to reconstruction of buildings, resulting in both net sales and operating income being lower than those of the previous year.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥2,112 million, down 7.8% year on year, and operating income was ¥488 million, down 31.2% 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 fiscal 2021, net sales increased year on year due to an increase in the number of contracts, but operating income decreased year on year due to lack of progress in streamlining expenses.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥2,379 million, up 0.8% year on year, and operating income was ¥70 million, down 45.1% year on year.

**(2) Overview of Consolidated Financial Position at End of Fiscal 2021**

As of December 31, 2021, total assets stood at ¥208,039 million, up 2.1%, or ¥4,296 million, from December 31, 2020. Factors related to this change included increases of ¥12,906 million in cash and deposits, ¥2,366 million in goodwill, ¥867 million in right of trademark, and ¥2,538 million in software, as well as decreases of ¥5,435 million in short-term investments in securities, ¥1,080 million in merchandise and finished goods, ¥1,537 million in other under current assets associated with a decrease of other receivable, and ¥3,863 in investments in securities.

Total liabilities amounted to ¥34,772 million, up 2.6%, or ¥884 million, from December 31, 2020. Factors related to this change included increases of ¥1,143 million in income taxes payable and ¥1,236 million of other under current liabilities associated with an increase of deposits, as well as decreases of ¥1,240 million in accounts payable – other and ¥500 million of provision for point program.

Net assets amounted to ¥173,267 million, up 2.0%, or ¥3,412 million, from December 31, 2020. Factors related to this change included an increase of ¥11,734 million in profit attributable to owners of parent and a decrease of ¥7,750 million in dividends from retained earnings.

**(3) Overview of Consolidated Cash Flows for Fiscal 2021**

The balance of cash and cash equivalents as of December 31, 2021 was ¥71,693 million, up ¥12,848 million from the end of the previous fiscal year.

The status of cash flows from operating activities, investing activities, and financing activities for fiscal 2021, and noteworthy increases and decreases to these cash flows, are described below.

**Cash flows from operating activities**

Net cash provided by operating activities increased 1.9% from a year ago, to ¥23,830 million.

The primary components contributing to an increase in net cash were ¥17,612 million in profit before income taxes, ¥7,110 million in depreciation and amortization, ¥853 million in impairment loss, ¥714 million of decrease in notes and accounts receivable – trade, ¥2,081 million of decrease in inventories and ¥1,302 of increase in consumption taxe payable. Major components leading to a decrease in net cash were ¥504 million of decrease in provision for point program, ¥1,581 million of foreign exchange gain, ¥414 million of decrease in notes and accounts payable – trade, and ¥3,380 million in income taxes paid.

**Cash flows from investing activities**

Net cash used in investing activities decreased 34.9% from a year ago, to ¥2,174 million. The main factors were an increase in net cash resulting from ¥14,300 million in proceeds from sales and redemption of short-term investments in securities, and a decrease in net cash resulting from outflows of ¥1,700 million in purchase of short-term investments in securities, ¥2,248 million in purchase of property, plant and equipment, ¥4,948 million in purchase of intangible assets, ¥524 million in payments for retirement of non-current assets, ¥3,280 million in purchase of investments in securities, and ¥3,231 million in purchase of shares of subsidiaries resulting in change in scope of consolidation.

**Cash flows from financing activities**

Net cash used in financing activities decreased 66.5 % from a year ago, to ¥9,100 million. The decrease was primarily attributable to the application of ¥1,304 million in repayments of lease obligations and ¥7,756 million in cash dividends paid.

(Reference) Cash flow related indicators

| | FY2017 | FY2018 | FY2019 | FY2020 | **FY2021** |
|---|---|---|---|---|---|
| Equity ratio (%) | 78.6 | 77.0 | 83.9 | 83.2 | **83.1** |
| Equity ratio based on market value (%) | 346.3 | 268.5 | 254.5 | 227.4 | **203.9** |
| Cash flow/Interest-bearing debt ratio (years) | 0.1 | 0.1 | 0.1 | 0.1 | **0.1** |
| Interest coverage ratio (times) | 481.0 | 510.0 | 251.1 | 264.6 | **264.1** |

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.

### (4) Consolidated Performance Forecast for Fiscal 2022

The Japanese economy is expected to continue to be greatly affected by COVID-19 for the time being, including both trends in the number of new cases and public health measures taken in response to them. COVID-19 is also expected to affect the new way of life and consumer values, causing needs to diversify. In order to address with these changes, it will be necessary for the Group to undertake initiatives such as applying digital technology, providing new products and services that meet newly emerging consumer needs, and developing new business areas. In addition, the Group considers it is extremely important to prepare strategies anticipating the post-COVID-19 era as soon as possible, so that the Group can expand its business in the future and get its business performance to recover.

Against this backdrop, the Group will strive towards the evolution of domestic direct selling, profitable growth of overseas business, profit contribution of brands under development, and creation of new brands/expansion of business domains, as the first stage of its long-term management plan (VISION 2029). In addition, the Group will position and execute strengthening of operations (R&D and sustainability) as a key strategy to support the realization of the above goals.

For the fiscal year ending December 31, 2022, the Group forecasts net sales of ¥186,000 million, up by 4.1%, operating income of ¥17,700 million, up by 4.8%, ordinary income of ¥17,700 million, down by 6.7%, and profit attributable to owners of parent of ¥11,900 million, up by 1.4% compared with those of the fiscal year ended December 31, 2021, considering the steady execution of key strategies and the downward pressure on the economy due to the re-expansion of COVID-19.

## 2. 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.

# 3. Consolidated Financial Statements and Notes

## (1) Consolidated Balance Sheets

(Millions of yen)

| | FY2020 December 31, 2020 | **FY2021 December 31, 2021** |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | ¥ 59,518 | **¥72,425** |
| Notes and accounts receivable – trade | 17,955 | **17,545** |
| Short-term investments in securities | 25,581 | **20,146** |
| Merchandise and finished goods | 11,922 | **10,841** |
| Work in process | 872 | **734** |
| Raw materials and supplies | 4,361 | **4,295** |
| Other | 5,186 | **3,648** |
| Allowance for doubtful accounts | (39) | **(41)** |
| Total current assets | 125,358 | **129,596** |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 53,790 | **51,948** |
| Accumulated depreciation | (36,718) | **(35,251)** |
| Buildings and structures, net | 17,072 | **16,697** |
| Machinery, equipment and vehicles | 9,283 | **9,346** |
| Accumulated depreciation | (7,322) | **(7,519)** |
| Machinery, equipment and vehicles, net | 1,961 | **1,827** |
| Land | 13,973 | **13,986** |
| Leased assets | 7,996 | **8,238** |
| Accumulated depreciation | (6,638) | **(6,989)** |
| Leased assets, net | 1,357 | **1,249** |
| Construction in progress | 302 | **519** |
| Other | 19,485 | **19,641** |
| Accumulated depreciation | (13,028) | **(13,471)** |
| Other, net | 6,457 | **6,169** |
| Total property, plant and equipment | 41,124 | **40,449** |
| Intangible assets | | |
| Goodwill | ― | **2,366** |
| Right of trademark | 28 | **896** |
| Software | 9,235 | **11,774** |
| Other | 96 | **388** |
| Total intangible assets | 9,360 | **15,425** |
| Investments and other assets | | |
| Investments in securities | 15,973 | **12,110** |
| Long-term loans receivable | 93 | **95** |
| Deferred tax assets | 7,331 | **6,160** |
| Other | 4,752 | **4,439** |
| Allowance for doubtful accounts | (251) | **(237)** |
| Total investments and other assets | 27,900 | **22,568** |
| Total non-current assets | 78,384 | **78,443** |
| Total assets | ¥203,742 | **¥208,039** |

(Millions of yen)

| | FY2020 December 31, 2020 | **FY2021 December 31, 2021** |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable – trade | ¥ 2,657 | **¥ 2,513** |
| Lease obligations | 996 | **840** |
| Accounts payable – other | 12,747 | **11,507** |
| Income taxes payable | 593 | **1,736** |
| Provision for bonuses | 1,615 | **1,831** |
| Provision for directors' bonuses | 32 | **131** |
| Provision for sales returns | 69 | **56** |
| Provision for point program | 2,482 | **1,982** |
| Current portion of long-term loans payable | — | **11** |
| Other | 3,387 | **4,624** |
| Total current liabilities | 24,582 | **25,236** |
| Non-current liabilities | | |
| Long-term borrowings | — | **72** |
| Lease obligations | 1,443 | **1,354** |
| Net defined benefit liability | 3,937 | **3,434** |
| Provision for share benefits for directors | 49 | **84** |
| Provision for environmental measures | 52 | **52** |
| Asset retirement obligations | 2,154 | **2,868** |
| Other | 1,667 | **1,669** |
| Total non-current liabilities | 9,305 | **9,536** |
| Total liabilities | 33,887 | **34,772** |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 10,000 | **10,000** |
| Capital surplus | 80,785 | **81,027** |
| Retained earnings | 79,868 | **83,853** |
| Treasury stock | (2,652) | **(2,867)** |
| Total shareholders' equity | 168,001 | **172,013** |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (59) | **5** |
| Foreign currency translation adjustments | 1,794 | **999** |
| Remeasurements of defined benefit plans | (269) | **(215)** |
| Total accumulated other comprehensive income | 1,465 | **790** |
| Subscription rights to shares | 243 | **243** |
| Minority interests | 144 | **220** |
| Total net assets | 169,854 | **173,267** |
| Total liabilities and net assets | ¥203,742 | **¥208,039** |

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

Consolidated Statements of Income

(Millions of yen)

| | Twelve Months Ended December 31 | |
|---|---|---|
| | FY2020 (January 1, 2020– December 31, 2020) | **FY2021 (January 1, 2021– December 31, 2021)** |
| Net sales | ¥176,311 | **¥178,642** |
| Cost of sales | 29,979 | **28,720** |
| Gross profit | 146,331 | **149,921** |
| Selling, general and administrative expenses | | |
| Sales commission | 35,996 | **33,992** |
| Promotion expenses | 19,483 | **17,989** |
| Packing and transportation expenses | 5,019 | **4,793** |
| Advertising expenses | 10,834 | **12,113** |
| Provision of allowance for doubtful accounts | 104 | **23** |
| Provision for point program | 2,304 | **1,732** |
| Salaries, allowances and bonuses | 20,674 | **21,443** |
| Welfare expenses | 3,731 | **4,108** |
| Retirement benefit expenses | 755 | **730** |
| Provision for bonuses | 1,359 | **1,619** |
| Depreciation and amortization | 5,229 | **5,482** |
| Amortization of Goodwill | — | **283** |
| Other | 27,085 | **28,719** |
| Total selling, general and administrative expenses | 132,578 | **133,033** |
| Operating income | 13,752 | **16,888** |
| Non-operating income | | |
| Interest income | 186 | **147** |
| Foreign exchange gains | — | **1,974** |
| Other | 157 | **176** |
| Total non-operating income | 344 | **2,297** |
| Non-operating expenses | | |
| Interest expense | 88 | **88** |
| Loss on sales of investment securities | 367 | **—** |
| Foreign exchange losses | 7 | **—** |
| Compensation expenses | 946 | **—** |
| Commission expenses | 71 | **73** |
| Other | 36 | **55** |
| Total non-operating expenses | 1,517 | **217** |
| Ordinary income | ¥ 12,579 | **¥18,968** |

(Millions of yen)

| | Twelve Months Ended December 31 | |
|---|---|---|
| | FY2020 (January 1, 2020– December 31, 2020) | **FY2021 (January 1, 2021– December 31, 2021)** |
| Extraordinary income | | |
| Gain on step aquisitions | ¥— | **¥297** |
| Subsidy income | 776 | **83** |
| Other | 104 | **2** |
| Total extraordinary income | 880 | **383** |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 234 | **671** |
| Impairment loss | 2,608 | **853** |
| Loss on valuation of investment securities | 128 | **31** |
| Loss related to COVID-19 | 1,283 | **180** |
| Other | 36 | **4** |
| Total extraordinary losses | 4,291 | **1,740** |
| Income before income taxes | 9,169 | **17,612** |
| Income taxes – current | 4,482 | **5,118** |
| Income taxes – deferred | 45 | **702** |
| Total income taxes | 4,527 | **5,821** |
| Net income | 4,641 | **11,790** |
| Profit attributable to non-controlling interests | 9 | **56** |
| Profit attributable to owners of parent | ¥4,632 | **¥11,734** |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Twelve Months Ended December 31 | |
|---|---|---|
| | FY2020 (January 1, 2020– December 31, 2020) | **FY2021 (January 1, 2021– December 31, 2021)** |
| Net income | ¥4,641 | **¥11,790** |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2 | **65** |
| Foreign currency translation adjustments | (252) | **(775)** |
| Remeasurements of defined benefit plans | 72 | **54** |
| Total other comprehensive income | (177) | **(655)** |
| Comprehensive income | 4,463 | **11,134** |
| Comprehensive income attributable to owners of the parent | 4,453 | **11,059** |
| Comprehensive income attributable to non-controlling interests | ¥ 9 | **¥ 75** |

### (3) Consolidated Statements of Changes in Net Assets

FY2020 (January 1, 2020 – December 31, 2020)

(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 | ¥80,785 | ¥100,915 | ¥(2,652) | ¥189,047 |
| Changes of items during the period | | | | | |
| Dividends from retained earnings | | | (25,678) | | (25,678) |
| Net income attributable to owners of parent | | | 4,632 | | 4,632 |
| Disposal of treasury stock | | 0 | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | — | 0 | (21,046) | 0 | (21,046) |
| Balance at the end of the period | ¥10,000 | ¥80,785 | ¥79,868 | ¥(2,652) | ¥168,001 |

(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 | ¥62 | ¥2,047 | ¥(341) | ¥1,643 | ¥243 | ¥134 | ¥191,069 |
| Changes of items during the period | | | | | | | |
| Dividends from retained earnings | | | | | | | (25,678) |
| Net income attributable to owners of parent | | | | | | | 4,632 |
| Disposal of treasury stock | | | | | | | 0 |
| Net changes of items other than shareholders' equity | 2 | (252) | 72 | (178) | (0) | 9 | (168) |
| Total changes of items during the period | 2 | (252) | 72 | (178) | (0) | 9 | (21,214) |
| Balance at the end of the period | ¥(59) | ¥1,794 | ¥(269) | ¥1,465 | ¥243 | ¥144 | ¥169,854 |

**FY2021 (January 1, 2021 – December 31, 2021)**

(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** | **¥80,785** | **¥79,868** | **¥(2,652)** | **¥168,001** |
| Changes of items during the period | | | | | |
| Dividends from retained earnings | | | **(7,750)** | | **(7,750)** |
| Net income attributable to owners of parent | | | **11,734** | | **11,734** |
| Disposal of treasury stock | | **242** | | **(214)** | **27** |
| Net changes of items other than shareholders' equity | | | | **—** | **—** |
| Total changes of items during the period | **—** | **242** | **3,984** | **(214)** | **4,012** |
| Balance at the end of the period | **¥10,000** | **¥81,027** | **¥83,853** | **¥(2,867)** | **¥172,013** |

(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 | **¥(59)** | **¥1,794** | **¥(269)** | **¥1,465** | **¥243** | **¥144** | **¥169,854** |
| Changes of items during the period | | | | | | | |
| Dividends from retained earnings | | | | | | | **(7,750)** |
| Net income attributable to owners of parent | | | | | | | **11,734** |
| Disposal of treasury stock | | | | | | | **27** |
| Net changes of items other than shareholders' equity | **65** | **(795)** | **54** | **(675)** | **(0)** | **75** | **(599)** |
| Total changes of items during the period | **65** | **(795)** | **54** | **(675)** | **(0)** | **75** | **3,412** |
| Balance at the end of the period | **¥5** | **¥999** | **¥(215)** | **¥790** | **¥243** | **¥220** | **¥173,267** |

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

| | Twelve Months Ended December 31 | |
|---|---|---|
| | FY2020 (January 1, 2020– December 31, 2020) | **FY2021 (January 1, 2021– December 31, 2021)** |
| Cash flows from operating activities | | |
| Income before income taxes | ¥9,169 | **¥17,612** |
| Depreciation and amortization | 7,255 | **7,110** |
| Impairment loss | 2,608 | **853** |
| Amortization of Goodwill | **—** | **283** |
| Decrease in allowance for doubtful accounts | (919) | **(13)** |
| Increase in provision for bonuses | 68 | **187** |
| Decrease in provision for point program | (389) | **(504)** |
| Increase in other provision | 16 | **147** |
| Increase in net defined benefit liability | 158 | **(435)** |
| Interest and dividend income | (186) | **(147)** |
| Interest expense | 88 | **88** |
| Loss on sales of investment securities | 367 | **—** |
| Foreign exchange gain | (305) | **(1,581)** |
| Gain (loss) on sales of non-current assets | (3) | **(1)** |
| Loss on disposal of non-current assets | 234 | **671** |
| Subsidy income | (776) | **(83)** |
| Loss related to COVID-19 | 1,283 | **180** |
| Decrease (increase) in notes and accounts receivable – trade | 3,726 | **714** |
| Decrease (increase) in inventories | 2,535 | **2,081** |
| Increase (decrease) in notes and accounts payable – trade | (465) | **(414)** |
| Increase (decrease) in consumption taxes payable | (639) | **1,302** |
| Decrease (increase) in other assets | 1,653 | **43** |
| Increase (decrease) in other liabilities | (392) | **(885)** |
| Other | 300 | **(71)** |
| Subtotal | 25,388 | **27,136** |
| Interest and dividends received | 206 | **230** |
| Interest paid | (88) | **(90)** |
| Income taxes paid | (1,794) | **(3,380)** |
| Subsidy income received | 776 | **83** |
| Payment for loss related to COVID-19 | (1,093) | **(149)** |
| Net cash provided by operating activities | ¥23,394 | **¥23,830** |

(Millions of yen)

| | Twelve Months Ended December 31 | |
|---|---|---|
| | FY2020 (January 1, 2020– December 31, 2020) | **FY2021 (January 1, 2021– December 31, 2021)** |
| Cash flows from investing activities | | |
| Payments into time deposits | ¥(245) | **¥(245)** |
| Proceeds from withdrawal of time deposits | 330 | **245** |
| Purchase of short-term investments in securities | (10,000) | **(1,700)** |
| Proceeds from sales and redemption of short-term investments in securities | 20,400 | **14,300** |
| Purchase of property, plant and equipment | (3,497) | **(2,248)** |
| Proceeds from sales of property, plant and equipment | 15 | **3** |
| Purchase of intangible assets | (3,955) | **(4,948)** |
| Payments for disposal of non-current assets | (17) | **(524)** |
| Purchase of investments in securities | (9,222) | **(3,280)** |
| Proceeds from sales of investment securities | 3,452 | **—** |
| Payment for Asset retirement obligations | (156) | **(379)** |
| Purchase of long-term prepaid expenses | (373) | **(218)** |
| Payments for lease and guarantee deposits | (288) | **(138)** |
| Proceeds from collection of lease and guarantee deposits | 241 | **387** |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | **—** | **3,231** |
| Other | (25) | **(196)** |
| Net cash used in investing activities | (3,342) | **(2,174)** |
| Cash flows from financing activities | | |
| Repayment of loan payable | **—** | **(39)** |
| Repayments of lease obligations | (1,462) | **(1,304)** |
| Cash dividends paid | (25,670) | **(7,756)** |
| Purchase of treasury stock | **—** | **(270)** |
| Proceeds from sales of treasury stock | 0 | **270** |
| Net cash used in financing activities | (27,133) | **(9,100)** |
| Effect of exchange rate change on cash and cash equivalents | 136 | **294** |
| Net decrease in cash and cash equivalents | (6,944) | **12,848** |
| Cash and cash equivalents at beginning of period | 65,789 | **58,844** |
| Cash and cash equivalents at end of period | ¥58,844 | **¥71,693** |

## (5) Notes to Consolidated Financial Statements

### (Going Concern Assumptions)

None

### (Investment and Rental Property)

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

In fiscal 2020, net rental income from investment and rental properties was ¥△162 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 2021, net rental income from investment and rental properties is ¥613 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 2020 and fiscal 2021 and the fair value of those properties are stated below.

(Millions of yen)

| | | FY2020 (January 1, 2020–December 31, 2020) | **FY2021 (January 1, 2021–December 31, 2021)** |
|---|---|---|---|
| Carrying Amounts on the Consolidated Balance Sheet | Balance at Beginning of Period | ¥18,077 | **¥17,777** |
| | Change | ¥(300) | **¥13** |
| | Balance at End of Period | ¥17,777 | **¥17,790** |
| Fair Value at End of Period | | ¥61,778 | **¥65,970** |

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

2. Main change

(Fiscal 2020)

Increase: Refurbishment of office buildings for lease: ¥330 million

Decrease: Depreciation on office buildings and residential properties and other properties for lease: ¥526 million

(Fiscal 2021)

Increase: Refurbishment of office buildings for lease: ¥420 million

Decrease: Depreciation on office buildings and residential properties and other properties for lease: ¥401 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 distributes cosmetics and health foods and sells fashion items (women's underwear, women's apparel and jewelry) under the following brand names: ***POLA, ORBIS, Jurlique, H2O PLUS, THREE, DECENCIA, Amplitude, ITRIM, FIVEISM × THREE, and FUJIMI***. 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" disclosed in the most recent securities report (submitted on March 25, 2021).

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, 2020 (January 1, 2020–December 31, 2020)

(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 | ¥171,658 | ¥2,291 | ¥173,949 | ¥2,361 | ¥176,311 | — | ¥176,311 |
| Intersegment Sales or Transfers | 66 | 528 | 594 | 2,417 | 3,012 | ¥(3,012) | — |
| Total | 171,724 | 2,820 | 174,544 | 4,778 | 179,323 | (3,012) | 176,311 |
| Segment Income | 12,965 | 710 | 13,676 | 128 | 13,804 | (51) | 13,752 |
| Segment Assets | 163,864 | 22,720 | 186,585 | 3,018 | 189,604 | 14,138 | 203,742 |
| Other Items | | | | | | | |
| Depreciation and Amortization | 6,709 | 569 | 7,278 | 12 | 7,290 | (34) | 7,255 |
| Amortization of Goodwill | — | — | — | — | — | — | — |
| Increase in property, plant and equipment and intangible assets | ¥6,928 | ¥438 | ¥7,366 | ¥5 | ¥7,372 | ¥1,092 | ¥8,464 |

Notes: 1. “Others” comprises business operations that are not categorized as reportable segments and include the building maintenance businesses.
2. Reconciliations consist of the following:
(1) The segment income reconciliation of ¥(51) million includes intersegment transaction eliminations of ¥3,788 million and less corporate expenses of ¥(3,840) 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 ¥14,138 million includes less intersegment eliminations of ¥(81,416) million and corporate assets of ¥95,555 million, not allocated to each segment. 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.

(Significant Impairment Loss of Non-current Assets)
Impairment loss of ¥ 2,608 million is recognized on Beauty Care segment.

Fiscal Year Ended December 31, 2021 (January 1, 2021–December 31, 2021)

(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 | ¥ 174,150 | ¥ 2,112 | ¥ 176,262 | ¥ 2,379 | ¥ 178,642 | — | ¥ 178,642 |
| Intersegment Sales or Transfers | 78 | 468 | 547 | 1,968 | 2,515 | ¥ (2,515) | — |
| Total | 174,228 | 2,581 | 176,810 | 4,347 | 181,157 | (2,515) | 178,642 |
| Segment Income | 17,060 | 488 | 17,549 | 70 | 17,619 | (731) | 16,888 |
| Segment Assets | 170,722 | 22,717 | 193,440 | 2,649 | 196,089 | 11,949 | 208,039 |
| Other Items | | | | | | | |
| Depreciation and Amortization | 6,480 | 453 | 6,933 | 12 | 6,945 | 164 | 7,110 |
| Amortization of Goodwill | 283 | — | 283 | — | 283 | — | 283 |
| Increase in property, plant and equipment and intangible assets | ¥ 7,163 | ¥ 528 | ¥ 7,692 | ¥ 12 | ¥ 7,704 | ¥ 1,241 | ¥ 8,945 |

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

2. Reconciliations consist of the following:
   (1) The segment income reconciliation of ¥(731) million includes intersegment transaction eliminations of ¥3,684 million less corporate expenses of ¥(4,416) 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 ¥11,949 million includes less intersegment eliminations of ¥(86,540) million and corporate assets of ¥98,489 million, not allocated to each segment. 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.

(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.

**(Per Share Information)**

| | FY2020 (January 1, 2020 –December 31, 2020) | **FY2021 (January 1, 2021 –December 31, 2021)** |
|---|---|---|
| Net assets per share | ¥766.05 | **¥781.11** |
| Net income per share | ¥20.94 | **¥53.04** |
| Diluted net income per share | ¥20.92 | **¥52.99** |

Note 1: The Company's shares held by the officer compensation BIP trust are included in shares of treasury stock that are deducted from the number of shares issued and outstanding at December 31, 2021 in the calculation of net assets per share and are included in shares of treasury stock that are deducted in the calculation of the average number of shares of treasury stock during the period for calculating net income per share and diluted net income per share. The number of shares of deducted treasury stock at December 31, 2021 is 244,708 and the average number of shares is 206,798 during the period. The number of shares of deducted treasury stock at December 31, 2020 was 148,600 and the average number of shares is 148,600 during the period.

Note 2: Basis for calculation of net income per share and diluted net income per share is stated below:

| Item | FY2020 (January 1, 2020– December 31, 2020) | **FY2021 (January 1, 2021– December 31, 2021)** |
|---|---|---|
| **Net income per share** | | |
| Profit attributable to owners of parent (millions of yen) | ¥4,632 | **¥11,734** |
| Amounts not attributable to shareholders of common stock (millions of yen) | **—** | **—** |
| Profit attributable to owners of parent associated with common stock (millions of yen) | ¥4,632 | **¥11,734** |
| Weighted average number of shares of common stock during the fiscal year | 221,220,210 | **221,226,689** |
| **Diluted net income per share** | | |
| Adjustment of profit attributable to owners of parent (millions of yen) | **—** | **—** |
| Number of shares of common stock increased | 236,912 | **236,266** |
| [Of which, subscription rights to shares] | (236,912) | **(236,266)** |
| Outline of the dilutive shares not included in the calculation of diluted net income per share due to their antidilutive effects | – | |

Note 3: Basis for calculation of net assets per share is stated below:

| Item | FY2020 (At December 31, 2020) | **FY2021 (At December 31, 2021)** |
|---|---|---|
| Total net assets (millions of yen) | ¥169,854 | **¥173,267** |
| Amount deducted from total net assets (millions of yen) | ¥388 | **¥463** |
| [Of which, subscription rights to shares (millions of yen)] | ¥(243) | **¥(243)** |
| [Of which, non-controlling interests (millions of yen)] | ¥(144) | **¥(220)** |
| Net assets associated with common stock (millions of yen) | ¥169,466 | **¥172,803** |
| Number of shares of common stock used in the calculation of net assets per share | 221,220,703 | **221,229,395** |

**(Subsequent Event)**

None