

Summary of Financial Results

For the Fiscal Year Ended December 31, 2024 (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, 2025

POLA ORBIS HOLDINGS INC.

Listing: Tokyo Stock Exchange, Prime Market (Code No.: 4927)
 URL: <https://www.po-holdings.co.jp/>
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 Annual Shareholders' Meeting: March 27, 2025
 Filing Date of Securities Report: March 27, 2025
 Start of Cash Dividend Payment: March 28, 2025
 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, 2024

(January 01, 2024–December 31, 2024)

(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	%
FY2024	170,359	(1.7)	13,810	(14.1)	16,083	(12.9)	9,286	(3.9)
FY2023	173,304	4.2	16,080	27.8	18,469	23.7	9,665	(15.6)

Note: Comprehensive income: FY2024: ¥9,011 million (6.5%); FY2023: ¥8,459 million (-21.1%)

	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	%	%	%
FY2024	41.97	41.93	5.6	8.0	8.1
FY2023	43.69	43.64	5.7	9.1	9.3

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
At December 31	Millions of yen	Millions of yen	%	Yen
FY2024	200,320	164,916	82.2	744.16
FY2023	201,207	168,398	83.4	758.49

Reference: Equity capital: At December 31, 2024: ¥164,656 million; At December 31, 2023: ¥167,806 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
FY2024	26,185	(12,104)	(13,376)	47,305
FY2023	14,423	(18,734)	(12,375)	46,376

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	%	%
FY2023	-	21.00	-	31.00	52.00	11,516	119.0	6.8
FY2024	-	21.00	-	31.00	52.00	11,523	123.9	6.9
FY2025(Forecast)	-	21.00	-	31.00	52.00		135.4	

3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2025

(January 1, 2025–December 31, 2025)

(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	174,000	2.1	14,500	5.0	14,700	(8.6)	8,500	(8.5)	38.42

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) : Yes
 Newly Included: 1 company (POLA ORBIS (Shanghai) Enterprise Management CO., LTD.)

(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) : Yes
 3) Changes in accounting estimates : None
 4) Restatement : None

(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, 2024 229,136,156 shares

At December 31, 2023 229,136,156 shares

2) Number of shares of treasury stock at the end of each period

At December 31, 2024 7,870,726 shares

At December 31, 2023 7,897,963 shares

3) Average number of shares issued and outstanding in each period

Fiscal year ended December 31, 2024 221,258,267 shares

Fiscal year ended December 31, 2023 221,236,973 shares

Note: The number of shares of treasury stock at December 31 includes the Company's shares held by the officer compensation Board Incentive Plan (BIP) trust (FY2024: 344,998 shares, FY2023: 235,910 shares).

The Company's shares held by the officer compensation BIP trust (FY2024: 289,985 shares, FY2023: 237,129 shares) are included in the shares of treasury stock that are deducted in the calculation of the average number of shares during the period.

(Reference) Summary of Non-consolidated Financial Performance**1. Non-consolidated Financial Performance for the Fiscal Year Ended December 31, 2024**

(January 01, 2024–December 31, 2024)

(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	%
FY2024	25,646	4.4	14,770	1.1	15,510	(3.3)	12,020	8.3
FY2023	24,570	11.0	14,604	4.5	16,040	4.6	11,100	(7.3)

	Net Income Per Share		Diluted Net Income Per Share	
	Yen	Yen	Yen	Yen
FY2024	54.33	54.27	50.17	50.12
FY2023	50.17	50.12		

(2) Financial Position

At December 31	Total Assets		Net Assets		Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	%	Yen
FY2024	164,665	98,797	98,797	98,797	59.9	445.45
FY2023	165,988	98,381	98,381	98,381	59.1	443.59

Reference: Equity capital: At December 31, 2024: ¥98,561 million; At December 31, 2023: ¥98,138 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) Consolidated Performance Forecast for Fiscal 2025” on page 6.

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1. Overview of Consolidated Operating Results

(1) Overview of Consolidated Operating Results for Fiscal 2024

During the fiscal year ended December 31, 2024 (January 1–December 31, 2024), despite some lingering stagnation, the Japanese economy showed a moderate recovery with improvements in the employment and income environment. In addition, personal consumption, despite experiencing stagnation in some areas, has recently been showing signs of recovery, backed by continued improvement in nominal wages among other factors.

In the domestic cosmetics market, personal consumption has improved thanks to the moderate economic recovery. Moreover, inbound demand has continued to grow due to the continued trend of a weaker yen. In the Chinese market, although supply has increased as policy measures take hold, the economy has remained stagnant.

Within this market environment, as part of its medium-term management plan (from 2024 to 2026) that started in 2024, the POLA ORBIS Group (the “Group”) implemented four business growth strategies, namely, “strengthen the customer base in the domestic business to achieve sustainable growth and improve profitability,” “further grow the overseas business and establish business bases in new markets,” “achieve profitability through growth in brands under development, contributing to sustainable earnings,” and “enhance the brand portfolio and expand business domains.” At the same time, in effort to sustainably strengthen the management foundations that will support these strategies, the Group has worked to “strengthen R&D capabilities for new value creation” and “strengthen sustainability combining the resolution of social issues with uniqueness.”

As a result of the above, consolidated net sales for fiscal 2024 fell 1.7% year on year to ¥170,359 million due mainly to a decrease in sales of the flagship POLA brand. Operating income decreased 14.1% year on year to ¥13,810 million due to a decrease in gross profit from lower net sales, ordinary income decreased 12.9% year on year to ¥16,083 million, and profit attributable to owners of parent decreased 3.9% year on year to ¥9,286 million.

Operating Results Overview

(Millions of yen)

	Twelve Months Ended December 31			
	2023	2024	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥173,304	¥170,359	¥(2,944)	(1.7)
Operating Income	16,080	13,810	(2,269)	(14.1)
Ordinary Income	18,469	16,083	(2,386)	(12.9)
Profit Attributable to Owners of Parent	¥9,665	¥9,286	¥(379)	(3.9)

Operating Results by Segment

Net Sales (Segment Sales to External Customers)

(Millions of yen)

Twelve Months Ended December 31				
	2023	2024	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥168,477	¥165,060	¥(3,417)	(2.0)
Real Estate	2,078	2,214	135	6.5
Others	2,748	3,085	337	12.3
Total	¥173,304	¥170,359	¥(2,944)	(1.7)

Segment Income (Loss), Operating Income (Loss)

(Millions of yen)

Twelve Months Ended December 31				
	2023	2024	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥16,354	¥14,926	¥(1,427)	(8.7)
Real Estate	440	76	(363)	(82.5)
Others	149	231	81	54.7
Reconciliations of Segment Income (Note)	(863)	(1,424)	(561)	-
Total	¥16,080	¥13,810	¥(2,269)	(14.1)

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 18 for the details of reconciliations of segment income in fiscal 2024.

Beauty Care

The Beauty Care segment consists of the flagship brands POLA and ORBIS, the overseas brand Jurlique, and the brands under development DECENCIA, THREE and FUJIMI.

POLA is working to further improve the value of its brand and build a medium- to long-term customer base by launching highly functional products mainly in the field of anti-aging and skin-brightening. In the domestic business, we are working to establish brand experience (the One POLA model) to promote the transition from new customer acquisition to high lifetime value. Elsewhere, expansion of the POLA Premium Pass, a membership program launched in 2023 covering all sales channels, has seen customers start to move between sales channels. Through activities to enhance customer experience value, such as boosting our consulting services and aesthetic treatment centered on new products, and launching a new skin analysis service, sales increased at growth stores in the consignment sales channel, while the department store channel continued to witness sales growth. However, overall performance in the domestic business fell short of the previous year, impacted by the reduction in customer contact points caused by a decrease in the number of stores in the consignment sales channel, and other factors. In the overseas business, we are working to drive business recovery in the post-pandemic world and to establish a brand presence in China, our top priority market, by expanding contact points with high-prestige customers and strengthening CRM. However, due to the continued impact of the economic slowdown in some areas of Asia, particularly in China, the overall performance of the overseas business fell short of the previous year. As a result, POLA brand net sales and operating income decreased year on year.

ORBIS strives to regrow into a highly profitable business by enhancing its presence through creation of brand differentiation, improving customer loyalty, and increasing users of skincare products, with a focus on the ORBIS U anti-aging skincare for improving wrinkles and brightening skin. In the domestic business, we are working to achieve steady growth in its skincare-centered direct selling business, build a robust profit base, and increase net sales in new fields by entering untapped markets. In the direct selling channel, where we are building an increasingly stable customer base, the number of customers continued to grow, and the continued strong sales of highly functional, higher-priced products also contributed to raising the customer unit price. As a result, sales increased significantly. In the external channels, which we have positioned as a new growth driver and are proactively developing, we expanded our product lineup and sales channels, enabling sales growth to remain brisk. In the overseas business, we are focusing on expanding customer contact points and raising brand recognition in China, our priority market. However, the overall performance of overseas business fell below that of the previous year due to the continued economic slowdown in China. As a result of the above, ORBIS brand net sales and operating income exceeded those of the previous year.

Jurlique continues to work toward business growth in the markets of Asia, mainly in Australia and in China. In Australia, the home country of the brand, sales continued to increase thanks to strong sales of new products launched in March and solid sales in the department store, directly operated retail store, and e-commerce channels. On the other hand, in China, the effects of the economic slowdown continued, hampering sales in both the department store and e-commerce channels, especially from April onward, leading to weaker performance than that of the previous year. As a result of the above, Jurlique brand net sales fell below those of the previous year, and operating losses expanded mainly due to the impact of higher selling and administrative expenses.

For brands under development, DECENCIA increased year on year thanks to the building of a stable customer base through strengthening sales strategies tailored to customer attributes. Efforts are underway to regenerate THREE. While we have been working to revitalize stores with products highlighting essential oils that are the brand's differentiation, new customer acquisition did not reach the previous year's level and results fell short of the previous year. FUJIMI achieved profitability with higher results than the previous year by improving customer experience value. In addition to the above, the withdrawal of two brands in the previous year meant that overall net sales for the brands under development decreased year on year. Moreover, operating loss expanded mainly due to the impact of investments in new businesses.

As a result of the factors noted above, the Beauty Care segment's net sales—sales to external customers—were ¥165,060 million, down 2.0% year on year, and operating income was ¥14,926 million, down 8.7% 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 fiscal 2024, although net sales increased year on year, operating income fell below that of the previous year mainly due to expenses incurred in conjunction with the completion of the "POLA aoyama building" and the withdrawal of some tenants.

As a result of the above, net sales—sales to external customers—totaled ¥2,214 million, up 6.5% year on year, and operating income was ¥76 million, down 82.5% 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 2024, both net sales and operating income increased year on year thanks to an increase in the number of contracts.

As a result of the above, net sales—sales to external customers—totaled ¥3,085 million, up 12.3% year on year, and operating income was ¥231 million, up 54.7% year on year.

(2) Overview of Consolidated Financial Position at End of Fiscal 2024

As of December 31, 2024, total assets stood at ¥200,320 million, down 0.4%, or ¥887 million, from December 31, 2023. Factors related to this change included increases of ¥3,833 million in property, plant and equipment and ¥963 million in short-term investments in securities, as well as decreases of ¥2,024 million in cash and deposits, ¥1,954 million in investments in securities, ¥1,043 million in deferred tax assets, ¥355 million in notes and accounts receivable – trade, and ¥340 million in “Other” under current assets.

Total liabilities amounted to ¥35,404 million, up 7.9%, or ¥2,595 million, from December 31, 2023. Factors related to this change included an increase of ¥3,331 million in income taxes payable, as well as a decrease of ¥1,060 million in accounts payable – other.

Net assets amounted to ¥164,916 million, down 2.1%, or ¥3,482 million, from December 31, 2023. Factors related to this change included a recording of ¥9,286 million in profit attributable to owners of parent, as well as ¥11,519 million in dividends from retained earnings and decreases of ¥574 million in capital surplus and ¥334 million in foreign currency translation adjustments.

(3) Overview of Consolidated Cash Flows for Fiscal 2024

The balance of cash and cash equivalents as of December 31, 2024 was ¥47,305 million, up ¥928 million from the end of the previous fiscal year.

The status of cash flows from operating activities, investing activities, and financing activities for fiscal 2024, and noteworthy increases and decreases to these cash flows, are described below.

Cash flows from operating activities

Net cash provided by operating activities increased 81.5% from a year ago, to ¥26,185 million.

The primary components contributing to an increase in net cash were ¥14,649 million in profit before income taxes, ¥8,352 million in depreciation and amortization, ¥696 million in impairment loss, and ¥3,836 million in income taxes refund. Major components leading to a decrease in net cash were ¥1,378 million of foreign exchange gain, and ¥708 million of decrease in notes and accounts payable – trade.

Cash flows from investing activities

Net cash used in investing activities decreased 35.4% from a year ago, to ¥12,104 million. The main factors were an increase in net cash resulting from ¥12,000 million in proceeds from sales and redemption of short-term investments in securities, and a decrease in net cash resulting from outflows of ¥2,000 million in purchase of short-term investments in securities, ¥8,172 million in purchase of property, plant and equipment, ¥3,983 million in purchase of intangible assets, ¥9,310 million in purchase of investments in securities.

Cash flows from financing activities

Net cash used in financing activities increased 8.1% from a year ago, to ¥13,376 million. Primarily attributable to the application of ¥800 million in repayments of lease obligations, ¥1,008 million in payments for acquisition of shares of subsidiaries not resulting in change in scope of consolidation and ¥11,554 million in cash dividends paid.

(Reference) Cash flow related indicators

	FY2020	FY2021	FY2022	FY2023	FY2024
Equity ratio (%)	83.2	83.1	83.0	83.4	82.2
Equity ratio based on market value (%)	227.4	203.9	199.8	174.2	157.8
Cash flow/Interest-bearing debt ratio (years)	0.1	0.1	0.1	0.1	0.1
Interest coverage ratio (times)	264.6	264.1	168.6	137.4	226.6

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 2025

The Japanese economy is expected to continue a gradual recovery, against a backdrop of improvements in the employment and income environment. However, sufficient attention must be paid to risks such as downward pressure on the Japanese economy due to the downturn in overseas economies, including the continued high interest rate levels in Europe and the United States and the impact of the continued stagnation of the real estate market in China, price hikes, policy trends in the United States, the situation in the Middle East, as well as fluctuations in financial and capital markets.

Against this backdrop, as the second stage toward achieving our long-term management plan, VISION 2029, the Group started its new medium-term management plan in 2024. As key strategies, the Group continues to implement four business growth strategies, namely, “strengthen the customer base in the domestic business to achieve sustainable growth and improve profitability,” “further grow the overseas business and establish business bases in new markets,” “achieve profitability through growth in brands under development, contributing to sustainable earnings,” and “enhance the brand portfolio and expand business domains,” with the aim of accelerating business growth. At the same time, in effort to sustainably strengthen the management foundations that will support these strategies, the Group also continues to “strengthen R&D capabilities for new value creation” and “strengthen sustainability combining the resolution of social issues with uniqueness.”

For the fiscal year ending December 31, 2025, the Group forecasts net sales of ¥174,000 million, up 2.1% year on year, operating income of ¥14,500 million, up 5.0%, ordinary income of ¥14,700 million, down 8.6%, and profit attributable to owners of parent of ¥8,500 million, down 8.5%, considering the steady execution of key strategies and downward pressure on the economy due to factors such as the downturn in overseas economies.

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)

	FY2023 December 31, 2023	FY2024 December 31, 2024
Assets		
Current assets		
Cash and deposits	¥ 47,200	¥45,176
Notes and accounts receivable – trade	17,820	17,465
Short-term investments in securities	17,944	18,907
Merchandise and finished goods	12,198	12,094
Work in process	683	904
Raw materials and supplies	3,534	3,621
Other	8,388	8,047
Allowance for doubtful accounts	(72)	(96)
Total current assets	107,697	106,120
Non-current assets		
Property, plant and equipment		
Buildings and structures	53,186	69,373
Accumulated depreciation	(36,657)	(37,952)
Buildings and structures, net	16,528	31,420
Machinery, equipment and vehicles	9,938	11,758
Accumulated depreciation	(8,084)	(8,125)
Machinery, equipment and vehicles, net	1,853	3,633
Land	14,247	14,252
Leased assets	6,844	6,754
Accumulated depreciation	(6,176)	(6,058)
Leased assets, net	668	695
Construction in progress	14,450	246
Other	18,865	20,089
Accumulated depreciation	(12,917)	(12,806)
Other, net	5,948	7,282
Total property, plant and equipment	53,696	57,530
Intangible assets		
Right of trademark	21	19
Software	11,813	11,590
Other	91	90
Total intangible assets	11,926	11,700
Investments and other assets		
Investments in securities	17,361	15,407
Long-term loans receivable	163	251
Deferred tax assets	6,264	5,220
Other	4,419	4,530
Allowance for doubtful accounts	(321)	(440)
Total investments and other assets	27,886	24,969
Total non-current assets	93,510	94,200
Total assets	¥201,207	¥200,320

(Millions of yen)

	FY2023 December 31, 2023	FY2024 December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 2,751	¥ 2,264
Current portion of long-term loans payable	12	6
Lease obligations	674	774
Accounts payable – other	11,231	10,171
Income taxes payable	875	4,206
Contract liabilities	5,226	4,795
Provision for bonuses	1,807	1,578
Provision for directors' bonuses	161	177
Other provisions	54	8
Other	2,848	3,368
Total current liabilities	25,644	27,351
Non-current liabilities		
Long-term borrowings	46	40
Lease obligations	962	1,295
Net defined benefit liability	811	229
Provision for share benefits for directors	123	99
Provision for environmental measures	52	7
Asset retirement obligations	3,534	3,885
Other	1,634	2,496
Total non-current liabilities	7,165	8,053
Total liabilities	32,809	35,404
Net assets		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	81,025	80,451
Retained earnings	80,907	78,674
Treasury stock	(2,839)	(2,922)
Total shareholders' equity	169,093	166,203
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	229	75
Foreign currency translation adjustments	(1,772)	(2,106)
Remeasurements of defined benefit plans	255	483
Total accumulated other comprehensive income	(1,287)	(1,547)
Subscription rights to shares	243	236
Non-controlling interests	348	23
Total net assets	168,398	164,916
Total liabilities and net assets	¥201,207	¥200,320

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

Consolidated Statements of Income

(Millions of yen)

	Twelve Months Ended December 31	
	FY2023 (January 01, 2023– December 31, 2023)	FY2024 (January 01, 2024– December 31, 2024)
Net sales	¥173,304	¥170,359
Cost of sales	31,227	31,846
Gross profit	142,076	138,513
Selling, general and administrative expenses		
Sales commission	34,976	32,941
Promotion expenses	11,032	11,221
Packing and transportation expenses	5,709	5,823
Advertising expenses	12,556	11,469
Salaries, allowances and bonuses	21,732	22,167
Welfare expenses	4,432	4,551
Retirement benefit expenses	692	762
Provision for bonuses	1,644	1,521
Depreciation and amortization	6,311	6,274
Other	26,908	27,969
Total selling, general and administrative expenses	125,996	124,702
Operating income	16,080	13,810
Non-operating income		
Interest income	237	261
Foreign exchange gains	2,122	1,749
Other	330	518
Total non-operating income	2,691	2,529
Non-operating expenses		
Interest expense	103	113
Commission expenses	127	74
Other	70	69
Total non-operating expenses	302	257
Ordinary income	¥ 18,469	¥16,083

(Millions of yen)

	Twelve Months Ended December 31	
	FY2023 (January 01, 2023– December 31, 2023)	FY2024 (January 01, 2024– December 31, 2024)
Extraordinary income		
Compensation income	¥376	-
Foreign currency translation adjustments	297	-
Total extraordinary income	674	-
Extraordinary losses		
Loss on disposal of non-current assets	697	¥330
Impairment loss	1,813	696
Loss on valuation of investment securities	361	300
Other	911	107
Total extraordinary losses	3,783	1,434
Income before income taxes	15,360	14,649
Income taxes – current	1,300	4,306
Income taxes – deferred	4,327	1,034
Total income taxes	5,627	5,341
Net income	9,732	9,307
Profit attributable to non-controlling interests	67	21
Profit attributable to owners of parent	¥9,665	¥9,286

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Twelve Months Ended December 31	
	FY2023 (January 01, 2023– December 31, 2023)	FY2024 (January 01, 2024– December 31, 2024)
Net income	¥9,732	¥9,307
Other comprehensive income		
Valuation difference on available-for-sale securities	109	(153)
Foreign currency translation adjustments	(1,455)	(371)
Remeasurements of defined benefit plans	72	228
Total other comprehensive income	(1,273)	(296)
Comprehensive income	8,459	9,011
Comprehensive income attributable to owners of the parent	8,378	9,026
Comprehensive income attributable to non-controlling interests	¥ 80	¥ (14)

(3) Consolidated Statements of Changes in Net Assets

FY2023 (January 01, 2023 – December 31, 2023)

(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	¥81,025	¥82,759	¥(2,860)	¥170,924
Changes of items during the period					
Dividends from retained earnings			(11,516)		(11,516)
Net income attributable to owners of parent			9,665		9,665
Disposal of treasury stock				20	20
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	(1,851)	20	(1,831)
Balance at the end of the period	¥10,000	¥81,025	¥80,907	¥(2,839)	¥169,093

(Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling 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	¥120	¥(303)	¥182	¥(0)	¥243	¥291	¥171,459
Changes of items during the period							
Dividends from retained earnings							(11,516)
Net income attributable to owners of parent							9,665
Disposal of treasury stock							20
Net changes of items other than shareholders' equity	109	(1,468)	72	(1,286)	-	57	(1,229)
Total changes of items during the period	109	(1,468)	72	(1,286)	-	57	(3,060)
Balance at the end of the period	¥229	¥(1,772)	¥255	¥(1,287)	¥243	¥348	¥168,398

FY2024 (January 01, 2024 – December 31, 2024)

(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	¥81,025	¥80,907	¥(2,839)	¥169,093
Changes of items during the period					
Dividends from retained earnings			(11,519)		(11,519)
Net income attributable to owners of parent			9,286		9,286
Acquisition of treasury stock				(195)	(195)
Disposal of treasury stock		159		112	271
Changes in ownership interest due to acquisition of subsidiary stock		(733)			(733)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(574)	(2,233)	(82)	(2,890)
Balance at the end of the period	¥10,000	¥80,451	¥78,674	¥(2,922)	¥166,203

(Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling 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	¥229	¥(1,772)	¥255	¥(1,287)	¥243	¥348	¥168,398
Changes of items during the period							
Dividends from retained earnings							(11,519)
Net income attributable to owners of parent							9,286
Acquisition of treasury stock							(195)
Disposal of treasury stock							271
Changes in ownership interest due to acquisition of subsidiary stock							(733)
Net changes of items other than shareholders' equity	(153)	(334)	228	(260)	(7)	(324)	(591)
Total changes of items during the period	(153)	(334)	228	(260)	(7)	(324)	(3,482)
Balance at the end of the period	¥75	¥(2,106)	¥483	¥(1,547)	¥236	¥23	¥164,916

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Twelve Months Ended December 31	
	FY2023 (January 01, 2023– December 31, 2023)	FY2024 (January 01, 2024– December 31, 2024)
Cash flows from operating activities		
Income before income taxes	¥15,360	¥14,649
Depreciation and amortization	7,712	8,352
Impairment loss	1,813	696
Increase (decrease) in allowance for doubtful accounts	159	145
Increase (decrease) in provision for bonuses	31	(248)
Increase (decrease) in other provision	13	(64)
Increase (decrease) in net defined benefit liability	(971)	(258)
Interest and dividend income	(237)	(261)
Interest expense	103	113
Foreign exchange gain	(2,176)	(1,378)
Loss on valuation of investment securities	361	300
Loss on disposal of non-current assets	697	330
Foreign currency translation adjustments	(297)	-
Loss on liquidation of business	770	-
Compensation income	(376)	-
Decrease (increase) in notes and accounts receivable – trade	175	495
Decrease (increase) in inventories	(1,464)	(17)
Increase (decrease) in notes and accounts payable – trade	(135)	(708)
Increase (decrease) in contract liabilities	(244)	(460)
Decrease (increase) in other assets	(317)	259
Increase (decrease) in other liabilities	(249)	514
Other	83	(229)
Subtotal	20,810	22,229
Interest and dividends received	232	273
Interest paid	(104)	(115)
Payment for liquidation of business	(305)	(38)
Compensation income received	376	-
Income taxes refund (paid)	(6,586)	3,836
Net cash provided by operating activities	¥14,423	¥26,185

(Millions of yen)

	Twelve Months Ended December 31	
	FY2023 (January 01, 2023– December 31, 2023)	FY2024 (January 01, 2024– December 31, 2024)
Cash flows from investing activities		
Payments into time deposits	¥(286)	¥(278)
Proceeds from withdrawal of time deposits	245	281
Purchase of short-term investments in securities	(1,000)	(2,000)
Proceeds from sales and redemption of short-term investments in securities	11,100	12,000
Purchase of property, plant and equipment	(12,146)	(8,172)
Proceeds from sales of property, plant and equipment	0	4
Purchase of intangible assets	(4,088)	(3,983)
Payments for disposal of non-current assets	(215)	(29)
Purchase of investments in securities	(11,403)	(9,310)
Proceeds from Sales and Redemptions of Investment Securities	-	43
Payment for Asset retirement obligations	(345)	(338)
Purchase of long-term prepaid expenses	(254)	(346)
Payments for lease and guarantee deposits	(144)	(192)
Proceeds from collection of lease and guarantee deposits	416	288
Other	(612)	(70)
Net cash used in investing activities	(18,734)	(12,104)
Cash flows from financing activities		
Repayment of loan payable	(12)	(12)
Repayments of lease obligations	(815)	(800)
Cash dividends paid	(11,547)	(11,554)
Purchase of treasury stock	(20)	(195)
Payments for acquisition of shares of subsidiaries not resulting in change in scope of consolidation	-	(1,008)
Proceeds from sales of treasury stock	20	195
Net cash used in financing activities	(12,375)	(13,376)
Effect of exchange rate change on cash and cash equivalents	501	224
Net decrease in cash and cash equivalents	(16,185)	928
Cash and cash equivalents at beginning of period	62,562	46,376
Cash and cash equivalents at end of period	¥46,376	¥47,305

(5) Notes to Consolidated Financial Statements**(Going Concern Assumptions)**

None

(Changes in Accounting Policies that are difficult to distinguish from Changes in Accounting Estimates)

(Change in Depreciation Method for Tangible Fixed Assets)

The Company and its domestic consolidated subsidiaries have shifted from using the declining balance method, which was primarily used for the depreciation of tangible fixed assets (except for leased assets), to the straight-line method from the beginning of the current consolidated accounting period.

The establishment of the Technical Development Center (TDC) in 2024 and the launch of the medium-term management plan in the same year have led to the anticipation of stable and consistent production and sales in the future. Consequently, the straight-line method, which evenly distributes costs over the useful life, has been deemed a more suitable approach for conducting periodic profit and loss calculations.

As a result of this change, operating income have increased by ¥673 million, ordinary income, and income before income taxes for the current consolidated accounting period have increased by ¥683 million respectively compared with using the previous method.

(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 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 under the following brand names: *POLA, ORBIS, Jurlique, DECENCIA, 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 28, 2024).

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

(Change in Depreciation Method for Tangible Fixed Assets)

As stated in "Changes in Accounting Policies that are difficult to distinguish from Changes in Accounting Estimates", the Company and its domestic consolidated subsidiaries have shifted from using the declining balance method, which was primarily used for the depreciation of tangible fixed assets (except for leased assets), to the straight-line method from the beginning of the current consolidated fiscal year.

As a result of this change, segment profits for the current consolidated accounting period have increased by ¥629 million in Beauty Care, ¥43 million in Real Estate, and ¥0 million in Others respectively compared with using the previous method. Reconciliations to segment profit has decreased by ¥0 million.

3. Information about Net Sales, Profit (Loss), Assets and Other Items by Reportable Segment
Fiscal Year Ended December 31, 2023 (January 01, 2023–December 31, 2023)

(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	¥168,477	¥2,078	¥170,555	¥2,748	¥173,304	-	¥173,304
Intersegment Sales or Transfers	109	444	553	2,301	2,855	¥(2,855)	-
Total	168,586	2,522	171,109	5,050	176,159	(2,855)	173,304
Segment Income	16,354	440	16,794	149	16,944	(863)	16,080
Segment Assets	160,573	28,071	188,645	3,083	191,728	9,479	201,207
Other Items							
Depreciation and Amortization	6,686	424	7,110	12	7,123	589	7,712
Increase in property, plant and equipment and intangible assets	¥14,042	¥3,347	¥17,389	¥3	¥17,393	¥85	¥17,478

- 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 ¥(863) million includes intersegment transaction eliminations of ¥8,796 million and less corporate expenses of ¥(9,659) 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 ¥9,479 million includes less intersegment eliminations of ¥(64,754) million and corporate assets of ¥74,234 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 ¥1,736 million is recognized on Beauty Care segment.

Fiscal Year Ended December 31, 2024 (January 01, 2024–December 31, 2024)

(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	¥ 165,060	¥ 2,214	¥ 167,274	¥ 3,085	¥ 170,359	-	¥ 170,359
Intersegment Sales or Transfers	124	478	603	2,538	3,142	¥ (3,142)	-
Total	165,184	2,692	167,877	5,624	173,502	(3,142)	170,359
Segment Income	14,926	76	15,003	231	15,235	(1,424)	13,810
Segment Assets	157,088	34,004	191,093	2,988	194,081	6,239	200,320
Other Items							
Depreciation and Amortization	6,886	722	7,609	12	7,622	730	8,352
Increase in property, plant and equipment and intangible assets	¥ 8,197	¥ 6,048	¥ 14,245	¥ 2	¥ 14,248	¥ 270	¥ 14,518

- 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 ¥(1,424) million includes intersegment transaction eliminations of ¥3,052 million less corporate expenses of ¥(4,477) 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 ¥6,239 million includes less intersegment eliminations of ¥(64,068) million and corporate assets of ¥70,307 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 ¥696 million is recognized on Beauty Care segment.

(Per Share Information)

	FY2023 (January 01, 2023– December 31, 2023)	FY2024 (January 01, 2024– December 31, 2024)
Net assets per share	¥758.49	¥744.16
Net income per share	¥43.69	¥41.97
Diluted net income per share	¥43.64	¥41.93

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 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, 2024 is 344,998 and the average number of shares is 289,985 during the period. The number of shares of deducted treasury stock at December 31, 2023 was 235,910 and the average number of shares is 237,129 during the period.

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

Item	FY2023 (January 01, 2023– December 31, 2023)	FY2024 (January 01, 2024– December 31, 2024)
Net income per share		
Profit attributable to owners of parent (millions of yen)	¥9,665	¥9,286
Amounts not attributable to shareholders of common stock (millions of yen)	-	-
Profit attributable to owners of parent associated with common stock (millions of yen)	¥9,665	¥9,286
Weighted average number of shares of common stock during the fiscal year	221,236,973	221,258,267
Diluted net income per share		
Adjustment of profit attributable to owners of parent (millions of yen)	-	-
Number of shares of common stock increased	235,630	231,066
[Of which, subscription rights to shares]	(235,630)	(231,066)
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	FY2023 (At December 31, 2023)	FY2024 (At December 31, 2024)
Total net assets (millions of yen)	¥168,398	¥164,916
Amount deducted from total net assets (millions of yen)	¥591	¥259
[Of which, subscription rights to shares (millions of yen)]	¥(243)	¥(236)
[Of which, non-controlling interests (millions of yen)]	¥(348)	¥(23)
Net assets associated with common stock (millions of yen)	¥167,806	¥164,656
Number of shares of common stock used in the calculation of net assets per share	221,238,193	221,265,430

(Subsequent Event)

None