Summary of Financial Results

For the First Quarter of the Fiscal Year Ending December 31, 2016 (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.

May 2, 2016

POLA ORBIS HOLDINGS INC.

Listing: Tokyo Stock Exchange, First Section (Code No.: 4927)
URL: http://www.po-holdings.co.jp/
Representative: Satoshi Suzuki, President
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Filing Date of Quarterly Securities Report: May 13, 2016
Start of Cash Dividend Payment: —
Supplemental Materials Prepared for Quarterly Financial Results: Yes
Conference Presentation for Quarterly Financial Results: None

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the First Three Months Fiscal 2016
(January 1, 2016–March 31, 2016)
(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	%
FY2016 Three Months	49,516	9.1	3,673	26.2	3,381	11.0	3,616	47.8
FY2015 Three Months	45,392	(9.6)	2,909	(46.6)	3,047	(41.0)	2,446	(1.0)

Note: Comprehensive income: ¥2,620 million (522.1%) for the three months ended March 31, 2016;
¥421 million (-85.1%) for the three months ended March 31, 2015

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2016 Three Months	65.41	65.32
FY2015 Three Months	44.25	44.20

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2016 First Quarter	220,691	178,848	80.9	3,227.51
FY2015	235,734	180,635	76.5	3,260.00

Reference: Equity capital: FY2016 First Quarter: ¥178,442 million ; FY2015: ¥180,238 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	70.00	—	80.00	150.00
FY2016	—				
FY2016 (Forecast)		90.00	—	110.00	200.00

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

3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2016
(January 1, 2016–December 31, 2016)

(Percentage figures indicate year-on-year change)

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

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

Notes to Summary Information

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

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

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

Note: Please refer to “2. Summary Information (Notes) (2) Changes in Accounting Policies, Accounting Estimates, and Restatement” on page 6 for further detailed information.

(4) Number of shares issued and outstanding (common stock)
1) Number of shares issued and outstanding at the end of each period (including treasury stock)
At March 31, 2016 57,284,039 shares
At December 31, 2015 57,284,039 shares
2) Number of shares of treasury stock at the end of each period
At March 31, 2016 1,996,110 shares
At December 31, 2015 1,996,110 shares
3) Average number of shares issued and outstanding in each period
Three months ended Mrach 31, 2016 55,287,929 shares
Three months ended March 31, 2015 55,284,039 shares

Information Regarding Audit Procedures

This quarterly financial report is not included in the scope of the quarterly review procedures pursuant to the Financial Instruments and Exchange Act (the “Act”). At the time of disclosure of this report, review procedures for the quarterly financial statements pursuant to the Act, have not been completed.

Explanation of Appropriate Use of Performance Forecast and Other Special Items

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties. For performance projections, please refer to “1. Qualitative Information on Consolidated Performance for the First Quarter of Fiscal 2016 (3) Explanation of Consolidated Performance Forecast and Other Predictive Information” on page 5.

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1. Qualitative Information on Consolidated Performance for the First Quarter of Fiscal 2016

(1) Explanation of Consolidated Operating Results

During the three months of fiscal 2016 (January 1 – March 31, 2016), the Japanese economy continued on a moderate recovery track backed by improvement in the employment situation and corporate earnings, despite signs of weakness in consumer sentiment primarily due to a decrease in real income of working households consisting of two or more persons. This trend is expected to continue in the future.

In the domestic cosmetics market, skincare products, in particular, grew steadily thanks to inbound consumption by tourists visiting Japan. However, the market scale remained the same as the previous year when inbound consumption is excluded. In the overseas cosmetics market, a modest expansion continued, despite a slowdown in economic growth in China.

Within this market environment, the POLA ORBIS Group (the “Group”) continued its efforts to achieve enhanced corporate value by further strengthening the domestic earnings structure, accelerating overseas expansion, and improving capital efficiency during the current fiscal year, which marks the final year of the three-year medium-term management plan (from 2014 to 2016).

As a result of these factors, the Group achieved the following consolidated operating results for the three months of fiscal 2016.

Consolidated net sales for the three months of fiscal 2016 grew 9.1% year on year, to ¥49,516 million, reflecting the strong performance of the brands under development—THREE and decencia, in addition to the flagship brands POLA and ORBIS. Operating income rose 26.2% year on year, to ¥3,673 million, resulting from higher gross profit accompanying the increase in sales. Ordinary income advanced 11.0% year on year, to ¥3,381 million. In addition to the above results, Profit attributable to owners of parent grew 47.8% year on year, to ¥3,616 million, due to an increase in income taxes, despite the recording of extraordinary income in association with the transfer of non-current assets.

Operating Results Overview (Millions of yen)

	Three Months Ended March 31			
	2015	**2016**	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥45,392	**¥49,516**	¥4,123	9.1
Operating Income	2,909	**3,673**	763	26.2
Ordinary Income	3,047	**3,381**	334	11.0
Profit Attributable to Owners of Parent	¥2,446	**¥3,616**	¥1,169	47.8

Operating Results by Segment

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

	Three Months Ended March 31			
	2015	**2016**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥42,268	**¥46,154**	¥3,885	9.2
Real Estate	728	**757**	28	3.9
Others	2,395	**2,605**	209	8.7
Total	¥45,392	**¥49,516**	¥4,123	9.1

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

	Three Months Ended March 31			
	2015	**2016**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥2,691	**¥3,820**	¥1,129	42.0
Real Estate	317	**479**	161	51.0
Others	(68)	**(412)**	(343)	—
Reconciliations of Segment Profit (Note)	(30)	**(214)**	(183)	—
Total	¥2,909	**¥3,673**	¥763	26.2

Note: Reconciliations of segment profit refer to elimination of profits arising from inter-company transactions and expenses not allocated to reportable segments. Please see note 2 in "1. Information about Net Sales and Profit (Loss) by Reportable Segment" on page 11 and 12 for the details of reconciliations of segment income during the period.

Beauty Care

The Beauty Care segment consists of the flagship brands ***POLA*** and ***ORBIS***; the overseas brands ***Jurlique*** and ***H2O PLUS***, and the brands under development—***pdc***, ***FUTURE LABO***, ***decencia***, ***ORLANE***, and ***THREE***.

POLA is seeking to achieve long-term stable growth through revamped branding, educational investment and change of the sales commission system for development of professional Beauty Directors.

Business in the domestic market performed favorably as a result of the launch in March of ***B.A Protector***, a daytime cream that protects the skin from sunlight while providing anti-aging care, and the expansion of inbound sales from tourists visiting Japan in health and beauty foods and cosmetics. In overseas markets, POLA is making efforts to improve the quality of stores with a view to enhancing customer satisfaction in the key Chinese department store business. However, the situation is challenging overall with the exception of the Hong Kong market. As a result of these factors, POLA recorded net sales exceeding those of the corresponding period of the previous year.

ORBIS is making efforts to reinforce brand communication, acquire customers by means of social media, and improve second-time purchase rates with the aim of achieving further growth and improved profitability through brand evolution.

Business in the domestic market performed well with the launch in March of ***ORBIS=U WHITE*** series for skin-whitening and anti-aging care and customers growing as a result of the use of social media, among others. In overseas markets, sales through the company's and external e-commerce sites performed favorably in China. As a result of these factors, net sales of the ORBIS brand exceeded those of the corresponding period of the previous year.

For overseas brands, the Group is endeavoring to maintain a high rate of growth and contribute to revenues and earnings, focusing on Asia as a growth driver. ***Jurlique*** showed a performance on par with that of the previous year in the Australian market but faced severe conditions in the Hong Kong and Chinese markets. ***H2O PLUS*** carried out brand restaging to restore growth and continued closing underperforming stores in China. As a result, net sales of overseas brands fell below those of the corresponding period of the previous year.

Brands under development recorded net sales exceeding those of the corresponding period of the previous year, due to the strong performance of ***THREE*** and ***decencia***.

As a result of the factors noted above, net sales—sales to external customers—were ¥46,154 million, up 9.2% year on year, and operating income was ¥3,820 million, up 42.0% year on year.

Real Estate

The Real Estate segment concentrates on the leasing of office buildings in urban areas. Efforts are currently directed at sustaining rent levels but leaning more toward raising rents and occupancy rates by creating attractive office environments. Another area of emphasis is the residential properties rental business. This business highlights condominiums perfect for families with young children. During the three months of fiscal 2016, net sales exceeded those of the corresponding period of the previous year, due to rises in tenant occupancy rates and unit prices per *tsubo* (equivalent to approximately 3.3 square meters).

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥757 million, up 3.9% year on year, and operating income was ¥479 million, up 51.0% year on year.

Others

The Others segment comprises the pharmaceuticals and building maintenance businesses.

The pharmaceuticals business draws on results accumulated by Group companies in research related to cosmetics and quasi-pharmaceuticals to develop, manufacture and sell new pharmaceuticals and conduct contract manufacturing of pharmaceuticals. During the three months of fiscal 2016, in addition to the Group's continued sales activities specializing in the priority field of dermatology, efforts were made to sell "***Duac® Gel***," a combination drug for the treatment of acne vulgaris, under the exclusive distribution agreement with GlaxoSmithKline K.K. As a result, net sales were up year on year.

Meanwhile, operating income declined year on year, due to the additional costs incurred for initial promotion of ***Duac® Gel***.

The building maintenance business is engaged in the operation and management of buildings mainly catering to the needs of Group companies. During the three months of fiscal 2016, the Group received a large volume of orders thanks to ongoing sales activities. However, net sales fell below those of the corresponding period of the previous year due to a decline in unit prices of orders.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥2,605 million, up 8.7% year on year, and operating loss amounted to ¥412 million (¥68 million in operating loss for the corresponding period of the previous year).

(2) Explanation of Consolidated Financial Position

As of March 31, 2016, total assets stood at ¥220,691 million, down 6.4%, or ¥15,043 million, from December 31, 2015. Factors related to this change included decreases of ¥12,283 million in cash and deposits, ¥5,426 million in notes and accounts receivable – trade, and ¥740 million in land due to the sale of idle property and an increase of ¥3,716 million in investments in securities from the management of surplus funds.

Total liabilities amounted to ¥41,842 million, down 24.1%, or ¥13,255 million, from December 31, 2015. Factors related to this change included decreases of ¥4,342 million in income taxes payable and ¥7,949 million in "Other" of current liabilities due to a decrease in sales commission payable.

Net assets amounted to ¥178,848 million, down 1.0%, or ¥1,787 million, from December 31, 2015. Factors contributing to this change included a decrease of ¥810 million in foreign currency translation adjustments due to exchange rate movements and ¥4,423 million in dividends from retained earnings, partially offset by profit attributable to owners of parent of ¥3,616 million.

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

The Company has made no revisions to the full-year consolidated performance forecast announced on February 15, 2016.

(Information for reference)

Cumulative Results for Fiscal 2015

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥45,392	¥99,783	¥152,503	¥214,788
Operating Income	2,909	9,239	15,247	22,511
Ordinary Income	3,047	9,673	15,404	22,359
Profit Attributable to Owners of Parent	¥ 2,446	¥ 6,090	¥ 9,257	¥ 14,095

Quarterly Results for Fiscal 2015

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥45,392	¥54,390	¥52,719	¥62,285
Operating Income	2,909	6,329	6,008	7,263
Ordinary Income	3,047	6,626	5,730	6,955
Profit Attributable to Owners of Parent	¥ 2,446	¥ 3,644	¥ 3,167	¥ 4,837

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Current Period

None

(2) Changes in Accounting Policies, Accounting Estimates, and Restatement

(Changes in Accounting Policies)

Effective from the first quarter of fiscal 2016, the Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued on September 13, 2013; the “Business Combinations Accounting Standard”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013; the “Consolidation Accounting Standard”), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013; the “Business Divestitures Accounting Standard”), and other accounting standards have been applied. Accordingly, the method of recording differences associated with changes in the Company's ownership interests in subsidiaries under ongoing control of the Company was changed to record them as capital surplus, and the method of recording acquisition-related costs was changed to recognize them as expenses for the fiscal year in which the costs are incurred. Furthermore, for business combinations carried out on or after January 1, 2016, the accounting method was changed to reflect the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs. In addition, the presentation of net income, etc. has been changed, and the presentation of minority interests has been changed to non-controlling interests. In order to reflect these changes in presentation, reclassification was made to the quarterly consolidated financial statements for the three months of fiscal 2015 and to the consolidated financial statements for fiscal 2015.

Application of the Business Combinations Accounting Standard and other standards is in accordance with the transitional treatment provided in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard, and Article 57-4 (4) of the Business Divestitures Accounting Standard, and these standards will be applied from the beginning of the first quarter of fiscal 2016 and on into the future.

These changes have no effect on the quarterly consolidated financial statements for the three months of fiscal 2016.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2015 December 31, 2015	**FY2016 First Quarter March 31, 2016**
Assets		
Current assets		
Cash and deposits	¥ 47,451	**¥ 35,167**
Notes and accounts receivable – trade	27,646	**22,219**
Short-term investments in securities	16,700	**17,200**
Merchandise and finished goods	13,463	**13,565**
Work in process	1,294	**1,252**
Raw materials and supplies	4,693	**4,804**
Other	8,928	**9,355**
Allowance for doubtful accounts	(154)	**(129)**
Total current assets	120,022	**103,435**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,354	**18,429**
Land	19,135	**18,394**
Other, net	14,877	**14,738**
Total property, plant and equipment	53,367	**51,562**
Intangible assets		
Goodwill	11,894	**11,487**
Right of trademark	8,983	**8,812**
Other	11,866	**11,509**
Total intangible assets	32,745	**31,810**
Investments and other assets		
Investments in securities	21,447	**25,163**
Other	8,219	**8,786**
Allowance for doubtful accounts	(67)	**(67)**
Total investments and other assets	29,599	**33,883**
Total non-current assets	115,711	**117,255**
Total assets	¥235,734	**¥220,691**

(Millions of yen)

	FY2015 December 31, 2015	**FY2016 First Quarter March 31, 2016**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 5,386	**¥ 5,118**
Short-term loans payable	600	**600**
Income taxes payable	5,523	**1,180**
Provision for bonuses	1,734	**1,941**
Provision for point program	3,450	**3,127**
Other provisions	390	**124**
Other	26,727	**18,777**
Total current liabilities	43,812	**30,869**
Non-current liabilities		
Long-term loans payable	1,000	**1,000**
Other provisions	56	**56**
Net defined benefit liability	4,026	**3,923**
Other	6,202	**5,993**
Total non-current liabilities	11,285	**10,973**
Total liabilities	55,098	**41,842**
Net assets		
Shareholders' equity		
Common stock	10,000	**10,000**
Capital surplus	90,722	**90,722**
Retained earnings	77,381	**76,574**
Treasury stock	(2,194)	**(2,194)**
Total shareholders' equity	175,909	**175,102**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	512	**331**
Foreign currency translation adjustments	4,359	**3,548**
Remeasurements of defined benefit plans	(542)	**(540)**
Total accumulated other comprehensive income	4,329	**3,339**
Subscription rights to shares	183	**197**
Non-controlling interests	214	**208**
Total net assets	180,635	**178,848**
Total liabilities and net assets	¥235,734	**¥220,691**

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

Consolidated Statements of Income

(Millions of yen)

	Three Months Ended March 31	
	FY2015 (January 1, 2015– March 31, 2015)	**FY2016 (January 1, 2016– March 31, 2016)**
Net sales	¥45,392	**¥49,516**
Cost of sales	8,703	**9,443**
Gross profit	36,689	**40,073**
Selling, general and administrative expenses		
Sales commission	10,259	**10,874**
Promotion expenses	4,352	**5,294**
Advertising expenses	1,548	**1,814**
Salaries, allowances and bonuses	4,903	**4,797**
Provision for bonuses	1,014	**1,113**
Provision for point program	2,175	**2,362**
Other	9,526	**10,143**
Total selling, general and administrative expenses	33,779	**36,400**
Operating income	2,909	**3,673**
Non-operating income		
Interest income	72	**60**
Foreign exchange gains	56	**—**
Other	67	**51**
Total non-operating income	195	**111**
Non-operating expenses		
Interest expense	26	**16**
Foreign exchange losses	—	**374**
Other	32	**11**
Total non-operating expenses	58	**402**
Ordinary income	3,047	**3,381**
Extraordinary income		
Gain on sales of non-current assets	0	**2,996**
Reversal of foreign currency translation adjustments	538	—
Other	5	**3**
Total extraordinary income	544	**3,000**
Extraordinary losses		
Loss on disposal of non-current assets	42	**44**
Other	1	**3**
Total extraordinary losses	43	**48**
Profit before income taxes	3,548	**6,334**
Income taxes – current	557	**2,388**
Income taxes – deferred	548	**325**
Total income taxes	1,106	**2,713**
Profit	2,441	**3,620**
Profit (Loss) attributable to non-controlling interests	(4)	**4**
Profit attributable to owners of parent	¥ 2,446	**¥ 3,616**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three Months Ended March 31	
	FY2015 (January 1, 2015– March 31, 2015)	**FY2016 (January 1, 2016– March 31, 2016)**
Profit	¥2,441	**¥3,620**
Other comprehensive income		
Valuation difference on available-for-sale securities	127	**(180)**
Foreign currency translation adjustments	(2,143)	**(820)**
Remeasurements of defined benefit plans	(4)	**1**
Share of other comprehensive income of associates accounted for using equity method	0	**0**
Total other comprehensive income	(2,020)	**(999)**
Comprehensive income	421	**2,620**
Comprehensive income attributable to owners of parent	423	**2,626**
Comprehensive income attributable to non-controlling interests	¥(2)	**¥(5)**

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)
None

(Significant Changes in Shareholders' Equity)
None

(Segment Information)
Ⅰ. First Quarter of Fiscal 2015 (January 1, 2015-Mrach 31, 2015)
1. Information about Net Sales and Profit (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥ 42,268	¥728	¥42,997	¥2,395	¥45,392	―	¥45,392
Intersegment Sales or Transfers	19	119	138	380	518	¥(518)	―
Total	42,288	847	43,136	2,775	45,911	(518)	45,392
Segment Profit (Loss)	¥ 2,691	¥317	¥ 3,008	¥ (68)	¥ 2,940	¥ (30)	¥ 2,909

Notes: 1. “Others” comprises business operations that are not categorized as reportable segments and include the pharmaceuticals and building maintenance businesses.
2. The segment profit reconciliation of ¥(30) million includes intersegment transaction eliminations of ¥504 million, and corporate expenses of ¥(535) million not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.
3. Segment profit is adjusted for operating income reported in the quarterly consolidated statements of income.

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

(Significant Changes in Goodwill)
None

Ⅱ. First Quarter of Fiscal 2016 (January 1, 2016–March 31, 2016)

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

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	**Real Estate**	**Subtotal**				
Net Sales							
Sales to External Customers	**¥46,154**	**¥757**	**¥46,911**	**¥2,605**	**¥49,516**	**ー**	**¥49,516**
Intersegment Sales or Transfers	**27**	**232**	**260**	**456**	**716**	**¥(716)**	**ー**
Total	**46,181**	**990**	**47,171**	**3,061**	**50,233**	**(716)**	**49,516**
Segment Profit (Loss)	**¥3,820**	**¥479**	**¥4,299**	**¥(412)**	**¥3,887**	**¥(214)**	**¥3,673**

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

2. The segment profit reconciliation of ¥(214) million includes intersegment transaction eliminations of ¥476 million, and corporate expenses of ¥(690) million not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

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

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

(Significant Impairment Loss of Non-current Assets)

None

(Significant Changes in Goodwill)

None