Summary of Financial Results

For the First Half of the Fiscal Year Ended December 31, 2017 (Consolidated)

These financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan. The following English translation is based on the original Japanese-language document.

July 31, 2017

POLA ORBIS HOLDINGS INC.

Listing:	Tokyo Stock Exchange, First Section (Code No.: 4927)	
URL:	http://www.po-holdings.co.jp/	
Representative:	Satoshi Suzuki, Representative Director And President	
Contact:	Akira Fujii, Director, Finance	Tel: +81-3-3563-5517
Filing Date of Quarterly Securities Report:		August 9, 2017
Start of Cash Dividend Payment:		September 8, 2017
Supplemental Materials Prepared for Quarterly Financial Results:		Yes
Conference Presentation for Quarterly Financial Results:		Yes (for analysts)

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the First Half of Fiscal 2017

(January 1, 2017–June 30, 2017)

(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	%
FY2017 First Half	117,378	9.7	20,944	72.4	20,944	86.0	13,955	68.9
FY2016 First Half	106,957	7.2	12,150	31.5	11,258	16.4	8,264	35.7

Note: Comprehensive income: ¥14,339 million (242.8%) for the first half ended June 30, 2017;
¥4,182 million (-9.9%) for the first half ended June 30, 2016

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2017 First Half	63.10	63.01
FY2016 First Half	37.37	37.32

Note: POLA ORBIS HOLDINGS ("the Company") conducted a four for one stock split effective on April 1, 2017. Basic net income per share and diluted net income per share were calculated assuming that the stock split was conducted at the beginning of fiscal 2016.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2017 Second Quarter	240,444	194,144	80.5	875.58
FY2016	228,845	185,864	81.0	838.32

Reference: Equity capital: FY2017 Second Quarter: ¥193,658 million FY2016: ¥185,417 million

Note: A four for one stock split was conducted effective on April 1, 2017. Net assets per share were calculated assuming that the stock split was conducted at the beginning of fiscal 2016.

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2016	—	90.00	—	110.00	200.00
FY2017	—	25.00			
FY2017 (Forecast)			—	30.00	55.00

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

A four for one stock split was conducted effective on April 1, 2017. Dividends for year ended December 31, 2016 were actual dividends announced before the stock split. Dividends for year ending December 31,2017 were forecasted based on those post stock split.

3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2017
(January 1, 2017–December 31, 2017)

(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	236,000	8.0	36,500	35.6	36,500	34.2	23,800	36.4	107.61

Note: Revisions to the consolidated performance forecast announced most recently: none
A four for one stock split was conducted effective on April 1, 2017. Net income per share were calculated assuming that the stock split was conducted at the beginning of fiscal 2017.

Notes to Summary Information

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

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

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

(4) Number of shares issued and outstanding (common stock)
1) Number of shares issued and outstanding at the end of each period (including treasury stock)
At June 30, 2017 229,136,156 shares
At December 31, 2016 229,136,156 shares
2) Number of shares of treasury stock at the end of each period
At June 30, 2017 7,958,317 shares
At December 31, 2016 7,958,040 shares
3) Average number of shares issued and outstanding in each period
Six months ended June 30, 2017 221,177,997 shares
Six months ended June 30, 2016 221,151,716 shares

Note: A four for one stock split was conducted effective on April 1, 2017. Number of shares issued were calculated assuming that the stock split was conducted at the beginning of fiscal 2016.

Information Regarding Quarterly Review Procedures

The quarterly financial results report is exempt from quarterly review.

Explanation of Appropriate Use of Performance Forecast and Other Special Items

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties. For performance projections, please refer to “1. Qualitative Information on Consolidated Performance for the First Half of Fiscal 2017 (3) Explanation of Consolidated Performance Forecast and Other Predictive Information” on page 5.

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1. Qualitative Information on Consolidated Performance for the First Half of Fiscal 2017

(1) Explanation of Consolidated Operating Results

During the first half of fiscal 2017 (January 1–June 30, 2017), the Japanese economy continued on a moderate recovery track, backed by improvement in the employment situation and corporate earnings, and personal consumption has picked up gradually.

The domestic cosmetics market grew steadily, as inbound consumption by tourists visiting Japan, which had weakened since the second half of the previous year, increased again. The market scale was on par with that of 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 and other emerging countries in Asia.

Within this market environment, the POLA ORBIS Group (the “Group”) continued its efforts to achieve further improved profitability in Japan, a solid shift toward profitability from overseas operations and creation of a brand for next-generation growth. The efforts were in line with the new four-year medium-term management plan (from 2017 to 2020) that started in this fiscal year.

As a result of these factors, the Group achieved the following consolidated operating results for the first half of fiscal 2017.

Consolidated net sales for the first half of fiscal 2017 grew 9.7% year on year, to ¥117,378 million, reflecting the strong performance of the flagship brand POLA, in addition to the brands under development—THREE and DECENCIA. Operating income rose 72.4% year on year, to ¥20,944 million, resulting from higher gross profit accompanying the increase in sales. Ordinary income advanced 86.0% year on year, to ¥20,944 million. As a result, profit attributable to owners of parent grew 68.9% year on year, to ¥13,955 million.

Operating Results Overview (Millions of yen)

	Six Months Ended June 30			
	2016	**2017**	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥106,957	**¥117,378**	¥10,420	9.7
Operating Income	12,150	**20,944**	8,794	72.4
Ordinary Income	11,258	**20,944**	9,685	86.0
Profit Attributable to Owners of Parent	¥8,264	**¥13,955**	¥5,690	68.9

Operating Results by Segment

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

	Six Months Ended June 30			
	2016	**2017**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥99,343	**¥109,303**	¥9,959	10.0
Real Estate	1,517	**1,348**	(169)	(11.1)
Others	6,096	**6,726**	630	10.3
Total	¥106,957	**¥117,378**	¥10,420	9.7

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

	Six Months Ended June 30			
	2016	**2017**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥12,080	**¥20,095**	¥8,015	66.4
Real Estate	797	**592**	(205)	(25.7)
Others	(335)	**165**	500	―
Reconciliations of Segment Profit (Note)	(392)	**91**	483	―
Total	¥12,150	**¥20,944**	¥8,794	72.4

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

Beauty Care

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

POLA is seeking to achieve long-term stable growth through brand penetration and investments in hiring and developing professional Beauty Directors. In the domestic market, POLA debuted ***POLA Wrinkle Shot Serum***, the first medicated cosmetic product in Japan approved under quasi-drug rules for improving wrinkles, in January. The product's characteristic of improving wrinkles, which meets the demands of many women with concerns about wrinkles, and the offering of product information through face-to-face consulting and promotional activities are steadily drawing more customers. Business also performed favorably due to an expansion of the inbound sales from tourists visiting Japan in cosmetics. In overseas markets, sales are growing strongly as a whole, especially in China. 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 rate with the aim of achieving further growth and improved profitability through brand evolution. In the domestic market, ORBIS entirely revamped the ***AQUA FORCE*** series, its core product, in January. The second-time purchase rates of customers improved through enhanced communication by way of social media. However, that effort failed to expand the customer base due to restraints on advertising expenses in the previous year, resulting in lower net sales than those of the corresponding period of the previous year. Sales in overseas markets are growing strongly in the Chinese and Singapore markets. As a result of these factors, net sales of ORBIS fell below those of the corresponding period of the previous year.

For overseas brands, the Group took initiatives aimed at business growth in Australia and the United States, where Jurlique and H2O PLUS originated. Jurlique struggled in the travel retail market and the Australian market. Additionally, influenced by the change from retail sales to distributor sales since March 2016 in the Chinese market, net sales fell below those of the corresponding period of the previous year. Meanwhile, due to the reduction of selling, general and administrative expenses as part of the efforts to enhance cost effectiveness, operating income exceeded that of the corresponding period of the previous year. H2O PLUS saw a temporary increase in shipment accompanying the shift to restaging products in June 2016 and a slump in the direct sales website. As a result, net sales fell below those of the corresponding period of the previous year. Meanwhile, operating income exceeded that of the corresponding period of the previous year as one-time expenses were incurred in the previous year in conjunction with the withdrawal from the Chinese business.

Brands under development recorded lower net sales than those of the corresponding period of the previous year due to the transfer of FUTURE LABO and pdc in the previous year, despite the strong performance of THREE and DECENCIA.

As a result of the factors noted above, net sales—sales to external customers—were ¥109,303 million, up 10.0% year on year, and operating income was ¥20,095 million, up 66.4% 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 first half of fiscal 2017, net sales fell below those of the corresponding period of the previous year due to the transfer of POLA EBISU BUILDING in 2016, despite revision to occupancy conditions in light of the situation in the market and at other companies as well as the implementation of measures to improve the value of buildings.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥1,348 million, down 11.1% year on year, and operating income was ¥592 million, down 25.7% 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 first half of fiscal 2017, net sales were up year on year as a result of the Group's continued sales activities specializing in the priority field of dermatology, in addition to sales of ***Duac® Gel***, a combination drug for the treatment of acne vulgaris, under a license agreement with the GlaxoSmithKline Group, and the launch of ***LUCONAC® Solution 5%***, a treatment for onychomycosis, in April 2016.

The building maintenance business is engaged in the operation and management of buildings mainly catering to the needs of Group companies. During the first half of fiscal 2017, net sales exceeded those of the corresponding period of the previous year due to favorable growth in orders received as a result of ongoing sales activities.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥6,726 million, up 10.3% year on year, and operating income amounted to ¥165 million (¥335 million of operating loss for the corresponding period of the previous year).

(2) Explanation of Consolidated Financial Position

As of June 30, 2017, total assets stood at ¥240,444 million, up 5.1%, or ¥11,598 million, from December 31, 2016. Factors related to this change included increases of ¥10,400 million in short-term investments in securities for the management of surplus funds and ¥7,815 million in investment in securities, and a decrease of ¥10,174 million in cash and deposits.

Total liabilities amounted to ¥46,300 million, up 7.7%, or ¥3,318 million, from December 31, 2016. Factors related to this change included increases of ¥681 million in notes and accounts payable – trade and ¥2,394 million in "Other" of current liabilities primarily due to an increase in accounts payable – other.

Net assets amounted to ¥194,144 million, up 4.5%, or ¥8,280 million, from December 31, 2016. Factors contributing to this change included recording of ¥13,955 million in profit attributable to owners of parent and an increase of ¥319 million in foreign currency translation adjustments due to exchange rate movements, partially offset by a decrease of ¥6,082 million in dividends from retained earnings.

(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 July 27, 2017.

(Information for reference)

Cumulative Results for Fiscal 2016

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥49,516	¥106,957	¥159,150	¥218,482
Operating Income	3,673	12,150	18,310	26,909
Ordinary Income	3,381	11,258	17,450	27,191
Profit Attributable to Owners of Parent	¥ 3,616	¥ 8,264	¥ 12,294	¥ 17,447

Quarterly Results for Fiscal 2016

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥49,516	¥57,440	¥52,193	¥59,331
Operating Income	3,673	8,477	6,159	8,598
Ordinary Income	3,381	7,876	6,192	9,740
Profit Attributable to Owners of Parent	¥ 3,616	¥ 4,648	¥ 4,029	¥ 5,153

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2016 December 31, 2016	**FY2017 Second Quarter June 30, 2017**
Assets		
Current assets		
Cash and deposits	¥ 76,978	**¥ 66,803**
Notes and accounts receivable – trade	25,985	**27,029**
Short-term investments in securities	18,500	**28,900**
Merchandise and finished goods	12,503	**13,385**
Work in process	1,090	**988**
Raw materials and supplies	3,977	**4,634**
Other	9,384	**10,034**
Allowance for doubtful accounts	(83)	**(78)**
Total current assets	148,335	**151,696**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,132	**18,279**
Land	13,116	**13,058**
Other, net	12,068	**12,460**
Total property, plant and equipment	43,318	**43,798**
Intangible assets		
Goodwill	905	**894**
Right of trademark	8,642	**8,825**
Other	6,789	**6,658**
Total intangible assets	16,337	**16,378**
Investments and other assets		
Investments in securities	13,046	**20,862**
Other	7,894	**7,797**
Allowance for doubtful accounts	(86)	**(88)**
Total investments and other assets	20,854	**28,571**
Total non-current assets	80,510	**88,747**
Total assets	¥228,845	**¥240,444**

(Millions of yen)

	FY2016 December 31, 2016	**FY2017 Second Quarter June 30, 2017**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 4,694	**¥ 5,375**
Short-term loans payable	600	**1,600**
Income taxes payable	2,034	**2,274**
Provision for bonuses	1,639	**1,259**
Provision for point program	3,541	**3,538**
Other provisions	69	**436**
Other	19,282	**21,677**
Total current liabilities	31,862	**36,161**
Non-current liabilities		
Long-term loans payable	1,000	**—**
Other provisions	53	**53**
Net defined benefit liability	4,207	**4,212**
Other	5,858	**5,872**
Total non-current liabilities	11,119	**10,138**
Total liabilities	42,981	**46,300**
Net assets		
Shareholders' equity		
Common stock	10,000	**10,000**
Capital surplus	90,731	**90,731**
Retained earnings	85,430	**93,302**
Treasury stock	(2,187)	**(2,188)**
Total shareholders' equity	183,973	**191,846**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12	**22**
Foreign currency translation adjustments	2,245	**2,565**
Remeasurements of defined benefit plans	(813)	**(775)**
Total accumulated other comprehensive income	1,444	**1,812**
Subscription rights to shares	214	**238**
Non-controlling interests	231	**247**
Total net assets	185,864	**194,144**
Total liabilities and net assets	¥228,845	**¥240,444**

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

Consolidated Statements of Income

(Millions of yen)

	Six Months Ended June 30	
	FY2016 (January 1, 2016– June 30, 2016)	**FY2017 (January 1, 2017– June 30, 2017)**
Net sales	¥106,957	**¥117,378**
Cost of sales	20,121	**18,925**
Gross profit	86,836	**98,452**
Selling, general and administrative expenses		
Sales commission	23,215	**26,060**
Promotion expenses	11,939	**11,627**
Advertising expenses	4,078	**4,473**
Salaries, allowances and bonuses	10,750	**10,829**
Provision for bonuses	1,053	**1,009**
Provision for point program	3,276	**3,309**
Other	20,371	**20,196**
Total selling, general and administrative expenses	74,685	**77,507**
Operating income	12,150	**20,944**
Non-operating income		
Interest income	126	**115**
Other	103	**113**
Total non-operating income	229	**228**
Non-operating expenses		
Interest expense	34	**37**
Foreign exchange losses	1,064	**173**
Other	22	**18**
Total non-operating expenses	1,121	**229**
Ordinary income	11,258	**20,944**
Extraordinary income		
Gain on sales of non-current assets	2,997	**623**
Reversal of foreign currency translation adjustments	—	**5**
Other	25	**—**
Total extraordinary income	3,022	**629**
Extraordinary losses		
Loss on sales of non-current assets	8	**19**
Loss on disposal of non-current assets	125	**139**
Provision for loss on litigation	—	**370**
Other	25	**7**
Total extraordinary losses	159	**535**
Profit before income taxes	14,121	**21,037**
Income taxes – current	5,621	**7,548**
Income taxes – deferred	224	**(476)**
Total income taxes	5,846	**7,071**
Profit	8,275	**13,966**
Profit (Loss) attributable to non-controlling interests	10	**10**
Profit attributable to owners of parent	¥ 8,264	**¥ 13,955**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six Months Ended June 30	
	FY2016 (January 1, 2016– June 30, 2016)	**FY2017 (January 1, 2017– June 30, 2017)**
Profit	¥8,275	**¥13,966**
Other comprehensive income		
Valuation difference on available-for-sale securities	(233)	**10**
Foreign currency translation adjustments	(3,873)	**324**
Remeasurements of defined benefit plans	14	**37**
Share of other comprehensive income of associates accounted for using equity method	0	**—**
Total other comprehensive income	(4,092)	**373**
Comprehensive income	4,182	**14,339**
Comprehensive income attributable to owners of parent	4,200	**14,323**
Comprehensive income attributable to non-controlling interests	¥(17)	**¥15**

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)

None

(Significant Changes in Shareholders' Equity)

None

(Segment Information)

Ⅰ. First Half of Fiscal 2016 (January 1, 2016-June 30, 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	¥ 99,343	¥1,517	¥100,860	¥6,096	¥106,957	—	¥106,957
Intersegment Sales or Transfers	46	353	400	1,228	1,628	¥(1,628)	—
Total	99,389	1,871	101,261	7,324	108,586	(1,628)	106,957
Segment Profit (Loss)	¥ 12,080	¥797	¥ 12,877	¥ (335)	¥ 12,542	¥ (392)	¥ 12,150

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 ¥ (392) million includes intersegment transaction eliminations of ¥1,030 million, and corporate expenses of ¥ (1,422) million not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

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

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

(Significant Impairment Loss of Non-current Assets)

None

(Significant Changes in Goodwill)

None

Ⅱ. First Half of Fiscal 2017 (January 1, 2017–June 30, 2017)

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	**¥109,303**	**¥1,348**	**¥110,651**	**¥6,726**	**¥117,378**	**—**	**¥117,378**
Intersegment Sales or Transfers	**37**	**254**	**292**	**1,216**	**1,508**	**¥(1,508)**	**—**
Total	**109,340**	**1,603**	**110,943**	**7,942**	**118,886**	**(1,508)**	**117,378**
Segment Profit (Loss)	**¥20,095**	**¥592**	**¥20,688**	**¥165**	**¥20,853**	**¥91**	**¥20,944**

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 ¥91 million includes intersegment transaction eliminations of ¥1,615 million, and corporate expenses of ¥ (1,524) 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