Summary of Financial Results

For the First Half of the Fiscal Year Ending December 31, 2018 (Consolidated)

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

July 30, 2018

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 10, 2018
Start of Cash Dividend Payment: September 7, 2018
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 2018
(January 1, 2018–June 30, 2018)
(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	%
FY2018 First Half	125,262	6.7	23,103	10.3	22,723	8.5	15,321	9.8
FY2017 First Half	117,378	9.7	20,944	72.4	20,944	86.0	13,955	68.9

Note: Comprehensive income: ¥14,417 million (0.5%) for the first half ended June 30, 2018;
¥14,339 million (242.8%) for the first half ended June 30, 2017

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2018 First Half	69.27	69.18
FY2017 First Half	63.10	63.01

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 2017.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2018 Second Quarter	250,281	203,304	81.1	917.47
FY2017	252,567	198,845	78.6	897.26

Reference: Equity capital: FY2018 Second Quarter: ¥202,924 million; FY2017: ¥198,453 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2017	―	25.00	―	45.00	70.00
FY2018	―	35.00			
FY2018 (Forecast)			―	45.00	80.00

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

3. Consolidated Performance Forecast for Fiscal Year Ending December 31, 2018
(January 1, 2018–December 31, 2018)

(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	253,000	3.5	41,500	6.7	41,500	5.7	28,000	3.2	126.59

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

Notes to Summary Information

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

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

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

(4) Number of shares issued and outstanding (common stock)
1) Number of shares issued and outstanding at the end of each period (including treasury stock)
At June 30, 2018 229,136,156 shares
At December 31, 2017 229,136,156 shares
2) Number of shares of treasury stock at the end of each period
At June 30, 2018 7,957,853 shares
At December 31, 2017 7,957,837 shares
3) Average number of shares issued and outstanding in each period
Six months ended June 30, 2018 221,178,314 shares
Six months ended June 30, 2017 221,177,997 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 2017.

Information Regarding Quarterly Review Procedures

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

Explanation of Appropriate Use of Performance Forecast and Other Special Items

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties. For performance projections, please refer to “1. Qualitative Information on Consolidated Performance for the First Quarter of Fiscal 2018 (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 2018

(1) Explanation of Consolidated Operating Results

During the first half of fiscal 2018 (January 1–June 30, 2018), the Japanese economy continued on a moderate recovery track, showing signs of a pickup in personal consumption amid continued improvement in the employment and income climate.

The domestic cosmetics market grew steadily, as inbound consumption by tourists visiting Japan continued to increase. The market scale is expected to decrease slightly when inbound consumption is excluded. In the overseas cosmetics market, a modest expansion continued with steady growth in Asia, mainly in China.

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 creations of brands for next-generation growth. The efforts were in line with the four-year medium-term management plan (from 2017 to 2020) that started in fiscal 2017.

As a result of these factors, the Group achieved the following consolidated operating results for the first half of fiscal 2018.

Consolidated net sales for the first half of fiscal 2018 grew 6.7% year on year, to ¥125,262 million, reflecting the strong performance of the flagship brand POLA, in addition to the brands under development—THREE and DECENCIA. Operating income rose 10.3% year on year, to ¥23,103 million, resulting from higher gross profit accompanying the increase in sales. Ordinary income advanced 8.5% year on year, to ¥22,723 million. As a result, profit attributable to owners of parent grew 9.8% year on year, to ¥15,321 million.

Operating Results Overview (Millions of yen)

	Six Months Ended June 30			
	2017	**2018**	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥117,378	**¥125,262**	¥7,884	6.7
Operating Income	20,944	**23,103**	2,158	10.3
Ordinary Income	20,944	**22,723**	1,779	8.5
Profit Attributable to Owners of Parent	¥13,955	**¥15,321**	¥1,365	9.8

Operating Results by Segment

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

	Six Months Ended June 30			
	2017	**2018**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥109,303	**¥116,973**	¥7,670	7.0
Real Estate	1,348	**1,354**	5	0.4
Others	6,726	**6,934**	208	3.1
Total	¥117,378	**¥125,262**	¥7,884	6.7

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

	Six Months Ended June 30			
	2017	**2018**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥20,095	**¥22,253**	¥2,157	10.7
Real Estate	592	**564**	(28)	(4.8)
Others	165	**519**	354	214.6
Reconciliations of Segment Profit (Note)	91	**(234)**	(325)	—
Total	¥20,944	**¥23,103**	¥2,158	10.3

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, and DECENCIA.

POLA is seeking to further strengthen its business foundation and improve the value of its brand using improved brand recognition as a stepping stone through efforts to launch and develop highly functional products and strategically expand the store network. In the domestic market, in January 2018, POLA made a price revision to POLA Wrinkle Shot Serum, the first medicated cosmetic product in Japan approved under quasi-drug rules for improving wrinkles, which debuted in 2017. The product’s characteristic of diminishing 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 have led to an increase in the number of customers and the cross-selling of other products. Business also performed favorably due to the enhanced ability of strategically located stores to attract customers with improved brand power. In overseas markets, POLA Wrinkle Shot Serum was launched in June 2018 in Hong Kong and Taiwan, and sales are growing strongly as a whole due to growing brand recognition in Greater 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 enhance its presence through the creation of brand differentiation and consistent marketing communication in order to re-grow into a highly profitable business. In the domestic market, although sales from new customers increased as a result of reinforced promotion centered on the ORBIS = U series, its core product, this increase failed to boost overall sales. As a result, net sales fell below those of the corresponding period of the previous year. In overseas markets, a growth trend continued 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. Meanwhile, operating income exceeded that of the corresponding period of the previous year due to improved cost efficiency.

For overseas brands, the Group took initiatives aimed at business growth in Australia and Asia for Jurlique and in the United States, where H2O PLUS originated. Jurlique carried out a global campaign to revamp its brand image. Despite this effort, net sales fell below those of the corresponding period of the previous year due to continuing struggles in the Chinese and Australian markets. H2O PLUS saw the impact of withdrawal from major retailers aimed at optimizing sales channels, as well as a fall in shipments to Russia. As a result, net sales fell below those of the corresponding period of the previous year. Meanwhile, restraints on selling, general and administrative expenses led to a reduction in loss from the corresponding period of the previous year.

Brands under development recorded higher net sales than 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 ¥116,973 million, up 7.0% year on year, and operating income was ¥22,253 million, up 10.7% 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 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 2018, net sales exceeded those of the corresponding period of the previous year as a result of 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. Meanwhile, operating income fell below that of the corresponding period of the previous year due to a temporary increase in expenses for improving office environments.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥1,354 million, up 0.4% year on year, and operating income was ¥564 million, down 4.8% 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 2018, 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, the launch of LUCONAC® Solution 5%, a treatment for onychomycosis in 2016 and Heparinoid Foam Spray 0.3% [PP].

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 2018, net sales fell below those of the corresponding period of the previous year as progress toward securing dispatch personnel remained flat due to the impact of intense competition to recruit new employees.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥6,934 million, up 3.1% year on year, and operating income was ¥519 million, up 214.6% year on year.

(2) Explanation of Consolidated Financial Position

As of June 30, 2018, total assets stood at ¥250,281 million, down 0.9%, or ¥2,285 million, from December 31, 2017. Factors related to this change included an increase of ¥7,858 million in investment in securities for the management of surplus funds, as well as decreases of ¥8,400 million in cash and deposits and ¥1,966 million in notes and accounts receivable – trade.

Total liabilities amounted to ¥46,977 million, down 12.6%, or ¥6,744 million, from December 31, 2017. Factors related to this change included decreases of ¥665 million in notes and accounts payable – trade, ¥1,600 million in short-term loans payable, ¥609 million in income taxes payable, and ¥2,053 million in current liabilities "Other" associated with a decrease in accounts payable – other and other items.

Net assets amounted to ¥203,304 million, up 2.2%, or ¥4,458 million, from December 31, 2017. Factors related to this change included decreases of ¥968 million in foreign currency translation adjustments due to exchange rate movements and ¥9,953 million in dividends from retained earnings, partially offset by an increase of ¥15,321 million in profit attributable to owners of parent.

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

The Group has made no revisions to the full-year consolidated performance forecast announced on May 1, 2018.

(Information for reference)

Cumulative Results for Fiscal 2017

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥56,074	¥117,378	¥177,846	¥244,335
Operating Income	9,127	20,944	30,546	38,881
Ordinary Income	8,955	20,944	30,791	39,250
Profit Attributable to Owners of Parent	¥ 5,777	¥ 13,955	¥ 21,014	¥ 27,137

Quarterly Results for Fiscal 2017

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥56,074	¥61,304	¥60,468	¥66,489
Operating Income	9,127	11,817	9,601	8,334
Ordinary Income	8,955	11,988	9,846	8,459
Profit Attributable to Owners of Parent	¥ 5,777	¥ 8,177	¥ 7,058	¥ 6,123

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2017 December 31, 2017	**FY2018 Second Quarter June 30, 2018**
Assets		
Current assets		
Cash and deposits	¥ 76,962	**¥ 68,562**
Notes and accounts receivable – trade	29,435	**27,469**
Short-term investments in securities	23,899	**23,499**
Merchandise and finished goods	13,740	**15,492**
Work in process	1,150	**910**
Raw materials and supplies	4,505	**5,162**
Other	12,106	**10,619**
Allowance for doubtful accounts	(44)	**(46)**
Total current assets	161,756	**151,670**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,396	**19,457**
Land	13,069	**14,686**
Other, net	12,862	**11,972**
Total property, plant and equipment	45,329	**46,115**
Intangible assets		
Goodwill	883	**784**
Right of trademark	9,026	**8,309**
Other	6,393	**6,325**
Total intangible assets	16,303	**15,420**
Investments and other assets		
Investments in securities	21,943	**29,801**
Other	7,318	**7,366**
Allowance for doubtful accounts	(83)	**(92)**
Total investments and other assets	29,178	**37,075**
Total non-current assets	90,810	**98,611**
Total assets	¥252,567	**¥250,281**

(Millions of yen)

	FY2017 December 31, 2017	**FY2018 Second Quarter June 30, 2018**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 6,369	**¥ 5,703**
Short-term loans payable	1,600	**—**
Income taxes payable	4,223	**3,613**
Provision for bonuses	1,589	**1,163**
Provision for point program	3,678	**3,342**
Other provisions	221	**51**
Other	23,014	**20,961**
Total current liabilities	40,696	**34,834**
Non-current liabilities		
Other provisions	53	**52**
Net defined benefit liability	4,378	**4,280**
Other	8,592	**7,809**
Total non-current liabilities	13,024	**12,142**
Total liabilities	53,721	**46,977**
Net assets		
Shareholders' equity		
Common stock	10,000	**10,000**
Capital surplus	90,240	**90,240**
Retained earnings	98,273	**103,641**
Treasury stock	(2,188)	**(2,188)**
Total shareholders' equity	196,326	**201,694**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	**8**
Foreign currency translation adjustments	2,929	**1,961**
Remeasurements of defined benefit plans	(810)	**(739)**
Total accumulated other comprehensive income	2,127	**1,229**
Subscription rights to shares	260	**255**
Non-controlling interests	131	**124**
Total net assets	198,845	**203,304**
Total liabilities and net assets	¥252,567	**¥250,281**

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

Consolidated Statements of Income

(Millions of yen)

	Six Months Ended June 30	
	FY2017 (January 1, 2017– June 30, 2017)	**FY2018 (January 1, 2018– June 30, 2018)**
Net sales	¥117,378	**¥125,262**
Cost of sales	18,925	**19,847**
Gross profit	98,452	**105,415**
Selling, general and administrative expenses		
Sales commission	26,060	**28,431**
Promotion expenses	11,627	**11,549**
Advertising expenses	4,473	**5,580**
Salaries, allowances and bonuses	10,829	**11,151**
Provision for bonuses	1,009	**1,034**
Provision for point program	3,309	**2,970**
Other	20,196	**21,594**
Total selling, general and administrative expenses	77,507	**82,311**
Operating income	20,944	**23,103**
Non-operating income		
Interest income	115	**105**
Other	113	**160**
Total non-operating income	228	**265**
Non-operating expenses		
Interest expense	37	**31**
Foreign exchange losses	173	**585**
Other	18	**28**
Total non-operating expenses	229	**645**
Ordinary income	20,944	**22,723**
Extraordinary income		
Gain on sales of non-current assets	623	**2**
Reversal of foreign currency translation adjustments	5	**—**
Gain on reversal of subscription rights to shares	—	**26**
Total extraordinary income	629	**28**
Extraordinary losses		
Loss on sales of non-current assets	19	**6**
Loss on disposal of non-current assets	139	**145**
Provision for loss on litigation	370	**—**
Other	7	**30**
Total extraordinary losses	535	**182**
Profit before income taxes	21,037	**22,569**
Income taxes – current	7,548	**8,062**
Income taxes – deferred	(476)	**(814)**
Total income taxes	7,071	**7,248**
Profit	13,966	**15,320**
Profit (Loss) attributable to non-controlling interests	10	**(0)**
Profit attributable to owners of parent	¥ 13,955	**¥ 15,321**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six Months Ended June 30	
	FY2017 (January 1, 2017–June 30, 2017)	**FY2018 (January 1, 2018–June 30, 2018)**
Profit	¥13,966	**¥15,320**
Other comprehensive income		
Valuation difference on available-for-sale securities	10	**(0)**
Foreign currency translation adjustments	324	**(974)**
Remeasurements of defined benefit plans	37	**70**
Total other comprehensive income	373	**(903)**
Comprehensive income	14,339	**14,417**
Comprehensive income attributable to owners of parent	14,323	**14,423**
Comprehensive income attributable to non-controlling interests	¥15	**¥(6)**

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)
None

(Significant Changes in Shareholders' Equity)
None

(Segment Information)
Ⅰ. 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	¥ 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

Ⅱ. First Half of Fiscal 2018 (January 1, 2018–June 30, 2018)

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	¥116,973	¥1,354	¥118,328	¥6,934	¥125,262	—	¥125,262
Intersegment Sales or Transfers	47	256	303	1,130	1,434	¥(1,434)	—
Total	117,021	1,610	118,631	8,065	126,697	(1,434)	125,262
Segment Profit	¥22,253	¥564	¥22,817	¥519	¥23,337	¥(234)	¥23,103

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 ¥ (234) million includes intersegment transaction eliminations of ¥1,537 million, and corporate expenses of ¥ (1,771) 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