

**POLA ORBIS HOLDINGS INC.****Summary of Key Questions and Answers Concerning the Financial Results of FY2017 Q1****Q1. [Consolidated results] Why did sales-related expenses not increase as much as sales growth?**

→ The main factors were 1) a decrease in variable cost at ORBIS associated with its sales decrease and 2) a reduction in operation costs in China at Jurlique where the brand changed its business model last year.

**Q2. [POLA brand] What constitutes the ¥8.0 billion increase in sales for 1Q?**

→ ¥6.0 billion from Wrinkle Shot Serum, which did not cannibalize the sales of existing POLA products as the brand expected, ¥1.0 billion from the bundle selling of POLA products with Wrinkle Shot Serum, and ¥1.0 from new products other than Wrinkle Shot Serum.

**Q3. [Wrinkle Shot Serum] To what extent did Wrinkle Shot Serum cannibalize other POLA products and how much did Wrinkle Shot Serum contribute to operating income in 1Q?**

→ Cannibalization by Wrinkle Shot Serum was only limited amount and less than the brand expected. Wrinkle Shot Serum rather encouraged customer acquisitions and bundle selling of skin lotions as it is recommended to use before applying Wrinkle Shot Serum. The contribution of Wrinkle Shot Serum accounts for ¥3.0 billion of POLA's ¥4.5 billion increase in operating income for 1Q. Wrinkle Shot Serum significantly contributed to 1Q operating income because the net increase in sales excluding cannibalization was more than expected and the majority of the advertising expenses were posted in the previous quarter.

**Q4. [Wrinkle Shot Serum] What makes up the ¥1.0 billion of additional investments?**

→ Most of the ¥1.0 billion is advertising expenses. By utilizing TV commercials, magazines, transit advertising and beauty writers, POLA aims to ensure that the product is noticed by customers and that its characteristics are promoted.

**Q5. [Wrinkle Shot Serum] What is the outlook for Wrinkle Shot Serum from next year onwards?**

→ The brand expects that sales of Wrinkle Shot Serum will decrease from next year compared to FY2017. Generally a new cosmetic product records its highest sales in the first year of its launch, and Wrinkle Shot Serum will follow this principle. From FY2018 onwards, POLA will launch/revamp products other than Wrinkle Shot Serum and the brand should have a wider customer base by then thanks to Wrinkle Shot Serum. In addition, POLA is planning to launch Wrinkle Shot Serum overseas in the future.

- Q6. [Wrinkle Shot Serum] The forecast for quarterly sales for 3Q is higher than for 2Q and 4Q. Is that because of the additional investment such as advertisement and promotions?**
- Yes. The response to the advertisements and promotions made during late 2Q and 3Q will appear in the 3Q sale figures.
- Q7. [Wrinkle Shot Serum] Did POLA's marginal profit improve because of Wrinkle Shot Serum?**
- POLA's marginal profit improved because of 1) Wrinkle Shot Serum, 2) the product mix and 3) a reduction in commission expenses.
- Q8. [Inbound Sales] How much did inbound sales account for in 1Q?**
- Inbound sales accounted for around 7% of consolidated sales, around 12% of POLA sales and around 10% of Wrinkle Shot sales.
- Q9. [Inbound Sales] Is there any change in the components of inbound sales?**
- Inbound sales of health food products including White Shot Inner Lock has been gradually decreased while sales of cosmetic products such as B.A is increasing. Inbound sales of POLA's cosmetic products increased by +75% compared to 1Q 2016.
- Q10. [POLA brand] What constitutes the incremental sales for the full-year guidance?**
- POLA's full year guidance was revised upward to a sales increase of ¥16.0 billion year on year, consisting of ¥10.0 billion from Wrinkle Shot Serum, ¥3.0 billion from bundle selling of cosmetic products with Wrinkle Shot Serum, and ¥3.0 billion from other products.
- Q11. [ORBIS brand] Do the weak sales of ORBIS result from the external environment?**
- The weak sales of the ORBIS brand are not because of the external environment but rather ORBIS's own issue. The biggest issue is the decreasing number of customers – ORBIS was unable to reach the planned number of customer acquisitions through the revamped AQUA FORCE series. From 2Q onwards, the brand will work on approaching more focused target customers to reinforce its performance next year.
- Q12. [ORBIS brand] How many new products does ORBIS plans to launch from 2Q onwards?**
- ORBIS consistently launch around five products every month including limited items for the brand's 30<sup>th</sup> anniversary.

**Q13. [ORBIS brand] Does the full-year guidance revision include investments for customer acquisition?**

→ Yes. ORBIS may see a reduction in variable costs associated with the decrease in sales but at the same time the brand will spend costs on making investments for future growth. This investment will be intended to expand customer base with more repeat customers in view of the growth next year.

**Q14. [Brands under development] How were the performance of THREE and DECENCIA in 1Q?**

→ THREE and DECENCIA are still performing very strongly. In 1Q, both brands prioritized making investments for brand growth.

**Q15. [Jurlique brand] What progress has been made toward reaching the full-year target for operating income?**

→ Due to the nature of the brand, 4Q accounts for more than other quarters in terms of both of sales and operating income. For 1Q so far, progress has been within expectations.

**Q16. [H2O PLUS brand] What is the brand's situation in North America?**

→ There is no excessive inventory at the main retailers. The brand is planning to launch new products and expects to reach the target for the full year.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY 2017 Q1 for Pola Orbis Holdings, Inc. in view of fair disclosure while taking responsibility for the summarization. It does not guarantee the accuracy and completeness of the information provided, and such information is subject to change without notice. The statements about the future, including financial projections, included in this material are based on information currently available to us and certain assumptions that are considered reasonable, which do not guarantee the achievement of the projected results. The actual financial results may vary from such forecasts depending on the economic situation and various other uncertain factors.