

POLA ORBIS HOLDINGS INC.**Summary of Key Questions and Answers Concerning the Financial Results for FY2018 Q3**

- Q1. [POLA brand] Inbound sales declined for the third quarter (nine months) year on year. While we understand that there were some effects from natural disasters, what were the factors for the decline?**
- POLA's inbound sales were ¥12.3 billion, of which ¥6.8 billion was from the beauty director (BD) channel (down 23% year on year), and of which ¥5.5 billion was from the department store channel (up 42% year on year). One of the downside factors is the impact of continuing restrictions on sales that are not made to end customers in the BD channel, in addition to natural disasters.
- Meanwhile, the domestic channel in China, duty free stores in Korea, and cross-border e-commerce are growing. We would like to invest aggressively in these channels going forward.
- Q2. [POLA brand] Are the restrictions being strengthened ahead of the enforcement of the PRC e-commerce law?**
- No. The brand has been taking continuous measures on sales that are not made to end customers in the BD channel for some time, and the brand has not strengthened the measures recently.
- In the department store and overseas channels, the brand maintains the maximum limit on the number of purchase items per customer.
- Q3. [POLA Wrinkle Shot Serum] What were the sales of Wrinkle Shot as of the third quarter?**
- The sales of Wrinkle Shot for the third quarter (nine months) of fiscal 2018 were ¥7.4 billion, which is in line with the expectation against the annual sales target.
- Q4. [POLA Wrinkle Shot Serum] The quarterly sales of the product were flat year on year for the third quarter. What is the situation of the overseas and inbound sales of Wrinkle Shot? What do you expect the sales of Wrinkle Shot to be like next year?**
- The inbound sales of Wrinkle Shot for the third quarter (nine months) were ¥1.4 billion. In the overseas market, the product was already launched in Hong Kong, Taiwan and Thailand. Although the sales scale is still small this fiscal year, we can expect a contribution to the business along with an increase in the number of stores from next year onward. As for the domestic channel in China, we think that it will take some time before the product is launched in that country due to the application processes.
- In the next year, the brand aims to increase the overall sales of Wrinkle Shot by expanding its sales channels; namely, the abovementioned overseas sales channel expansion and launch via e-commerce in Japan that is also planned for next year.

Q5. [POLA brand] What is the situation of the business in China? Can you provide us with sales composition ratios of offline (brick-and-mortar) and online?

→ Sales in China, which comprise domestic stores in China, local e-commerce, and cross-border e-commerce, were ¥1.4 billion yen in total, which is double last year's amount. There are currently 12 stores in China. For the overseas business of POLA as a whole, we would like to get the number of stores to reach 100 as soon as possible. Of the total sales in China, 40% are from brick-and-mortar stores (+100% year on year) and 60% are from online sales (+100 % year on year).

Q6. [POLA brand] How can the brand achieve a high operating profit growth rate in the fourth quarter? Up until the third quarter, it seems that the brand has been actively using sales-related expenses. Will this remain the same in the fourth quarter?

→ The brand increased advertising expenses in the fourth quarter of last year with a view to achieving sustainable growth for this year onward. Accordingly, for the fourth quarter (three months) of this year, the total marketing expenses as a whole will be reduced by almost ¥2.0 billion year on year, which will act as a positive factor for the operating income.

Q7. [ORBIS brand] Quarterly sales dropped by 9% in the third quarter. Will the brand be able to achieve sustainable sales growth after the renewal of ORBIS U?

→ The decline in sales was mainly due to the reduction of the bonus point campaigns and the restricted buying by customers who were waiting for the renewal.

As a result of the improved profit structure due to the review of the point campaigns and the increased number of customers acquired through the new products, we think that the brand will be able to achieve sustainable sales growth.

Q8. [Jurlique brand] It appears that it is taking some time to achieve sales growth. When will it occur?

→ This year, the decline in sales was mostly attributable to the termination of the contract with a retailer in order to maintain the proper channels. Although the brand will see some contribution from the new products next year, the full-scale recovery will take place after 2020.

Q9. [ACRO] What is the status of new brand launches, and what is the outlook going forward?

→ ACRO INC. launched new brands as planned; however, the level of sales is still limited because the number of stores is limited and the investment is preceding the performance contribution. The company is continuing to develop the brands with a long-term perspective.

Q10. [Consolidated results] How do you evaluate the consolidated performance for the third quarter compared to that for the first half, which overshot the guidance? Will the weak momentum continue in the fourth quarter?

→ During the third quarter, the unexpected natural disasters and weak performance of Jurlique caused the quarterly performance to fall below plan. For the fourth quarter, looking at the current trend, there is a possibility that the quarterly performance may be lower than the momentum of the first half.

Q11. [Consolidated results] What do you anticipate to be the effects of the enforcement of the PRC e-commerce law?

→ There is currently uncertainty regarding the effects of the enforcement of the PRC e-commerce law. Accordingly, we see our forecast as rather conservative.

Q12. [Consolidated results] What will be the profit drivers next year? Do you anticipate any impact as a result of the tax increase?

→ We believe that growth can be achieved through the growth of the overseas business of POLA, the contribution of ORBIS that will return to a growth trajectory for both sales and operating income, and the continuing strong performance of THREE.

Regarding the effect of the tax increase, we assume that similar movements to those that followed the last tax increase will occur next year. At the time of the last tax increase, there were characteristic movements such as the last rush demand; however, there was no major impact 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 FY2018 Q3 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. Statements about the future included in this material, including financial projections, 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.