

POLA ORBIS HOLDINGS INC.**Summary of Key Questions and Answers Concerning the Financial Results of FY2019 Q3****Q1. [Consolidated results] What were the inbound sales in the third quarter?**

→ Inbound sales for the first three quarters (nine months) were approximately ¥10.6 billion, and those for the third quarter alone were approximately ¥3.1 billion. POLA accounted for approximately 90% of the inbound sales, and the remainder was from THREE.

Q2. [Consolidated results] What was the last-minute demand prior to the consumption tax hike? Was the last-minute demand of ORBIS higher than that of POLA?

→ The estimated figures for POLA and ORBIS are about ¥3 billion and ¥1.5 billion, respectively. POLA will expand its product lineup to stimulate demand in preparation for a pullback after the tax hike. On the other hand, in the third quarter alone, ORBIS contributed to higher revenues partly because of its campaigns for existing customers prior to the tax hike.

Q3. [Consolidated results] Please tell us the breakdown and background of the downward revision.

→ Within the revision to annual net sales of ¥9 billion, there was a difference of approximately ¥5.5 billion in the third quarter forecast. As a result, about ¥3.5 billion was reflected as a downside factor for the fourth quarter. Factors included a decline in inbound and buyer demand due to the impact of foreign exchange rates and the risk of a decline in consumer sentiment after the last-minute demand prior to the consumption tax hike.

Q4. [Consolidated results] This time, POLA has revised its sales target downward by ¥9 billion, but is there any downside risk for the other brands?

→ We have factored in the risks for the other brands as much as possible.

Q5. [Consolidated results] Could you tell us the direction of the profit plan for the next fiscal year? Is there a possibility of a decrease in profit due to structural reforms or investments?

→ In the next fiscal year, we aim to achieve a consolidated operating income margin of 15%, which is the long-term management plan, and to increase profits by nearly 10% from the level in this fiscal year.

Q6. [POLA brand] Could you tell us the breakdown of the third quarter cumulative changes by channel? What is the situation of Inner Lock, which was a main factor behind the decline in sales?

→ By channel, sales declined by about ¥14 billion for Beauty Directors, and increased by about ¥2.4 billion overseas and about ¥1.5 billion in department stores and hotel amenities. The main reason for the decline in sales was beauty and health foods. Sales of Inner Lock have settled at around ¥1.5 billion per quarter, and we do not expect this to be a

factor behind the decline in sales after the fourth quarter.

Q7. [POLA brand] Why was the third quarter's domestic business weaker than expected, excluding the last-minute demand?

→ This is largely attributable to a decline in demand from buyers, mainly for beauty and health foods. New products, such as the new White Shot and APEX, are also struggling. The new White Shot was impacted by the delayed initial response due to bad weather, and that of APEX was caused by insufficient penetration into the sales front, so we would like to see it recover going forward.

Q8. [POLA brand] The decline in sales of beauty and health foods was expected to end in the third quarter, but is it expected to continue in the fourth quarter?

→ Considering that sales of beauty and health foods in the third quarter exceeded those of the fourth quarter of fiscal 2018, we assume that the decline in sales of beauty and health foods will come to an end in the fourth quarter of fiscal 2019.

Q9. [POLA brand] If beauty and health foods bottom out in the fourth quarter, is this downward revision conservative? Further, is there a possibility that sales will continue to decline in the next fiscal year as well?

→ We factored in the risk of a further decline in inbound demand due to the impact of foreign exchange rates and decline due to the reaction to the tax increase. Although the forecast for demand from buyers in the next fiscal year is unclear, even if the impact continues, it is expected that the growth in overseas businesses will more than offset it and sales will turn upward.

Q10. [POLA brand] Are the declines in domestic Beauty Directors' sales due to the issue of strategic architecture?

→ Domestic Beauty Directors' sales also include buyers that could not be clearly identified as buyer sales. As symbolized by the fact that the sales decline is biased toward beauty and health foods, we assume that the product-related problems are greater.

Q11. [POLA brand] While we understand that the decline in buyer demand is the main factor behind the decline in sales, how do you recognize demand from customers?

→ We believe that there is demand from customers, so we would like to cover this by expanding various channels in China, including department stores, local e-commerce, and cross border e-commerce.

Q12. [POLA brand] Overseas sales appear to have slowed in the third quarter. Could you tell us the reason for this?

→ It is due to the partial time shift of shipments to Travel Retail, the impact of the Hong Kong protests and exchange rates. The momentum of the sell-through remains steady and strong.

Q13. [POLA brand] Has third quarter cost-cutting been implemented?

→ Excluding variable costs such as sales commissions, these expenses were generally executed according to plan. Advertising costs have been reduced as much as possible, while the volume of advertising costs has been low.

Q14. [POLA brand] What is the outlook for sales in the next fiscal year?

→ Although we are in the process of preparing a plan, we are aiming for sales growth of 2-3% in the next fiscal year.

We plan to prepare large-scale new products for this purpose. Growth drivers will be overseas channels, but we would like to see domestic sales bottoming out during this fiscal year.

Q15. [POLA brand] How do you view the trend in the high-end cosmetics market? If the market is shrinking, does POLA gain a headwind?

→ We think it is premature to analyze the trend in the high-end cosmetics market at this point because there is a rush in demand in the third quarter and a pullback in the fourth quarter. Even if the high-end cosmetics market shrinks, POLA does not necessarily find itself facing a headwind because the Beauty Directors of POLA have strong sales ability based on their counselling skills and products that are highly differentiated.

Q16. [Jurlique brand] For the next fiscal year outlook, can the losses be improved?

→ The downsizing in fiscal 2019 will have a positive impact on the full year in fiscal 2020, so we expect the operating loss in fiscal 2020 to be reduced by half compared to fiscal 2019.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY2019 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.