Summary of Financial Results

For the First Quarter of Fiscal Year Ending December 31, 2024 (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.

May 9, 2024

POLA ORBIS HOLDINGS INC.

Listing:	Tokyo Stock Exchange, Prime Market (Code No.: 4927)	
URL:	https://www.po-holdings.co.jp/	
Representative:	Yoshikazu Yokote, Representative Director And President	
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Filing Date of Quarterly Securities Report:		May 15, 2024
Start of Cash Dividend Payment:		—
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 Three Months of Fiscal 2024
(January 01, 2024–March 31, 2024)

(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	%
FY2024 Three Months	40,886	(3.0)	3,357	(26.2)	4,675	(3.2)	3,126	14.0
FY2023 Three Months	42,136	11.9	4,549	137.9	4,832	16.7	2,743	(61.8)

Note: Comprehensive income: ¥2,780 million (1.4%) for the three months ended March 31, 2024;
¥2,741 million (-53.1%) for the three months ended March 31, 2023

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2024 Three Months	14.13	14.12
FY2023 Three Months	12.40	12.39

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2024 First Quarter	200,777	164,349	81.6	740.25
FY2023	201,207	168,398	83.4	758.49

Reference: Equity capital: FY2024 First Quarter: ¥163,781 million; FY2023: ¥167,806 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	—	21.00	—	31.00	52.00
FY2024	—				
FY2024 (Forecast)		21.00	—	31.00	52.00

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

3. Consolidated Performance Forecast for Fiscal Year Ending December 31, 2024
(January 01, 2024–December 31, 2024)

(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	179,000	3.3	17,900	11.3	17,900	(3.1)	11,600	20.0	52.43

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) : Yes
Newly included: 1 company (POLA ORBIS (Shanghai) Enterprise Management CO., LTD.)

(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) : Yes
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 March 31, 2024	229,136,156 shares
At December 31, 2023	229,136,156 shares

2) Number of shares of treasury stock at the end of each period

At March 31, 2024	7,885,551 shares
At December 31, 2023	7,897,963 shares

3) Average number of shares issued and outstanding in each period

Three months ended March 31, 2024	221,241,296 shares
Three months ended March 31, 2023	221,234,231 shares

Note: The number of shares of treasury stock at the end of each period includes the Company's shares held by the officer compensation Board Incentive Plan (BIP) trust (223,498 shares at March 31, 2024, 235,910 shares at December 31, 2023). The number of shares of treasury stock deducted in the calculation of average number of shares outstanding during each period includes the Company's shares held by BIP trust (232,807 shares in the three months ended March 31, 2024, 239,872 shares in the three months ended March 31, 2023).

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 2024 (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 Three Months of Fiscal 2024

(1) Explanation of Consolidated Operating Results

During the three months of fiscal 2024 (January 1–March 31, 2024), despite recent stagnation, the Japanese economy showed a moderate recovery thanks to the normalization of economic and social activities and improvements in the employment and income environment. Meanwhile, with price increases continuing to outpace wage increases, personal consumption improvements were at a standstill.

In the domestic cosmetics market, personal consumption has improved thanks to the moderate economic recovery. Moreover, inbound demand is on the rise thanks to an increase in foreign visitors to Japan driven by the weak yen and the Chinese New Year holiday season. In the overseas cosmetics market, although there are signs of weakness in some regions, business confidence is generally on a recovering trend. In the Chinese market, the recovery of the economy is experiencing stagnation due to the sluggish real estate market, concerns of deflation, and other factors.

Within this market environment, as part of its medium-term management plan (from 2024 to 2026) that started in 2024, the POLA ORBIS Group (the "Group") implemented four business growth strategies, namely, "strengthen the customer base in the domestic business to achieve sustainable growth and improve profitability," "further grow the overseas business and establish business bases in new markets," "achieve profitability through growth in brands under development, contributing to sustainable earnings," and "enhance the brand portfolio and expand business domains." At the same time, in effort to sustainably strengthen the management foundations that will support these strategies, the Group has worked to "strengthen R&D capabilities for new value creation" and "strengthen sustainability combining the resolution of social issues with uniqueness."

As a result, the Group's consolidated operating results for the three months of fiscal 2024 were as follows.

Consolidated net sales for the three months of fiscal 2024 fell 3.0% year on year to ¥40,886 million, due mainly to a decrease in sales of the flagship POLA brand. Operating income decreased 26.2% year on year to ¥3,357 million due to a decrease in gross profit from lower net sales, and ordinary income decreased 3.2% year on year to ¥4,675 million due to foreign exchange gains caused by continued depreciation of the yen. As a result of the factors noted above and the impact of the extraordinary losses recorded in the previous year, profit attributable to owners of parent increased 14.0% year on year to ¥3,126 million.

Operating Results Overview (Millions of yen)

	Three Months Ended March 31			
	2023	**2024**	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥42,136	**¥40,886**	¥(1,249)	(3.0)
Operating Income	4,549	**3,357**	(1,191)	(26.2)
Ordinary Income	4,832	**4,675**	(156)	(3.2)
Profit Attributable to Owners of Parent	¥2,743	**¥3,126**	¥383	14.0

Operating Results by Segment

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

	Three Months Ended March 31			
	2023	**2024**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥40,950	**¥39,552**	¥(1,398)	(3.4)
Real Estate	518	**499**	(18)	(3.7)
Others	666	**834**	168	25.2
Total	¥42,136	**¥40,886**	¥(1,249)	(3.0)

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

	Three Months Ended March 31			
	2023	**2024**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥4,359	**¥3,575**	¥(784)	(18.0)
Real Estate	161	**52**	(109)	(67.4)
Others	2	**51**	49	—
Reconciliations of Segment Profit (Note)	26	**(322)**	(348)	—
Total	¥4,549	**¥3,357**	¥(1,191)	(26.2)

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 11 and 12 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 brand Jurlique, and the brands under development THREE, DECENCIA and FUJIMI.

POLA is working to further improve the value of its brand and build a medium- to long-term customer base by launching highly functional products mainly in the field of anti-aging and skin-brightening. In the domestic business, we are working to establish brand experience (the One POLA model) to promote the transition from new customer acquisition to high lifetime value. Elsewhere, expansion of the POLA Premium Pass, a membership program launched in 2023 covering all sales channels, has seen customers start to move between sales channels. Sales of the new WHITE SHOT FACIAL SERUM, the renewed B.A LIGHT SELECTOR, and aesthetic treatment performed strongly, however, with a drop in store and customer numbers in consignment sales channels, results in the domestic business as a whole fell short of the previous year. In the overseas business, we are working to drive a recovery in business in the post-pandemic world and to expand customer contact points for establishing a brand presence in China, a top priority market. However, due to the econmic slowdown in some areas of Asia centered by China, the overall performance of overseas business fell below that of the previous year. As a result, POLA brand net sales and operating income decreased year on year.

ORBIS strives to regrow into a highly profitable business by enhancing its presence through creation of brand differentiation, improving customer loyalty, and increasing users of skincare products, with a focus on the ORBIS U anti-aging skincare series for improving wrinkles and brightening skin. In the domestic business, we are working to achieve steady growth in its skincare-centered direct selling business, build a robust profit base, and increase net sales in new fields by entering untapped markets. In the direct selling channel, where we are building an increasingly stable customer base, strong sales from our main product ORBIS U series and the new ADVANCED BRIGHTENING SERUM resulted in both the number of customers and customer unit price exceeding those of the previous year. The external channels, which we have positioned as a new growth driver and are proactively developing, have increased repeat customers and continue to grow sales. In the overseas business, to accelerate growth and return to profitability in China, our priority market, we are continuing to strengthen investments aimed at expanding customer contact points and raising brand recognition. While according to the impact of the econmic slowdown in China, the overall performance of overseas business fell below that of the previous year. As a result of the above, ORBIS brand net sales and operating income exceeded those of the corresponding period of the previous year.

Jurlique continues to work toward business growth in the markets of Asia, mainly in Australia and in China. In Australia, the home country of the brand, thanks to the business recovery in the post-pandemic world and the favorable reception of new products, double-digit growth from last year was achieved. In China, despite the impact of the economic slowdown, the performance exceeded that of the previous year, contributed by the growth primarily in E-commerce channel. As a result of the above, Jurlique brand net sales exceeded that of the previous year, while operating losses remained at the same level by excluding the foreign exchange rate effects.

For brands under development, efforts are underway to regenerate THREE. While a customer approach highlighting essential oils and aromas that are the brand’s differentiation helped to revitalize interest mainly among existing customers, new customer acquisition did not reach the previous year’s level and results fell short of the previous year. DECENCIA continued to show a rise in customer numbers and results improved year on year. FUJIMI is working toward profitability by improving customer experience value, and results remained unchanged from the corresponding period of the previous year. In addition to the above, the withdrawal of two brands in the previous year meant that overall net sales for the brands under development decreased year on year. However, operating loss improved due to strict cost controls implemented for each brand.

As a result of the factors noted above, net sales—sales to external customers—were ¥39,552 million, down 3.4% year on year, and operating income was ¥3,575 million, down 18.0% 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 and improving rental income and reducing vacancy 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 three months of fiscal 2024, net sales and operating income fell below those of the corresponding period of the previous year mainly due to the withdrawal of some tenants and expenses incurred in conjunction with the completion of the "POLA aoyama building".

As a result of the above, net sales—sales to external customers—totaled ¥499 million, down 3.7% year on year, and operating income was ¥52 million, down 67.4% year on year.

Others

The Others segment is the building maintenance business.

The building maintenance business is mainly engaged in the operation and management of buildings. During the three months of fiscal 2024, both net sales and operating income increased year on year thanks to an increase in the number of contracts.

As a result of the above, net sales—sales to external customers—totaled ¥834 million, up 25.2% year on year, and operating income was ¥51 million, up 2,423.6% year on year.

(2) Explanation of Consolidated Financial Position

As of March 31, 2024, total assets stood at ¥200,777 million, down 0.2%, or ¥430 million, from December 31, 2023. Factors related to this change included increases of ¥3,398 million in property, plant and equipment, ¥2,276 million in investments in securities, and ¥1,620 million in other under current assets associated with an increase in consumption taxes refund receivable , as well as decreases of ¥7,613 million in cash and deposits and ¥1,263 million in notes and accounts receivable – trade.

Total liabilities amounted to ¥36,428 million, up 11.0%, or ¥3,618 million, from December 31, 2023. Factors related to this change included an increase of ¥4,144 million in other under current liabilities associated with an increase in accounts payable – other, as well as decreases of ¥387 million in provision for bonuses and ¥223 million in income taxes payable.

Net assets amounted to ¥164,349 million, down 2.4%, or ¥4,049 million, from December 31, 2023. Factors related to this change included recording of ¥3,126 million in profit attributable to owners of parent and ¥6,865 million in dividends from retained earnings.

(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 February 14, 2024.

(Information for reference)
Cumulative Results for Fiscal 2023

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥42,136	¥85,836	¥126,739	¥173,304
Operating Income	4,549	8,966	11,913	16,080
Ordinary Income	4,832	11,389	14,830	18,469
Profit Attributable to Owners of Parent	¥2,743	¥7,404	¥9,284	¥9,665

Quarterly Results for Fiscal 2023

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥42,136	¥43,700	¥40,902	¥45,564
Operating Income	4,549	4,416	2,946	4,167
Ordinary Income	4,832	6,557	3,440	3,639
Profit Attributable to Owners of Parent	¥2,743	¥4,661	¥1,880	¥380

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2023 December 31, 2023	**FY2024 First Quarter March 31, 2024**
Assets		
Current assets		
Cash and deposits	¥ 47,200	**¥ 39,587**
Notes and accounts receivable – trade	17,820	**16,556**
Short-term investments in securities	17,944	**18,947**
Merchandise and finished goods	12,198	**12,665**
Work in process	683	**954**
Raw materials and supplies	3,534	**3,625**
Other	8,388	**10,008**
Allowance for doubtful accounts	(72)	**(73)**
Total current assets	107,697	**102,272**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,528	**31,557**
Land	14,247	**14,252**
Other, net	22,920	**11,286**
Total property, plant and equipment	53,696	**57,095**
Intangible assets		
Right of trademark	21	**20**
Software	11,813	**11,656**
Other	91	**91**
Total intangible assets	11,926	**11,768**
Investments and other assets		
Investments in securities	17,361	**19,637**
Deferred Tax Assets	6,264	**5,617**
Other	4,582	**4,739**
Allowance for doubtful accounts	(321)	**(353)**
Total investments and other assets	27,886	**29,640**
Total non-current assets	93,510	**98,504**
Total assets	¥201,207	**¥200,777**

(Millions of yen)

	FY2023 December 31, 2023	**FY2024 First Quarter March 31, 2024**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 2,751	**¥ 2,712**
Current portion of long-term borrowings	12	**12**
Income taxes payable	875	**652**
Contract liabilities	5,226	**5,456**
Provision for bonuses	1,807	**1,419**
Other provisions	216	**86**
Other	14,754	**18,899**
Total current liabilities	25,644	**29,238**
Non-current liabilities		
Long-term borrowings	46	**43**
Other provisions	175	**189**
Net defined benefit liability	811	**591**
Asset retirement obligations	3,534	**3,500**
Other	2,597	**2,864**
Total non-current liabilities	7,165	**7,189**
Total liabilities	32,809	**36,428**
Net assets		
Shareholders' equity		
Common stock	10,000	**10,000**
Capital surplus	81,025	**81,026**
Retained earnings	80,907	**77,168**
Treasury stock	(2,839)	**(2,800)**
Total shareholders' equity	169,093	**165,394**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	229	**232**
Foreign currency translation adjustments	(1,772)	**(2,106)**
Remeasurements of defined benefit plans	255	**261**
Total accumulated other comprehensive income	(1,287)	**(1,612)**
Subscription rights to shares	243	**236**
Non-controlling interests	348	**331**
Total net assets	168,398	**164,349**
Total liabilities and net assets	¥201,207	**¥200,777**

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

Consolidated Statements of Income

(Millions of yen)

	Three Months Ended March 31	
	FY2023 (January 01, 2023– March 31, 2023)	**FY2024 (January 01, 2024– March 31, 2024)**
Net sales	¥42,136	**¥40,886**
Cost of sales	7,748	**7,360**
Gross profit	34,387	**33,525**
Selling, general and administrative expenses		
Sales commission	8,584	**8,162**
Promotion expenses	2,553	**2,688**
Advertising expenses	2,806	**2,707**
Salaries, allowances and bonuses	4,880	**5,005**
Provision for bonuses	934	**811**
Other	10,078	**10,792**
Total selling, general and administrative expenses	29,838	**30,168**
Operating income	4,549	**3,357**
Non-operating income		
Interest income	45	**71**
Foreign exchange gains	247	**1,220**
Other	92	**130**
Total non-operating income	385	**1,423**
Non-operating expenses		
Interest expense	24	**29**
Commission expenses	58	**56**
Other	20	**19**
Total non-operating expenses	103	**105**
Ordinary income	4,832	**4,675**
Extraordinary losses		
Loss on disposal of non-current assets	116	**15**
Loss on valuation of investment securities	102	**93**
Loss on liquidation of business	399	—
Other	2	**3**
Total extraordinary losses	620	**112**
Income before income taxes	4,211	**4,562**
Income taxes – current	1,414	**774**
Income taxes – deferred	40	**652**
Total income taxes	1,454	**1,426**
Net Income	2,757	**3,135**
Profit attributable to non-controlling interests	13	**9**
Profit attributable to owners of parent	¥ 2,743	**¥ 3,126**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three Months Ended March 31	
	FY2023 (January 01, 2023– March 31, 2023)	**FY2024 (January 01, 2024– March 31, 2024)**
Net Income	¥2,757	**¥3,135**
Other comprehensive income		
Valuation difference on available-for-sale securities	56	**2**
Foreign currency translation adjustments	(64)	**(364)**
Remeasurements of defined benefit plans	(7)	**6**
Total other comprehensive income	(15)	**(355)**
Comprehensive income	2,741	**2,780**
Comprehensive income attributable to owners of parent	2,724	**2,800**
Comprehensive income attributable to non-controlling interests	¥17	**¥(20)**

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)

None

(Significant Changes in Shareholders' Equity)

None

(Changes in Accounting Policies that are difficult to distinguish from Changes in Accounting Estimates)

（Change in Depreciation Method for Tangible Fixed Assets)

The Company and its domestic consolidated subsidiaries have shifted from using the declining balance method, which was primarily used for the depreciation of tangible fixed assets (except for leased assets), to the straight-line method starting from the first quarter of the current fiscal year.

The establishment of the Technical Development Center (TDC) in 2024 and the launch of the medium-term management plan in the same year have led to the anticipation of stable and consistent production and sales in the future. Consequently, the straight-line method, which evenly distributes costs over the useful life, has been deemed a more suitable approach for conducting periodic profit and loss calculations.

As a result of this change, operating income, ordinary income, and income before income taxes for the first quarter of the current consolidated accounting period have increased by ¥148 million respectively compared with using the previous method.

(Segment Information)

I. First Quarter of Fiscal 2023 (January 01, 2023-March 31, 2023)

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	¥40,950	¥518	¥41,469	¥666	¥42,136	—	¥42,136
Intersegment Sales or Transfers	43	113	157	307	464	¥(464)	—
Total	40,994	631	41,626	974	42,600	(464)	42,136
Segment Profit	¥4,359	¥161	¥4,521	¥2	¥4,523	¥26	¥4,549

Notes: 1. “Others” comprises business operations that are not categorized as reportable segments and includes the building maintenance business.

2. The segment profit reconciliation of ¥26 million includes intersegment transaction eliminations of ¥2,347 million, and corporate expenses of ¥(2,321) 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 Quarter of Fiscal 2024 (January 01, 2024–March 31, 2024)

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	**¥39,552**	**¥499**	**¥40,051**	**¥834**	**¥40,886**	—	**¥40,886**
Intersegment Sales or Transfers	**56**	**110**	**167**	**411**	**579**	**¥(579)**	—
Total	**39,609**	**610**	**40,219**	**1,246**	**41,465**	**(579)**	**40,886**
Segment Profit	**¥3,575**	**¥52**	**¥3,628**	**¥51**	**¥3,679**	**¥(322)**	**¥3,357**

Notes: 1. “Others” comprises business operations that are not categorized as reportable segments and includes the building maintenance business.
2. The segment profit reconciliation of ¥ (322) million includes intersegment transaction eliminations of ¥2,336 million, and corporate expenses of ¥(2,658)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

3. Information about change in Reportable Segment

(Change in Depreciation Method for Tangible Fixed Assets)

As stated in "Changes in Accounting Policies which are difficult to distinguish from Changes in Accounting Estimates", the Company and its domestic consolidated subsidiaries have shifted from using the declining balance method, which was primarily used for the depreciation of tangible fixed assets (except for leased assets), to the straight-line method starting from the first quarter of the current fiscal year.

As a result of this change, segment profits for the first quarter of the current consolidated accounting period have increased by ¥138 million in Beauty Care, ¥10 million in Real Estate, and ¥0 million in Others respectively compared with using the previous method. Reconciliations to segment profit has decreased by ¥1 million.

(Subsequent Events)

None