Third Quarter of Fiscal 2018
Supplementary Material

POLA ORBIS HOLDINGS INC.
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POLA ORBIS HOLDINGS

Q3 Key Topics

Cosmetics Market

- The Japanese cosmetics market overall showed steady growth, although growth rate is moderating.
- For the domestic market excluding inbound, a slight decline trend seemed to continue.
- As for the inbound market in Japan, the market size continued to grow. However, the degree of increase in the number of tourists during Jul. – Sep. period was not as significant as before due to natural disasters.

Source: Ministry of Economy, Trade and Industry, Japan Department Stores Association, Ministry of Internal Affairs and Communications, Intage SLI

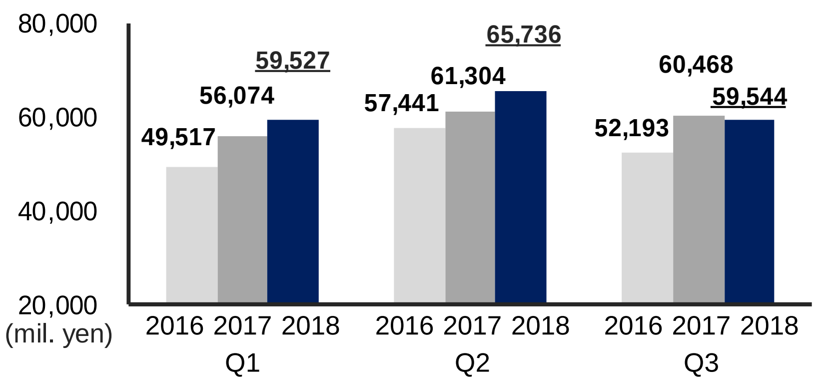
Our Group

- The Group achieved increases in sales and operating income driven by sustained sales growth at POLA and brands under development.
- During July – September period, sales were declined slightly yoy due to natural disasters in Japan and consequent deceleration of inbound.
- At POLA, sales to existing customers in Japan remained favorable.
- ORBIS increased its operating income in spite of sales decrease, thanks to marketing initiatives focused on value appeal through “ORBIS U”.
- As for overseas brands, Jurlique could not stop the sales decline despite new product launches.
- From brands under development, overseas sales accelerated at THREE and new brands opened stores in September as planned.

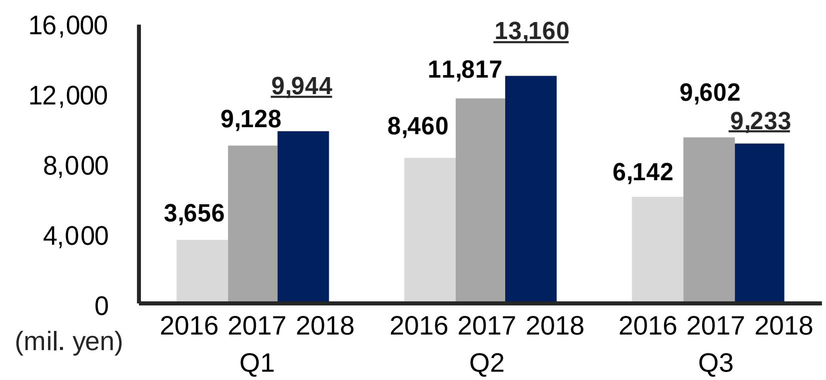
(Reference) Ratio of Inbound Sales to Consolidated Net Sales

FY2016 (Full year)	Approx. 6%
FY2017 (Full year)	Approx. 7%
FY2018 Q3 (YTD)	Approx. 7%

Quarterly Consolidated Sales



Quarterly Operating Income



POLA ORBIS HOLDINGS

Analysis of Consolidated P&L Changes
Net Sales to Operating Income

(mil. yen)	FY2017 Q3 Results (YTD)	FY2018 Q3 Results (YTD)	YoY Change Amount	YoY Change %
Consolidated net sales	177,846	184,807	6,961	3.9%
Cost of sales	29,415	29,948	532	1.8%
Gross profit	148,430	154,859	6,428	4.3%
SG&A* expenses	117,883	122,523	4,639	3.9%
Operating income	30,546	32,335	1,789	5.9%

*Selling, General and Administrative Expenses

Key Factors

- **Consol. net sales** Sales growth was mainly attributed to POLA brand, which experienced strong sales to existing customers in Japan and growth in Chinese, Hong Kong, and duty-free markets. At ORBIS, sales dropped but the average spending price per new customer grew year on year as a result of promotions centered on “ORBIS U”.
- **Cost of sales** The cost of sales ratio was improved owing to an increase in the sales composition ratio of high-prestige products under the POLA brand and ORBIS’s initiatives above.
  Cost of sales ratio 2017Q3: 16.54% ⇒ 2018Q3: 16.21%
- **SG&A expenses** Labor expenses : up ¥646 mil. YoY
  -> resulted from personnel increase for new brands and store openings at POLA.
  Sales commissions : up ¥2,427 mil. YoY
  -> resulted from increased sales at POLA. The commission ratio within POLA has improved.
  Sales related expenses : down ¥103 mil. YoY
  -> resulted from drastic review on sales promotion expenses at ORBIS.
  Administrative expenses : up ¥1,668 mil. YoY
  -> resulted from costs for launching new brands.
- **Operating income** Beauty care : up ¥1,423 mil. YoY

POLA ORBIS HOLDINGS

Analysis of Consolidated P&L Changes
Operating Income to Profit Attributable to Owners of Parent

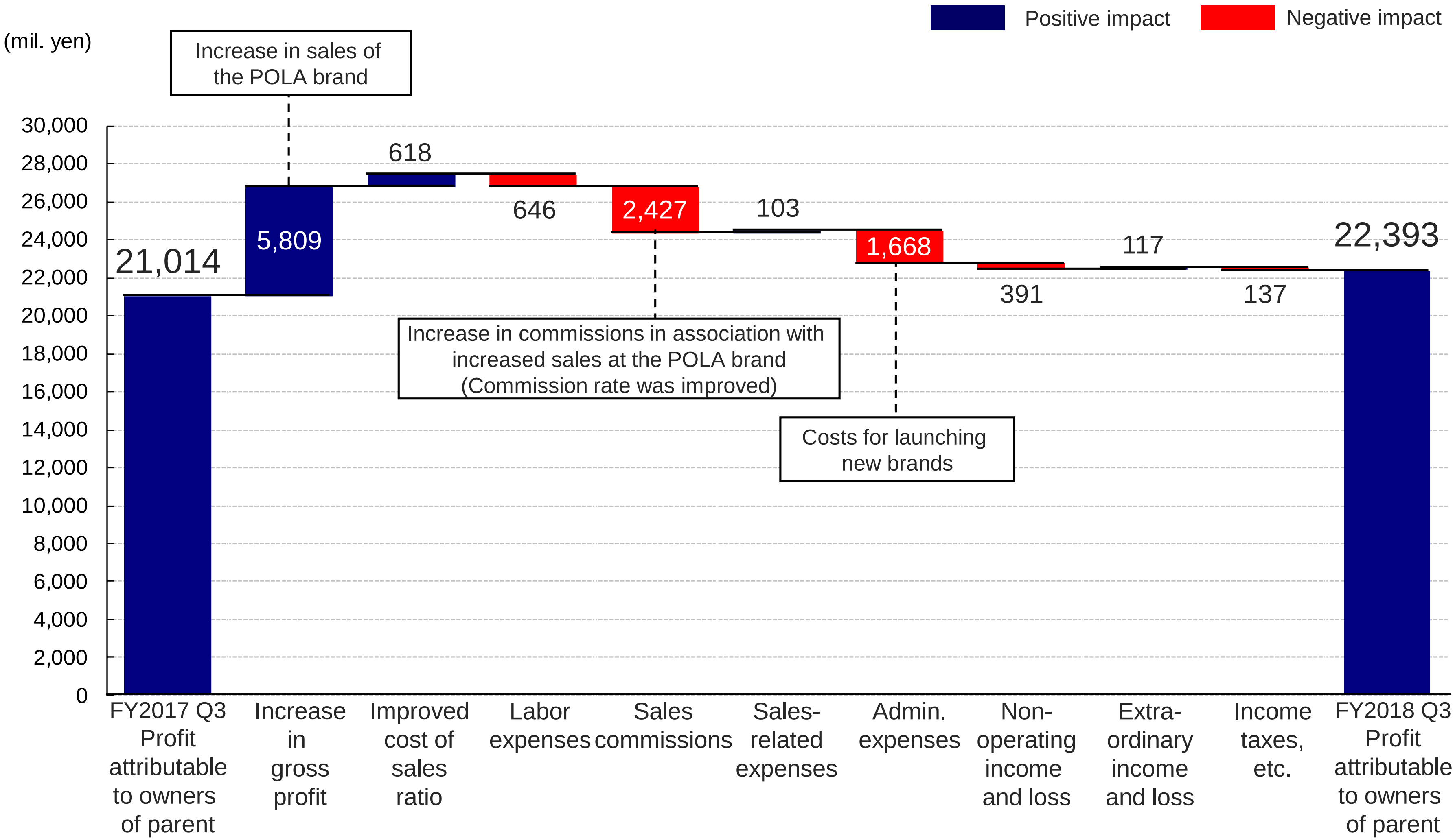
(mil. yen)	FY2017 Q3 Results (YTD)	FY2018 Q3 Results (YTD)	YoY Change Amount	YoY Change %
Operating income	30,546	32,335	1,789	5.9%
Non-operating income	332	383	50	15.2%
Non-operating expenses	88	529	441	500.3%
Ordinary income	30,791	32,189	1,398	4.5%
Extraordinary income	629	28	(601)	(95.5%)
Extraordinary loss	1,044	325	(719)	(68.8%)
Profit before income taxes	30,376	31,892	1,516	5.0%
Income taxes	9,345	9,504	158	1.7%
Profit attributable to non-controlling interests	16	(5)	(21)	-
Profit attributable to owners of parent	21,014	22,393	1,379	6.6%

Key Factors

- Non-operating expenses : Loss from unfavorable foreign exchange rates ¥449 mil.
- Income taxes : Reduction in effective tax rate due to improvement in overseas losses and withdrawal of a sub-subsidiary (effective tax rate = 29.8%)

Factors Impacting Profit Attributable to Owners of Parent

Profit attributable to owners of parent was up 6.6% yoy due to increase in gross profit and COGS improvement



1. Highlights of Consolidated Performance
2. Segment Analysis
3. Forecasts for Fiscal 2018
4. Initiatives Going Forward & Appendices

POLA ORBIS HOLDINGS

Segment Results

(mil yen)	FY2017 Q3 Results (YTD)	FY2018 Q3 Results (YTD)	YoY Change Amount	YoY Change %
Consolidated net sales	177,846	184,807	6,961	3.9%
Beauty care	165,268	172,024	6,755	4.1%
Real estate	2,020	2,031	11	0.6%
Others	10,557	10,752	194	1.8%
Operating income	30,546	32,335	1,789	5.9%
Beauty care	29,689	31,113	1,423	4.8%
Real estate	913	833	(80)	(8.8%)
Others	(126)	798	925	-
Reconciliations	70	(408)	(479)	-

Segment Results Summary

- Beauty care: Sales growth was mainly attributed to POLA. Operating income rose 4.8% thanks to sales growth at POLA and improved cost efficiency at ORBIS.
- Real estate: Occupancy rate has been maintained at a high level. However, maintenance expenses were incurred.
- Others: At pharmaceutical business, sales increased year on year driven by mainstay products such as Duac® Gel.

Beauty Care Business Results by Brands

(mil. yen)	FY2017 Q3 Results (YTD)	FY2018 Q3 Results (YTD)	YoY Change	
			Amount	%
Beauty care net sales	165,268	172,024	6,755	4.1%
POLA	104,902	112,350	7,448	7.1%
ORBIS	39,888	38,056	(1,832)	(4.6%)
Jurlique	8,201	7,453	(748)	(9.1%)
H2O PLUS	1,765	1,416	(348)	(19.7%)
Brands under development	10,509	12,747	2,237	21.3%
Beauty care operating income	29,689	31,113	1,423	4.8%
POLA	23,002	25,079	2,077	9.0%
ORBIS	7,409	7,738	329	4.4%
Jurlique	(1,232)	(2,118)	(885)	-
H2O PLUS	(580)	(507)	72	-
Brands under development	1,090	920	(170)	(15.6%)

Note: Consolidated operating income and loss for each brand are shown for reference purpose only (figures are unaudited)

Brand Analysis (1)

POLA

Q3 Result

- Sales to existing customers continued to grow steadily in Japan.
- Overseas sales grew especially in the Chinese, Hong Kong, and duty-free markets (by 2 times).
- On the other hand, momentum of inbound sales decelerated being affected by unexpected natural disasters in 3Q.
- The inbound ratio was approximately 11%.

Q3 (YTD)		Results (mil. yen)	YoY change
Net sales		112,350	7.1%
Operating income		25,079	9.0%
Key indicators			
Number of sales offices (vs. Dec. 2017)			4,181 (up 31)
Number of PB(2) (vs. Dec. 2017)			664 (up 8)
Cosmetics sales ratio	PB(2)		38.1%
	Esthe-inn		49.1%
	D2D(3) and other		12.8%
(1) Sales growth*	PB		up 3.4%
	PB (like-for-like)		up 3.3%
	Esthe-inn		up 4.1%
	D2D		down 2.8%
Purchase per customer*			down 4.1%
Number of customers*			up 9.8%
Growth rate of overseas sales*			up 118.9%

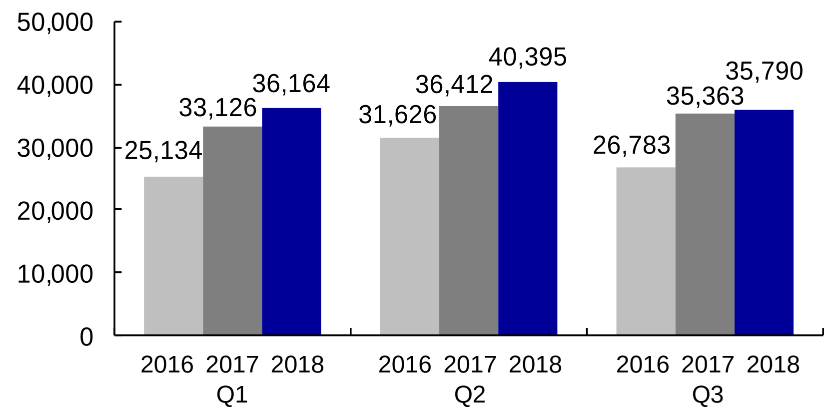
(1) Consignment sales channel (2) PB: POLA THE BEAUTY stores
(3) D2D: Conventional door-to-door *YoY

Topics

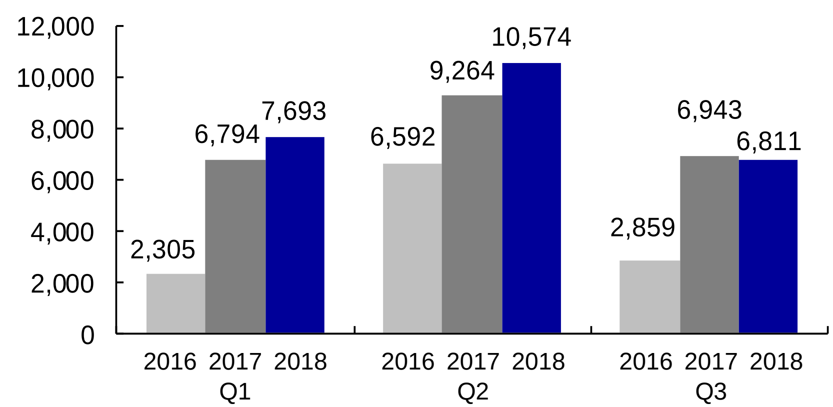
- Launched "Red B.A", which highly contributed to customer acquisition (September)
- "Wrinkle Shot" was launched in Thailand from September 21st

Red B.A

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



ORBIS

Brand Analysis (2)

Q3 Result

- Concentrated marketing resources on “ORBIS U”, with a view to getting back to the sales growth trajectory after the new product launch in 4Q.
- Some customers restrained buying due to pre-order of new products to be launched in October.
- Successfully improved the quality of the customer base; the brand aims to improve repeat ratio and purchase price per customer.

Q3 (YTD)	Results (mil. yen)	YoY change
Net sales	38,056	(4.6%)
Operating income	7,738	4.4%

Key indicators		
Sales ratio	Online	48.3%
	Other mail-order	23.8%
	Stores and overseas	27.9%
Sales increase*	Online	down 0.7%
	Other mail-order	down 13.5%
	Stores and overseas	down 2.3%
Mail-order(1) purchase per customer*		up 0.7%
Number of mail-order(1) customers*		down 6.6%
Number of customers purchasing the ORBIS U series*(2)		up 28.5%

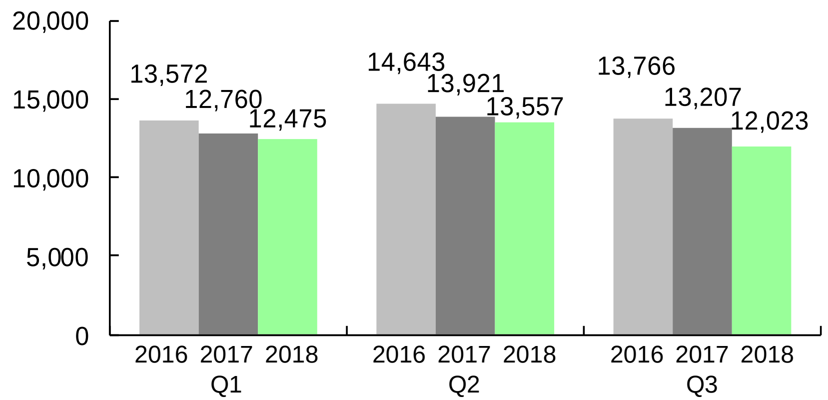
(1) Mail-order includes online and other mail-order
(2) For the last 6 months period

* YoY basis

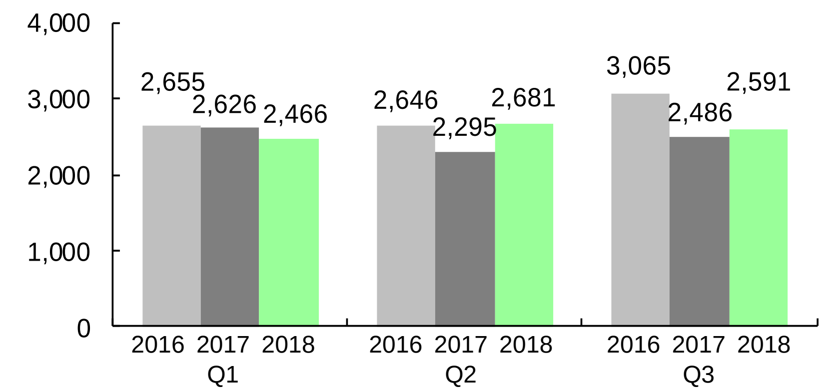
Topics

- Obtained the 1st place for four consecutive years under mail-order business “own-brand category” at JCSI (Japanese Customer Satisfaction Index Survey)

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Brand Analysis (3)

Q3 Result

- Sales declined by 6% yoy (on an AUD basis).
- New products contributed to customer acquisition; however, it takes some time for the brand to realize sales growth.

Q3 (YTD)	Results (mil. yen)	YoY change[1]
Net sales	7,453	(9.1%)
Operating income (before goodwill amortization)	(2,073)	(887)
Operating income	(2,118)	(885)

Key indicators		
Number of doors in China (vs. Dec. 2017)		95 (down 15)
Sales ratio	China	16%
	Hong Kong	15%
	Duty free	15%
	Australia	31%
Sales growth[2]	China	down 24%
	Hong Kong	down 1%
	Duty free	± 0%
	Australia	down 15%

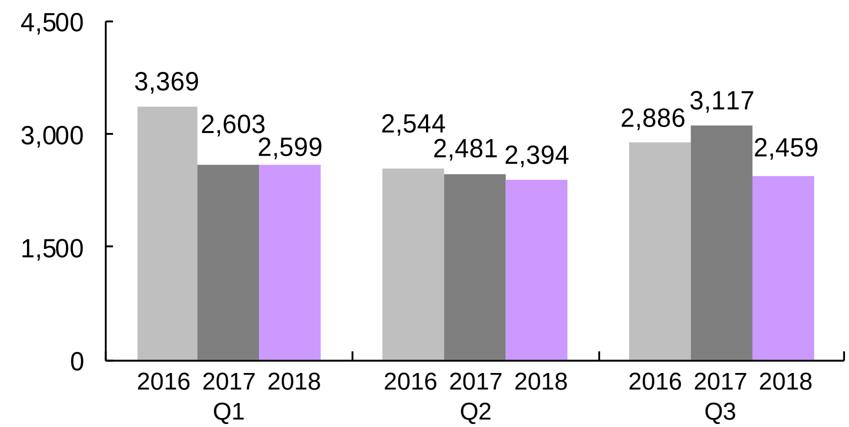
(1) For operating income, the YoY difference is shown as an amount (mil. yen).
(2) AUD basis, YoY

Topics

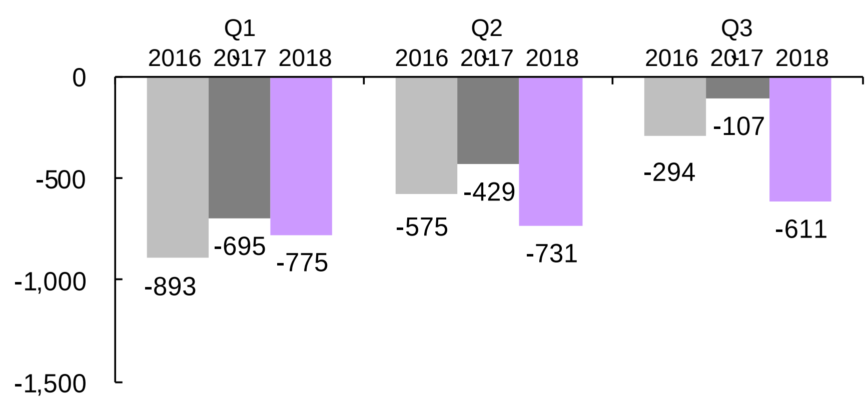
- Launched aging care series that symbolize the brand (September)

Herbal Recovery Range

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Brand Analysis (4)

Q3 Result

- Sales were down due to withdrawal from some of the sales channels at the end of last year.
- Implemented marketing strategies focused on hero products development. (The sales of the focused product increased.)
- Profit structure has been improved (in personnel cost, advertising expenses, etc.)

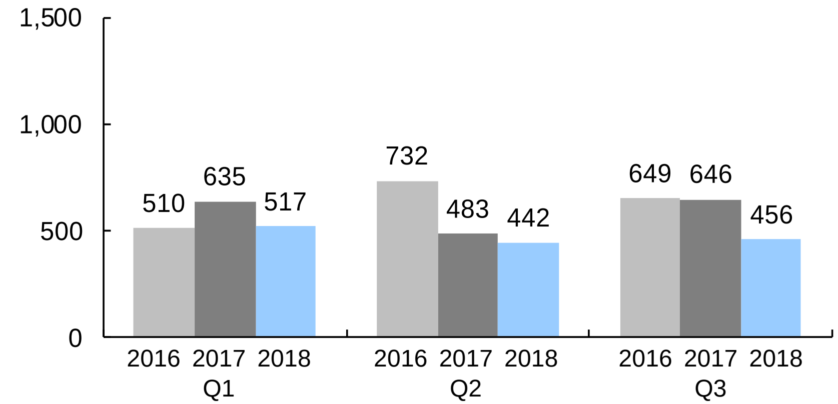
Q3 (YTD)	Results (mil. yen)	YoY change[1]
Net sales	1,416	(19.7%)
Operating income	(507)	72
Key indicators		
Sales ratio	North America	91%
	Others	9%
Sales growth[2]	North America	down 15%
	Others	down 41%

(1) For operating income, the YoY difference is shown as an amount (mil. yen)
(2) USD basis, YoY

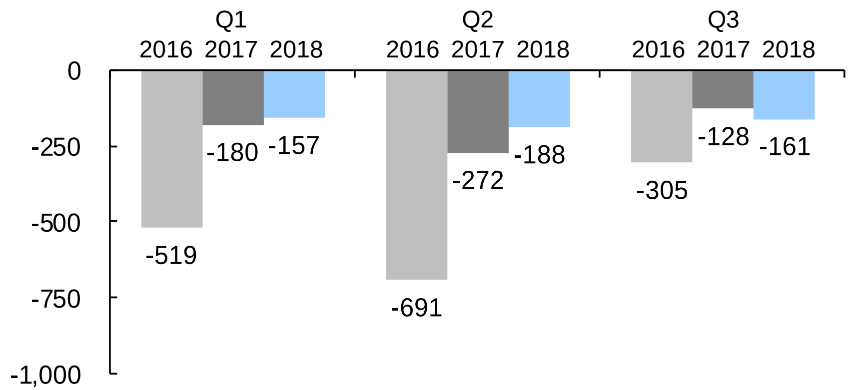
Topics

- Implemented measures such as sampling campaign and product training for external sales associates in order to revitalize storefront focusing on specific products and stores

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Brand Analysis (5) Brands Under Development

Q3 Result

- At THREE, sales grew in skincare product category, which customers tend to make repeat purchases.
  The brand successfully expanded into international markets such as duty-free and cross-border e-commerce.
- Costs for launching new brands amounted to approx. ¥910 mil.
- At DECENCIA, sales composition ratio grew for sales to subscription members which the brand can expect high LTV.

Q3 (YTD)	Results (mil. yen)	YoY change
Net sales	12,747	21.3%
Operating income	920	(15.6%)
ACRO Net sales	7,584	34.9%
ACRO OP income	50	(88.9%)
(THREE Net sales)	7,526	33.8%
(THREE OP income)	964	113.0%

Key indicators		
THREE	Dept. store counters in Japan	40
	Other stores in Japan	68
	Overseas stores (in 7 countries & regions)	50
	Overseas sales ratio	21%

■ Brand Portfolio of Brands Under Development

Company	ACRO INC.	DECENCIA INC.
Brand	THREE, ITRIM, Amplitude, FIVEISM × THREE	DECENCIA

Note: Apart from the portfolio above, Brands Under Development includes the OEM business.

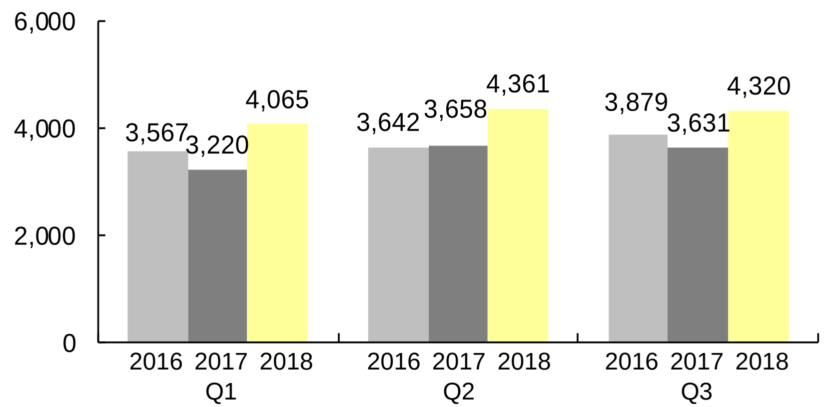
Topics

- Launched new brands at stores and online

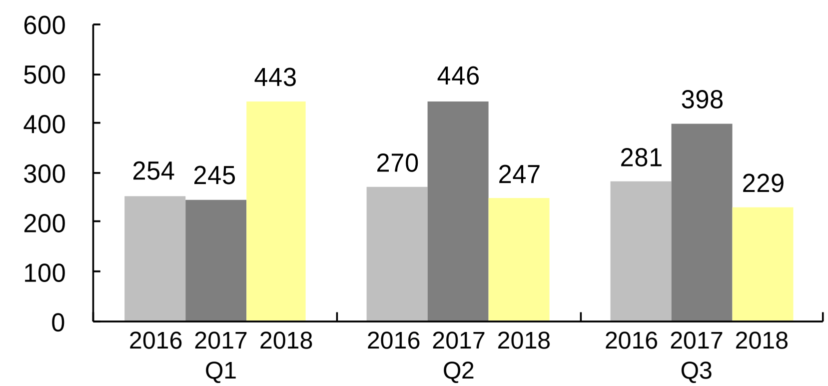
Amplitude	ITRIM	FIVEISM × THREE
Sep.1st / 2 stores	Sep.1st / 3 stores	Sep.19th / 3 stores

(date of launch / # of stores as of Sep 30)

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



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Forecasts for FY2018 (No Change)

The full-year performance forecast remains as originally planned.
The Group is expecting increases both in sales and OP income for the ninth consecutive year.

(mil. yen)	2018 Q3 Results (YTD)	YoY Change Amount	YoY Change %	2018 Full-year Forecast	YoY Change Amount	YoY Change %
Consol. net sales	184,807	6,961	3.9%	253,000	8,664	3.5%
Beauty care	172,024	6,755	4.1%	235,800	8,666	3.8%
Real estate	2,031	11	0.6%	2,600	(94)	(3.5%)
Others	10,752	194	1.8%	14,600	92	0.6%
OP income	32,335	1,789	5.9%	41,500	2,618	6.7%
Beauty care	31,113	1,423	4.8%	40,700	2,578	6.8%
Real estate	833	(80)	(8.8%)	900	(182)	(16.9%)
Others	798	925	-	300	614	—
Reconciliations	(408)	(479)	-	(400)	(391)	—
Ordinary income	32,189	1,398	4.5%	41,500	2,249	5.7%
Net income attributable to owners of parent	22,393	1,379	6.6%	28,000	862	3.2%

Assumed exchange rates : 1 AUD = 88 JPY, 1 USD = 110 JPY, 1 RMB = 17 JPY

Background factors			
	■Sales	POLA	: Reflected recent weak momentum of inbound sales and potential impact on Chinese demand in Japan in advance of the enforcement of the PRC e-commerce law.
		Jurlique	: Reflected a further downside risk by considering the brand's recent sales progress.
	■OP income	POLA	: Reflected additional investments in overseas channel for growth in next year onward.
		Jurlique	: Anticipate decrease in gross profit as a result of weak sales. Profits from other brands and businesses will make up for the loss as a consolidated group.

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POLA ORBIS HOLDINGS

Initiatives for 2018 Q4

■ Sustain stable growth of flagship brands to lead Group earnings

POLA

- Launch two special skincare products from "B.A", the most prestigious series of the brand. (October)
- Introduce limited special sets from "B.A" and "Wrinkle Shot". (November)
- Accelerate overseas store expansion: Aiming at 50 stores (changed from 45 as initial plan) as of end of 2018, from 32 stores as of end of 2017.

POLA
Left : B.A Eye Zone Cream
Right : B.A Lip Bar Serum

ORBIS

- Started presale of the new "ORBIS U" from October 12th in response to favorable pre-order.

Strengthen media exposure and aim to increase band presence at an early stage.

■ Bring overseas operations solidly into the black overall

Jurlique

H2O+ BEAUTY

- Introduce gift products for holiday season to activate customers.

Jurlique
Christmas Collection 2018

H2O PLUS
GIFT SETS

■ Expand brands under development, create new brands, pursue M&A activity

THREE

Amplitude

FIVEISM × THREE

ITRIM

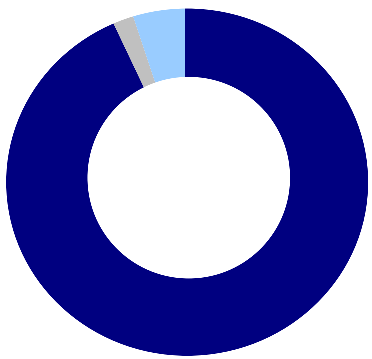
- Open "SENSORIUM THREE", a new concept store that offers wide range of products and experience of both THREE and FIVEISM×THREE brands. (November 21st in Marunouchi, Tokyo)
- The number of stores of new brands is expected to reach 10 combining Amplitude, ITRIM and FIVEISM×THREE together.

SENSORIUM THREE

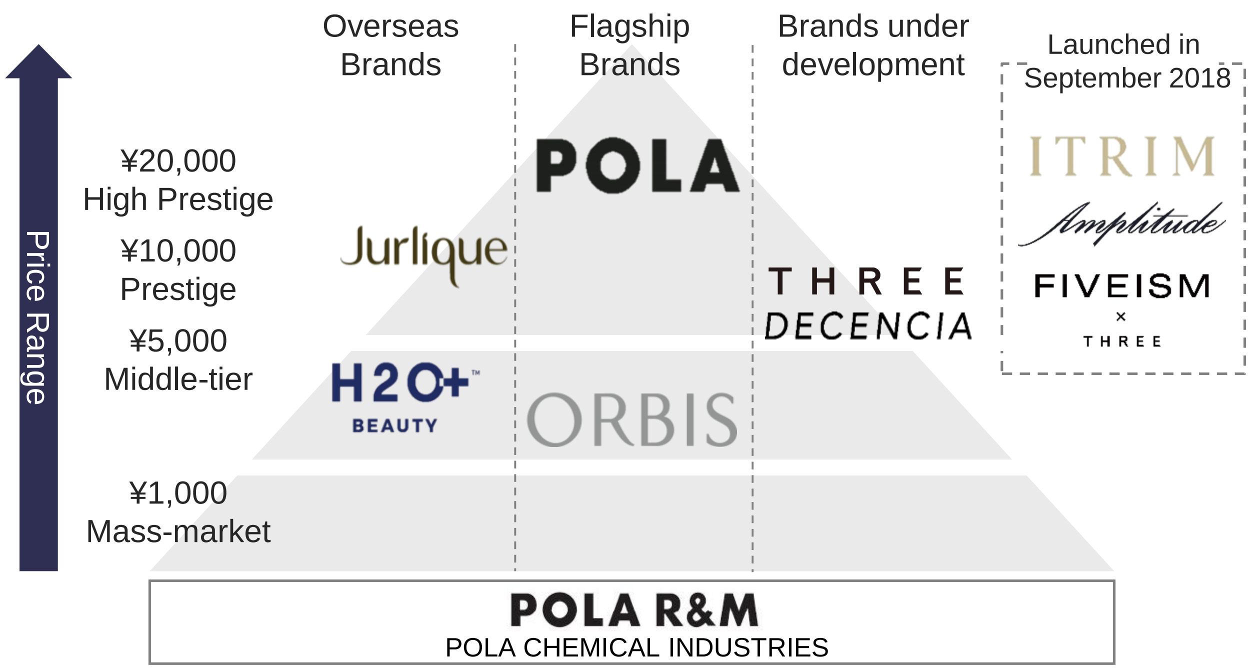
(Appendix) About POLA ORBIS Group

Beauty care is the core business of the Group, and 9 different cosmetics brands are operated under the Group umbrella

FY2017
Consol. Net Sales
¥244.3 bil.



- Beauty care business 93%
- Real estate business 1%
- Other businesses 6% (dermatological drugs and building maintenance business)



Our strengths

- Multi-brand strategy
- Focus on skincare products
- Flagship brands, POLA and ORBIS own and operate through their own unique sales channels

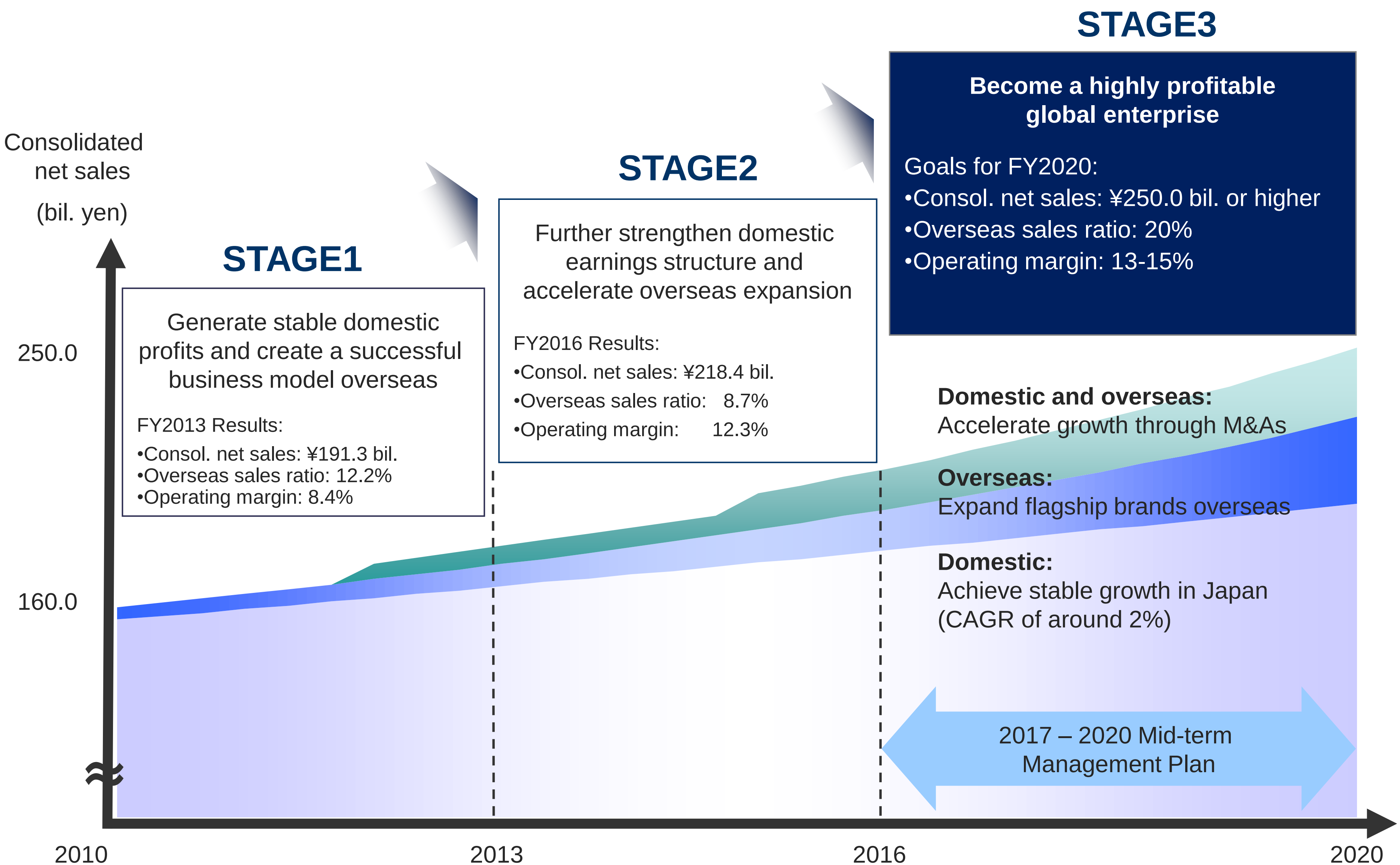
- Meeting diversified needs of customers
- High customer repeat ratio
- Strong relationships with customers

(Appendix) Beauty Care Business Brand Portfolio

	Sales ratio*	Brand	Concept and products	Price	Sales channel	
Flagship brands	63%	POLA Since 1929	■ High-prestige skincare ■ Leading-edge technology in anti-aging and skin-whitening fields	Approx. ¥10,000 or higher	■ Consignment sales through Beauty Directors, department store counters and online ■ Overseas, duty free stores	
	23%	ORBIS Since 1984	■ Anti-aging brand to draw out people’s intrinsic beauty	¥1,000~ ¥3,000	■ Mail-order (online and catalog) ■ Retail stores ■ Overseas	
Overseas Brands	6%	Jurlique Acquired in 2012	■ Prestige organic skincare brand from Australia	Approx. ¥5,000 or higher	■ department store counters and directly-operated stores, and online ■ Duty free stores	
	1%	H2O+™ BEAUTY Acquired in 2011	■ Skincare with concept of innovation and power of pure water	Approx. ¥4,000 not sold in Japan	■ US: Specialty stores and online	
Brands under develop-ment	7%	THREE Since 2009	■ Skincare made with natural ingredients from Japan and fashion-forward make-up	Approx. ¥5,000 or higher	■ Department store counters and specialty stores ■ Directly-operated stores and online ■ Overseas and duty free stores	Operated by ACRO INC.
		Amplitude Since 2018	■ High prestige quality makeup from Japan	¥5,000~ ¥10,000	■ Department stores, online	
		ITRIM Since 2018	■ Premium skincare made from finely selected organic ingredients	Approx. ¥20,000	■ Department stores, online	
		FIVEISM × THREE Since 2018	■ Industry’s first men’s cosmetics focusing on makeup	¥2,000~ ¥12,000	■ Department stores, online	
		DECENCIA Since 2007	■ Skincare for sensitive skin	¥2,000～ ¥5,000	■ Online	

*Sales ratio in the beauty care business as of FY2017

(Appendix) Long-term Vision



POLA ORBIS HOLDINGS

(Appendix) 2017 – 2020 Medium-term Management Plan

**The final stage of the long-term vision for 2020.
Aim to improve profitability in Japan, promote a solid shift toward overall profitability from overseas operations and build a brand structure for next-generation growth.**

Consolidated net sales

- Consol. net sales: CAGR 3 to 4% (¥250.0 bil. in FY2020)

Operating income

- Operating income: CAGR 10% or higher
- Operating margin: 15% or higher in FY2020

Capital efficiency

- Target for ROE: 12% in FY2020

Shareholder returns

- Consolidated payout ratio: 60% or higher from FY2017

Japan

Strategy 1. Sustain stable growth of flagship brands to lead Group earnings

Overseas

Strategy 2. Bring overseas operations solidly into the black overall

Strategy 3. Expand brands under development, create new brands, pursue M&A activity

Strategy 4. Strengthen operations (reinforce R&D, human resources and governance)

Strategy 5. Enhance capital efficiency and enrich shareholder returns

(Appendix) Beauty Care Business Results for FY2015 – FY2017 by Brands

	FY2015	FY2016	FY2017	2016 vs 2017 YoY Change	
(mil. yen)	Results	Results	Results	Amount	%
Consolidated net sales	214,788	218,482	244,335	25,853	11.8%
Beauty care net sales	200,570	202,446	227,133	24,686	12.2%
POLA	109,352	116,126	144,012	27,886	24.0%
ORBIS	56,354	55,857	53,066	(2,790)	(5.0%)
Jurlique	18,390	13,118	12,772	(346)	(2.6%)
H2O PLUS	3,944	2,547	2,303	(243)	(9.6%)
Brands under development	12,529	14,796	14,978	181	1.2%
Consol. operating income	22,511	26,839	38,881	12,041	44.9%
Beauty care operating income	21,290	25,904	38,121	12,216	47.2%
POLA	12,302	16,993	28,584	11,591	68.2%
ORBIS	11,197	11,279	9,080	(2,199)	(19.5%)
Jurlique	(379)	(1,183)	(505)	677	-
H2O PLUS	(1,814)	(2,027)	(317)	1,709	-
Brands under development	(15)	841	1,278	437	51.9%

Note : Consolidated operating income and loss for each brand are shown for reference purpose only (figures are unaudited)