Summary of Financial Results

For the First Quarter of Fiscal Year Ending December 31, 2020 (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.

April 28, 2020

POLA ORBIS HOLDINGS INC.

Listing:	Tokyo Stock Exchange, First Section (Code No.: 4927)	
URL:	https://www.po-holdings.co.jp/	
Representative:	Satoshi Suzuki, Representative Director And President	
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Filing Date of Quarterly Securities Report:		May 15, 2020
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 2020

(January 1, 2020–March 31, 2020)

(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	%
FY2020 Three Months	43,316	(17.4)	2,006	(70.4)	(154)	―	(1,246)	―
FY2019 Three Months	52,440	(11.9)	6,773	(31.9)	6,525	(31.0)	4,157	(35.1)

Note: Comprehensive income: (¥1,245) million (―%) for the three months ended March 31, 2020;
¥4,227 million (-24.0%) for the three months ended March 31, 2019

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2020 Three Months	(5.64)	―
FY2019 Three Months	18.80	18.77

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2020 First Quarter	209,155	171,893	82.0	775.35
FY2019	227,256	191,069	83.9	862.00

Reference: Equity capital: FY2020 First Quarter: ¥171,521 million; FY2019: ¥190,690 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	―	35.00	―	81.00	116.00
FY2020	―				
FY2020 (Forecast)		35.00	―	45.00	80.00

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

3. Consolidated Performance Forecast for Fiscal Year Ending December 31, 2020
(January 1, 2020–December 31, 2020)

(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	190,000 (13.6)	19,000 (39.0)	16,500 (46.1)	8,400 (57.3)	37.97

Note: Revisions to the consolidated performance forecast announced most recently: yes

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) : None

(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) : None
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, 2020 229,136,156 shares
At December 31, 2019 229,136,156 shares
2) Number of shares of treasury stock at the end of each period
At March 31, 2020 7,916,253 shares
At December 31, 2019 7,916,253 shares
3) Average number of shares issued and outstanding in each period
Three months ended March 31, 2020 221,219,903 shares
Three months ended March 31, 2019 221,179,303 shares

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 2020 (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 2020

(1) Explanation of Consolidated Operating Results

During the three months of fiscal 2020 (January 1–March 31, 2020), the Japanese economy continued on a moderate recovery track amid continued improvement in the employment and income climate. However, from late February, weaknesses in exports and production made the economic outlook uncertain due to the impact from restricted corporate activities as a result of the spread of COVID-19 (the novel coronavirus).

The domestic cosmetics market saw a recent deterioration due to a significant decrease in inbound demand and changes in consumer sentiment in response to requests such as refraining from going out as a result of the spread of COVID-19, amid a lingering weakness in personal consumption following the consumption tax hike. In the overseas cosmetics market, the outlook also remained uncertain due to the global spread of COVID-19.

Within this market environment, the POLA ORBIS Group (the "Group") continued its efforts to achieve further improved profitability in Japan, a solid shift toward profitability from overseas operations and creations of brands for next-generation growth. The efforts were in line with the four-year medium-term management plan (from 2017 to 2020) that started in fiscal 2017.

As a result of these factors, the Group achieved the following consolidated operating results for the three months of fiscal 2020.

Consolidated net sales for the three months of fiscal 2020 decreased 17.4% year on year, to ¥43,316 million, reflecting the impact of a decline in sales due mainly to the decrease in inbound demand as a result of the spread of COVID-19. Operating income declined 70.4% year on year, to ¥2,006 million, resulting from lower gross profit accompanying the decrease in net sales. Ordinary loss was ¥154 million (ordinary income of ¥6,525 million for the corresponding period of the previous year), resulting from the recording of foreign exchange losses. In addition to these results, due to the effect of recording an impairment loss on non-current assets related to brands under development, loss attributable to owners of parent was ¥1,246 million (profit of ¥4,157 million for the corresponding period of the previous year).

Operating Results Overview (Millions of yen)

	Three Months Ended March 31			
	2019	**2020**	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥52,440	**¥43,316**	¥(9,124)	(17.4)
Operating Income	6,773	**2,006**	(4,767)	(70.4)
Ordinary Income (Loss)	6,525	**(154)**	(6,679)	—
Profit (Loss) Attributable to Owners of Parent	¥4,157	**¥(1,246)**	¥(5,403)	—

Operating Results by Segment

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

	Three Months Ended March 31			
	2019	**2020**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥51,165	**¥42,082**	¥(9,082)	(17.8)
Real Estate	658	**636**	(21)	(3.2)
Others	617	**597**	(20)	(3.3)
Total	¥52,440	**¥43,316**	¥(9,124)	(17.4)

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

	Three Months Ended March 31			
	2019	**2020**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥6,449	**¥1,700**	¥(4,749)	(73.6)
Real Estate	304	**289**	(14)	(4.9)
Others	35	**4**	(30)	(85.9)
Reconciliations of Segment Profit (Note)	(15)	**11**	26	―
Total	¥6,773	**¥2,006**	¥(4,767)	(70.4)

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 10 and 11 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 brands Jurlique and H2O PLUS, and the brands under development THREE, DECENCIA, Amplitude, ITRIM, and FIVEISM × THREE.

POLA is seeking to further improve the value of its brand and strengthen its business foundation through efforts to launch highly functional products focused on the field of anti-aging and skin-whitening and to strengthen development of professional human resources who embody the value of the brand. In the Wrinkle Shot series, the first wrinkle improving quasi-drugs approved in Japan, POLA launched a medicated cosmetic product, Wrinkle Shot Geo Serum (serum), in January. In addition, B.A Light Selector (sunscreen), born from POLA’s pinnacle series B.A, sold approximately 20,000 units within two days of its launch in March, as a new daytime cream that focuses on red light, which has positive effects on skin in the sunlight. POLA will accelerate the growth of its overseas business, gradually expanding department store and duty-free shop sales. Moreover, based on awards received over the past five years, POLA was ranked first in the world in the packaging category of the iF DESIGN AWARD, the world’s biggest design award. Since the self-restraint of store operations in China and the decrease in inbound demand in Japan due to the spread of COVID-19, POLA has maintained online and offline relationships with its customers by following up existing customers through SNS and delivering products through visits. However, POLA recorded net sales and operating income below those of the corresponding period of the previous year.

ORBIS is making efforts to enhance its presence through the creation of brand differentiation in order to re-grow into a highly profitable business. ORBIS stepped up communication centered on products that embody the world view of the brand message, “Simply you. Simply beautiful.” along with consistent marketing communication. The ORBIS U anti-aging skincare series and ORBIS DEFENCERA, the Food for Specified Health Uses with recognized skincare functions, showed strong performance. In February, ORBIS launched its third symbolic product, ORBIS OFF CREAM (cleansing cream), which contributed to gaining new customers. In addition, ORBIS worked to improve its brand recognition rate by expanding customer contact points in Asia. Meanwhile, net sales of ORBIS were below those of the corresponding period of the previous year due to a decrease in existing customers as a result of working to strategically narrow down target customers. Operating income surpassed that of the corresponding period of the previous year due to an enhanced customer structure and sales promotion efficiency on the cost front.

For overseas brands, the Group took initiatives aimed at business growth in Australia and Asia for Jurlique and in

the United States, where H2O PLUS originated. In January, Jurlique relaunched its preeminent aging-care series Nutri-Define, which blends plant extracts based on its original theory, and actively promoted it in the market along with the original farming and plant cultivation processes that form the backbone of the brand. However, net sales fell below those of the corresponding period of the previous year due to significant restrictions on sales activities in Asia, Australia and in travel retail since February caused by the spread of COVID-19. On the cost front, while Jurlique actively strived to shrink selling, general and administrative expenses and reduce fixed costs, these were not sufficient to offset the decline in sales, and operating loss expanded. In January, H2O PLUS completely revamped its best-selling Hydration Oasis series into the clean conscience line that considers the impact on people, society and nature, and this revamp contributed to gaining new customers. Meanwhile, although net sales fell below those of the corresponding period of the previous year due to a decrease in shipments of hotel amenities, operating loss narrowed as a result of aggressive efforts to reduce selling, general and administrative expenses.

For brands under development, while there were strong acquisitions of new customers owing to new products of DECENCIA, and a growth in sales of Amplitude, ITRIM, and FIVEISM × THREE, which were launched in 2018, net sales and operating income fell below those of the corresponding period of the previous year due to the great impact of a reduction in sales of THREE as a result of the spread of COVID-19.

As a result of the factors noted above, net sales—sales to external customers—were ¥42,082 million, down 17.8% year on year, and operating income was ¥1,700 million, down 73.6% 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 2020, net sales and operating income fell below those of the corresponding period of the previous year as a result of some tenants moving out.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥636 million, down 3.2% year on year, and operating income was ¥289 million, down 4.9% 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 2020, net sales and operating income were below those of the corresponding period of the previous year due to a decrease of construction orders.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥597 million, down 3.3% year on year, and operating income was ¥4 million, down 85.9% year on year.

(2) Explanation of Consolidated Financial Position

As of March 31, 2020, total assets stood at ¥209,155 million, down 8.0%, or ¥18,101 million, from December 31, 2019. Factors related to this change included increases of ¥1,498 million in short-term investments in securities and ¥1,221 million in investments in securities for the management of surplus funds, as well as decreases of ¥16,010 million in cash and deposits and ¥6,585 million in notes and accounts receivable – trade.

Total liabilities amounted to ¥37,261 million, up 3.0%, or ¥1,075 million, from December 31, 2019. Factors related to this change included an increase of ¥449 million in notes and accounts payable-trade and ¥1,831 million in other under current liabilities, as well as a decrease of ¥948 million in income taxes payable.

Net assets amounted to ¥171,893 million, down 10.0%, or ¥19,176 million, from December 31, 2019. Factors related to this change included the recording of ¥1,246 million in loss attributable to owners of parent and a decrease of ¥17,930 million in dividends from retained earnings.

(3) Explanation of Consolidated Performance Forecast and Other Predictive Information

The situation continues to have a significant impact on our business performance due to the decline in consumer confidence caused by the voluntary restraint on going outdoors in Japan and overseas in conjunction with the expansion of COVID-19, as well as the temporary closure of store operations. As the impact of COVID-19, which was initially expected to be felt during the first half of the fiscal year, is expected to be prolonged, the Group has made revisions to the full-year of fiscal 2020 consolidated performance forecast which was announced on February 14, 2020 as follows;

	(Millions of yen)				
	Twelve Months Ending December 31				
	Net Sales	Operating Income	Ordinary Income	Profit attributable to Owners of Parent	Net Income Per Share(yen)
Previous Forecast (A)	¥217,000	¥31,200	¥30,700	¥20,000	90.41
Current Forecast (B)	190,000	19,000	16,500	8,400	37.97
Amount Change (B-A)	(27,000)	(12,200)	(14,200)	(11,600)	―
Percent Change (%)	(12.4)	(39.1)	(46.3)	(58.0)	―
(reference) Actual Results for Fiscal 2019	219,920	31,137	30,630	19,694	89.04

(Information for reference)

Cumulative Results for Fiscal 2019

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥52,440	¥110,247	¥165,530	¥219,920
Operating Income	6,773	16,236	25,411	31,137
Ordinary Income	6,525	15,561	24,370	30,630
Profit Attributable to Owners of Parent	¥4,157	¥ 9,938	¥ 15,898	¥ 19,694

Quarterly Results for Fiscal 2019

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥52,440	¥57,806	¥55,282	¥54,390
Operating Income	6,773	9,462	9,175	5,725
Ordinary Income	6,525	9,035	8,809	6,259
Profit(Loss) Attributable to Owners of Parent	¥ 4,157	¥ 5,781	¥ 5,959	¥ 3,796

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2019 December 31, 2019	**FY2020 First Quarter March 31, 2020**
Assets		
Current assets		
Cash and deposits	¥ 66,548	**¥ 50,537**
Notes and accounts receivable – trade	21,624	**15,038**
Short-term investments in securities	24,518	**26,017**
Merchandise and finished goods	13,684	**14,493**
Work in process	853	**915**
Raw materials and supplies	5,163	**5,092**
Other	11,617	**12,481**
Allowance for doubtful accounts	(1,074)	**(932)**
Total current assets	142,935	**123,643**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,866	**17,399**
Land	14,094	**14,046**
Other, net	12,026	**11,461**
Total property, plant and equipment	43,987	**42,908**
Intangible assets		
Right of trademark	31	**31**
Software	8,019	**8,542**
Other	98	**98**
Total intangible assets	8,149	**8,671**
Investments and other assets		
Investments in securities	20,301	**21,523**
Other	12,056	**12,628**
Allowance for doubtful accounts	(173)	**(219)**
Total investments and other assets	32,184	**33,932**
Total non-current assets	84,320	**85,511**
Total assets	¥227,256	**¥209,155**

(Millions of yen)

	FY2019 December 31, 2019	**FY2020 First Quarter March 31, 2020**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 3,129	**¥ 3,578**
Income taxes payable	1,374	**425**
Provision for bonuses	1,490	**1,626**
Provision for point program	2,872	**2,567**
Other provisions	98	**40**
Other	17,657	**19,489**
Total current liabilities	26,621	**27,727**
Non-current liabilities		
Other provisions	88	**97**
Net defined benefit liability	3,872	**3,998**
Other	5,603	**5,438**
Total non-current liabilities	9,564	**9,533**
Total liabilities	36,186	**37,261**
Net assets		
Shareholders' equity		
Common stock	10,000	**10,000**
Capital surplus	80,785	**80,785**
Retained earnings	100,915	**81,737**
Treasury stock	(2,652)	**(2,652)**
Total shareholders' equity	189,047	**169,869**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(62)	**(470)**
Foreign currency translation adjustments	2,047	**2,545**
Remeasurements of defined benefit plans	(341)	**(423)**
Total accumulated other comprehensive income	1,643	**1,651**
Subscription rights to shares	243	**243**
Non-controlling interests	134	**127**
Total net assets	191,069	**171,893**
Total liabilities and net assets	¥227,256	**¥209,155**

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

Consolidated Statements of Income

(Millions of yen)

	Three Months Ended March 31	
	FY2019 (January 1, 2019– March 31, 2019)	**FY2020 (January 1, 2020– March 31, 2020)**
Net sales	¥52,440	**¥43,316**
Cost of sales	8,011	**7,106**
Gross profit	44,429	**36,210**
Selling, general and administrative expenses		
Sales commission	12,014	**9,627**
Promotion expenses	4,659	**3,662**
Advertising expenses	2,793	**2,698**
Salaries, allowances and bonuses	4,652	**4,760**
Provision for bonuses	1,010	**976**
Provision for point program	2,378	**1,828**
Other	10,147	**10,650**
Total selling, general and administrative expenses	37,655	**34,204**
Operating income	6,773	**2,006**
Non-operating income		
Interest income	42	**44**
Foreign exchange gains	66	**—**
Other	72	**43**
Total non-operating income	182	**88**
Non-operating expenses		
Interest expense	21	**20**
Loss on valuation of investment securities	265	**500**
Foreign exchange losses	**—**	**1,034**
Compensation expenses	103	**635**
Other	40	**58**
Total non-operating expenses	430	**2,248**
Ordinary income	6,525	**(154)**
Extraordinary income		
Other	0	**0**
Total extraordinary income	0	**0**
Extraordinary losses		
Loss on disposal of non-current assets	7	**84**
Impairment loss	0	**607**
Loss on valuation of investment securities	**—**	**48**
Other	0	**3**
Total extraordinary losses	8	**744**
Profit before income taxes	6,516	**(898)**
Income taxes – current	531	**771**
Income taxes – deferred	1,830	**(418)**
Total income taxes	2,362	**352**
Profit	4,154	**(1,251)**
Profit (Loss) attributable to non-controlling interests	(2)	**(4)**
Profit attributable to owners of parent	¥ 4,157	**¥ (1,246)**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three Months Ended March 31	
	FY2019 (January 1, 2019– March 31, 2019)	**FY2020 (January 1, 2020– March 31, 2020)**
Profit	¥4,154	**¥(1,251)**
Other comprehensive income		
Valuation difference on available-for-sale securities	(134)	**(408)**
Foreign currency translation adjustments	(29)	**495**
Remeasurements of defined benefit plans	236	**(81)**
Total other comprehensive income	72	**5**
Comprehensive income	4,227	**(1,245)**
Comprehensive income attributable to owners of parent	4,229	**(1,238)**
Comprehensive income attributable to non-controlling interests	¥(2)	**¥(7)**

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)
None

(Significant Changes in Shareholders' Equity)
None

(Segment Information)
I. First Quarter of Fiscal 2019 (January 1, 2019-March 31, 2019)
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	¥51,165	¥658	¥51,823	¥617	¥52,440	—	¥52,440
Intersegment Sales or Transfers	17	123	141	504	645	¥(645)	—
Total	51,182	782	51,964	1,121	53,086	(645)	52,440
Segment Profit	¥6,449	¥304	¥6,753	¥35	¥6,789	¥(15)	¥6,773

Notes: 1. “Others” comprises business operations that are not categorized as reportable segments and includes the building maintenance business. The pharmaceuticals business, which was previously included in “Others”, is excluded from the scope of the consolidation with the transfer of all shares of POLA PHARMA INC. at January 1, 2019.
2. The segment profit reconciliation of ¥(15) million includes intersegment transaction eliminations of ¥953 million, and corporate expenses of ¥(968) 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 2020 (January 1, 2020–March 31, 2020)

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	**¥42,082**	**¥636**	**¥42,719**	**¥597**	**¥43,316**	**—**	**¥43,316**
Intersegment Sales or Transfers	**16**	**130**	**147**	**361**	**508**	**¥(508)**	**—**
Total	**42,098**	**767**	**42,866**	**958**	**43,825**	**(508)**	**43,316**
Segment Profit	**¥1,700**	**¥289**	**¥1,989**	**¥4**	**¥1,994**	**¥11**	**¥2,006**

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 ¥ 11 million includes intersegment transaction eliminations of ¥992 million, and corporate expenses of ¥ (981) 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

(Subsequent Events)

Due to the global spread of COVID-19, the Japanese government declared a state of emergency on April 7, 2020, and our directly managed stores and some commercial facilities have shortened their hours of operation and closed their doors temporarily. These effects could have a more significant impact on the Group's financial position and results of operations than initially anticipated. Please refer to "(3) Explanations of Consolidated Performance Forecast and Other Predictive Information" on page 5 for details of the impact of this change.