POLA ORBIS HOLDINGS

First Half of Fiscal 2022 Supplementary Material

POLA ORBIS HOLDINGS INC.
Representative Director and President
Satoshi Suzuki

Today, we will be discussing the financial results briefing for the first half of fiscal year ending December 31, 2022, forecast of fiscal 2022, and initiative for second half.

■ POLA ORBIS HOLDINGS INC. has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from fiscal 2022.

■ Regarding the results for fiscal 2021:
The results for fiscal 2021 presented in this presentation have been calculated using the same accounting standards as those in fiscal 2022, and are shown as reference information (unaudited) for the purpose of comparison.

The accounting standard for revenue recognition has applied from FY2022.
Please note that this document is a comparison of actual results, converted to match the accounting standards from the current fiscal year.

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Let me begin by explaining our consolidated financial results.

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Q2 Key Topics

Cosmetics Market

- The scale of the Japanese cosmetics market (including exports) as a whole continued to recover.
- The Japanese market showed a moderate recovery trend after quasi-emergency measures were lifted.
- In the overseas market, mainland China suffered restrictions on storefront operations and logistics were impacted due to prolonged lockdowns.

Source: Ministry of Economy, Trade and Industry, Ministry of Internal Affairs and Communications, Japan Tourism Agency, Japan Department Stores Association, Intage SLI, and National Bureau of Statistics of China

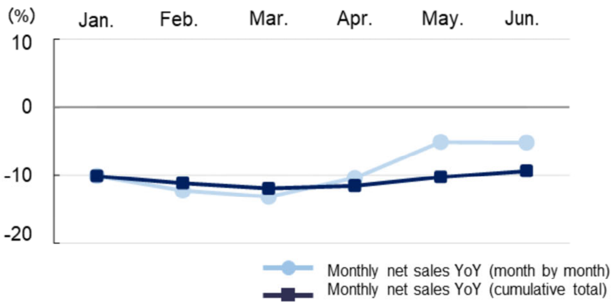
Our Group

- Consolidated revenue and income decreased, significantly affected by a decline in revenue from POLA.
- POLA's consignment sales in Japan began to recover, although a full recovery will take some time.
  Revenue declined overseas, partly due to suppression on shipment to duty free stores in South Korea (down ¥2.7 bil.), in addition to the impact of lockdowns in mainland China.
- ORBIS's revenue fell due to a decline in customer numbers.
- In overseas brands, revenue rose and losses were ameliorated for Jurlique.
- The devaluation of the Japanese yen had little effect on the consolidated results.

Medium-term Management Plan Indicators (FY2022 H1)	
Overseas sales ratio	16.0% (-2.7 ppt*)
Domestic e-commerce sales ratio	27.7% (+1.9 ppt*)

*vs Dec. 2021

YoY Change in Consolidated Monthly Net Sales



- In Japan, quasi-emergency measures were lifted nation-wide in late March, and the increase in opportunities to go out led to a rising trend in department store customer traffic, mainly in metropolitan areas.
- Overseas operations continued to fall short of expectations, with prolonged lockdowns in mainland China (from the end of March to the end of May in Shanghai).

The cosmetics market, as a whole, is on the road to recovery. Domestic consumption, excluding inbound sales, has also shown signs of gradual recovery since the lifting of the COVID-19 measures at the end of March.

However, in light of the current COVID-19 infection situation, we recognize that it will take some time for a full-fledged recovery.

Overseas, the prolonged lockdown in China affected our logistics operations, in addition to limiting our sales activities.

Under these circumstances, the Group's consolidated revenue and income declined, mainly due to a decrease in revenue at POLA.

As for POLA, the consignment sales channel is showing a recovery compared to Q1.

Overseas, sales were lower than the previous year due to the lockdown in China, as well as the planned suppression of shipments to the South Korean duty-free stores, which has been implemented since this fiscal year as a countermeasure for the C2C market.

Although the yen has weakened significantly, we believe the impact on our consolidated performance will be negligible.

The lower portion of the screen shows the YoY change in consolidated sales on a monthly basis. The extent of the revenue decline has been gradual, but the trend is shrinking.

Consolidated P&L Changes Analysis
Net Sales to Operating Income

(mil. yen)	FY2021 H1 Results (recalculated under the 2022 standard)	FY2022 H1 Results	YoY Change Amount	YoY Change %
Consolidated net sales	86,910	78,748	(8,162)	(9.4%)
Cost of sales	14,780	14,263	(517)	(3.5%)
Gross profit	72,129	64,484	(7,645)	(10.6%)
SG&A expenses	63,730	59,567	(4,163)	(6.5%)
Operating income	8,399	4,917	(3,481)	(41.5%)

Key Factors

- **Consol. net sales**: Decreased on a consolidated basis, mainly due to a decrease in revenue from POLA.
- **Cost of sales**: Cost of sales ratio deteriorated due to lower sales ratio from POLA.
  Cost of sales ratio 2021H1 : 17.0% ⇒ 2022H1 : 18.1%
- **SG&A expenses**: Labor expenses: up ¥288 mil. YoY
  Sales commissions: down ¥1,698 mil. YoY
  ⇒ Decreased due to lower POLA consignment sales.
  Sales related expenses: down ¥1,477 mil. YoY
  Administrative expenses, etc.: down ¥1,276 mil. YoY
  ⇒ Decreased due to lower POLA overseas business consignment expenses.
- **Operating income**: Operating margin 2021H1: 9.7% ⇒ 2022H1: 6.2% (Jan.-Mar.: 5.1%, Apr.-Jun.: 7.3%)

Note: FY2021 H1 results are presented for reference only (unaudited).

We will now explain consolidated PL.

The cost of sales ratio has increased, mainly due to a decrease in the sales composition ratio of low-cost POLA, but still maintains a high gross margin ratio.
SG&A expenses decreased mainly in variable costs, such as sales commissions and consignment expenses.
As a result, the operating income margin was 6.2%, but the profit margin improved compared to Q1.

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

(mil. yen)	FY2021 H1 Results (recalculated under the 2022 standard)	FY2022 H1 Results	YoY Change Amount	YoY Change %
Operating income	8,399	4,917	(3,481)	(41.5%)
Non-operating income	1,487	4,168	2,680	180.2%
Non-operating expenses	106	209	103	97.3%
Ordinary income	9,780	8,876	(904)	(9.2%)
Extraordinary income	297	-	(297)	(100.0%)
Extraordinary losses	409	621	211	51.7%
Profit before income taxes	9,668	8,254	(1,413)	(14.6%)
Income taxes etc.	3,046	(2,688)	(5,735)	-
Profit attributable to non-controlling interests	22	39	16	74.7%
Profit attributable to owners of parent	6,599	10,904	4,304	65.2%

Key Factors

- Non-operating income: Foreign exchange gain ¥3,938 mil
- Extraordinary losses: Extraordinary loss due to liquidation of H2O PLUS ¥182 mil.
- Income taxes etc.: Reduction in income taxes – deferred due to liquidation of H2O PLUS ¥4,466 mil.

Note: FY2021 H1 results are presented for reference only (unaudited).

This is about operating income to profit attributable to owners of parent.

Non-operating income increased due to foreign exchange gains of approximately JPY3.9 billion.
The decrease in income taxes is due to the dissolution and liquidation of the H2O PLUS brand, which was announced in Q1.

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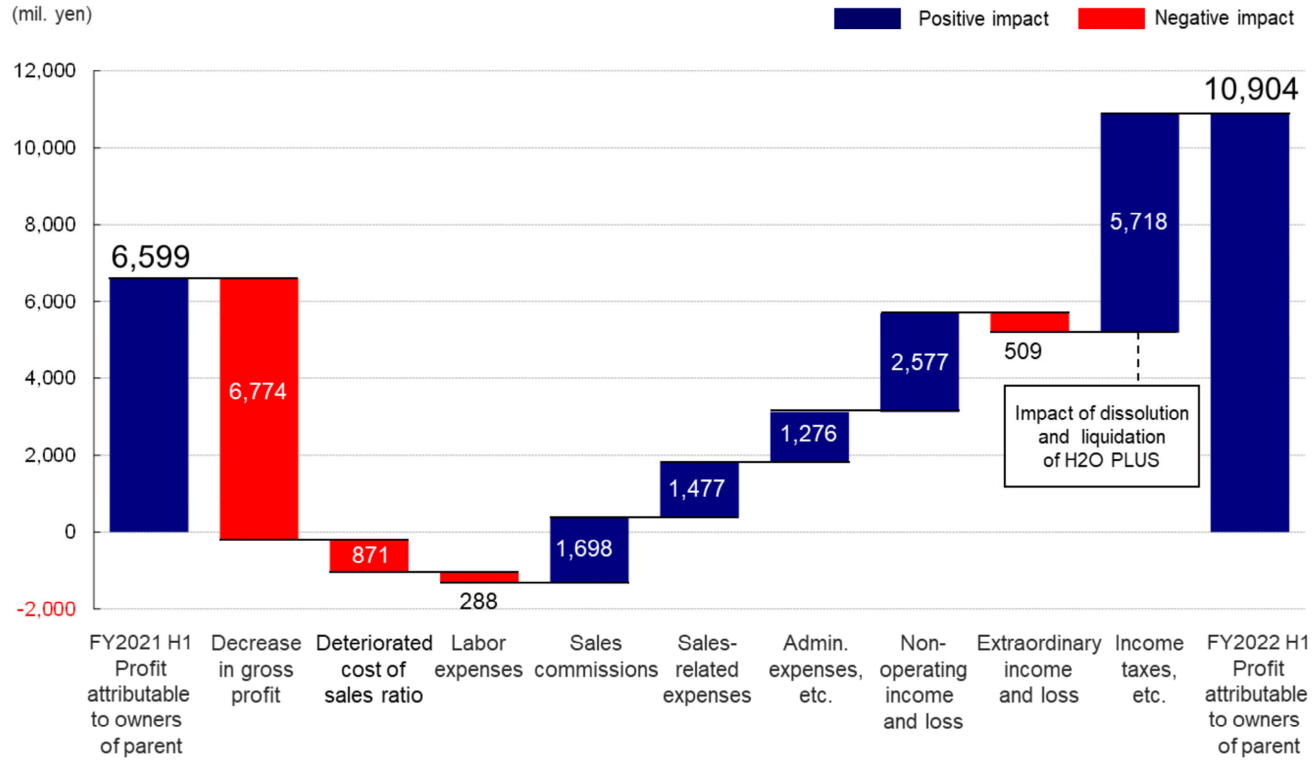
Factors Impacting Profit Attributable to Owners of Parent

While gross profit decreased due to lower revenue, profit attributable to owners of parent increased by ¥4,304 mil. YoY due to a reduction in income taxes etc. resulting from the impact of exchange rates and the liquidation of H2O PLUS.



Factors behind the change in net income are as shown.
Final income increased significantly due to a decrease in income taxes and other factors.

1. Highlights of Consolidated Performance
2. **Segment Analysis**
3. Forecasts for Fiscal 2022
4. Initiatives Going Forward & Appendices

Next, I will discuss the status of the segments.

Segment Results

(mil yen)	FY2021 H1 Results (recalculated under the 2022 standard)	FY2022 H1 Results	YoY Change Amount	YoY Change %
Consolidated net sales	86,910	78,748	(8,162)	(9.4%)
Beauty care	84,683	76,420	(8,262)	(9.8%)
Real estate	1,053	1,039	(13)	(1.3%)
Others	1,173	1,287	113	9.7%
Operating income	8,399	4,917	(3,481)	(41.5%)
Beauty care	8,437	5,246	(3,190)	(37.8%)
Real estate	186	316	129	69.4%
Others	27	71	43	160.7%
Reconciliations	(252)	(716)	(464)	-

Segment Results Summary

- Beauty care: Revenue decreased YoY, primarily due to a decrease in revenue from POLA, but fell less steeply than in the first quarter.
  Operating income declined, mainly due to a decrease in gross profit.
- Real estate: Revenue decreased due to the departure of tenants.

Note: FY2021 H1 results are presented for reference only (unaudited).

The results by segment are as shown.
Revenue in the beauty care business declined, but the extent of the decline was smaller than in Q1.

Beauty Care Business Results by Brands

(mil. yen)	FY2021 H1 Results (recalculated under the 2022 standard)	FY2022 H1 Results	YoY Change Amount	YoY Change %
Beauty care net sales	84,683	76,420	(8,262)	(9.8%)
POLA	53,067	45,056	(8,011)	(15.1%)
ORBIS	19,809	19,060	(748)	(3.8%)
Jurlique	3,474	3,655	181	5.2%
H2O PLUS	414	728	314	76.0%
Brands under development	7,917	7,919	1	0.0%
Beauty care operating income	8,437	5,246	(3,190)	(37.8%)
POLA	8,171	4,897	(3,273)	(40.1%)
ORBIS	2,868	2,482	(386)	(13.5%)
Jurlique	(942)	(886)	56	-
H2O PLUS	(350)	(206)	143	-
Brands under development	(1,310)	(1,041)	269	-

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

Here are the results by brand.
With regard to sales, the decline in POLA's revenue had a significant impact on the consolidated results.
Operating income decreased due to a decrease in gross profit.
From next page, I will explain the status of each brand.

POLA

Brand Analysis (1)

H1 Result

- Sales of the high price range *B.A* series grew, despite a decline in domestic revenue.
- Overseas revenue fell significantly, with restrictions on storefront operations and logistics impacted due to lockdowns in mainland China, and suppression on shipment to duty free stores in South Korea. (Excluding the impact of South Korea duty free, overseas net sales were down 13.4% YoY.)

H1		Results (mil. yen)	YoY Change
Net sales		45,056	(15.1%)
Operating income		4,897	(40.1%)
Key indicators			
Sales ratio	Consignment sales		67.6%
	Overseas		15.0%
	Domestic e-commerce		5.9%
	Dept. store, B2B		11.5%
Sales growth*	Consignment sales		down 13.9%
	Overseas		down 34.0%
	Domestic e-commerce		up 4.1%
	Dept. store, B2B		up 6.0%
Consignment sales channel	# of sales offices**		3,022 (down 205)
	# of PB**		563 (down 25)
	Purchase per customer*		up 16.2%
	# of customers*		down 25.1%
Number of stores overseas**			140 (up 8)

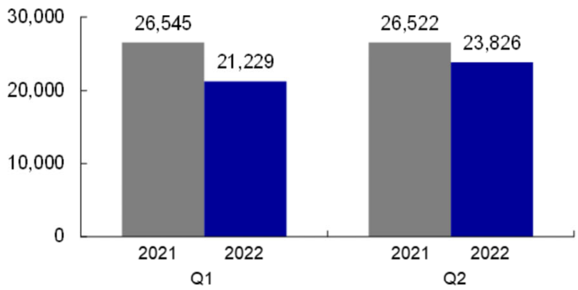
*YoY basis
** vs Dec. 2021

Topics

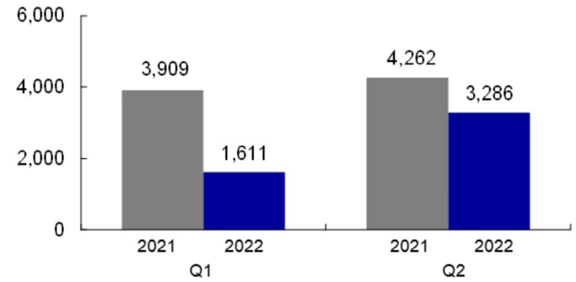
- Accelerated global expansion with new store openings in Australia and Vietnam

Store image

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Note: YoY change has been calculated using the same accounting standards for both years.

In Japan, sales of POLA's consignment sales channel declined due to a decrease in the number of customers.
On the other hand, sales in other channels are on an increasing trend.
Overseas sales were significantly affected by the lockdown, a decrease of 13.4% even excluding the impact of suppressed shipments to South Korea.

In consignment sales, POLA's main channel, revenue continued to decline, although the high prestige B.A series is performing well, and is on a recovery trend as a whole.
We will explain the factors behind this on the next page by showing you the structure of our customers.

POLA

Brand Analysis (1) Analysis of Changes in POLA Consignment Net Sales

Net sales

Down 13.9% YoY

Main KPIs

Purchase per customer ↗

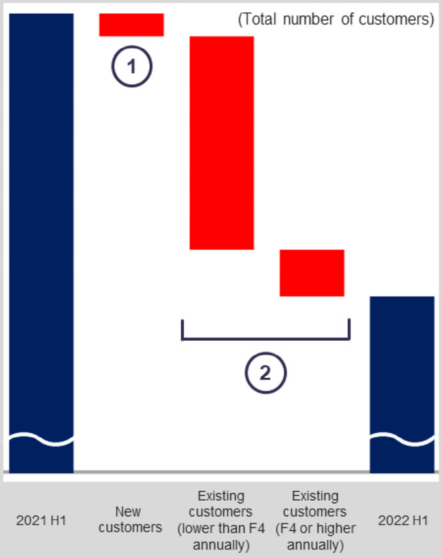
Up 16.2% YoY

- ✓ Purchase per existing customer rose, maintaining a customer base with high LTV.
- ✓ Contribution from high price range skincare increased.

# of customers ↘

Down 25.1% YoY

Consignment sales: customer numbers

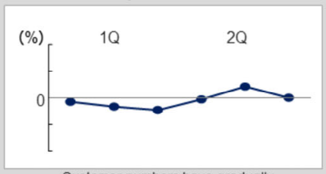


1. New customers
   - ✓ New customer acquisitions continued to decline YoY.
2. Existing customers
   - ✓ Despite the customer repeat ratio at pre-pandemic levels, the accumulation of next year's customers has slowed due to lower new customer acquisition, and the number of customers with only a few purchases has declined.
   - ✓ The number of customers of F4 or above annually who purchase frequently exceeded the previous year, and high customer engagement continued to be a strength.

<Initiatives for the second half>

- ✓ Strengthen presence on Instagram and LINE through store accounts, and expand digital touchpoints.
- ✓ Utilize customer lists to propose products tailored to customer attributes and encourage store visits through in-person events.
- ✓ Acquire customers and cross-sell through the new *B.A eye zone cream.*

(Reference) Trial aesthetic treatments customer acquisition numbers YoY



Customer numbers have gradually recovered from a low in March

The pace of recovery has been gradual due to a shrinking customer base, but the Company is bringing about a recovery in customer numbers upward from the bottom reached in the first half of the fiscal year.

Breaking down the structure of sales into purchase per customer and the number of customers, the number of customers has declined significantly by 25%.
Regarding the decline in customer numbers, the bar graph on the lower left shows the number of new customers and existing customers, and the number of customers who have changed since the same period of the previous year.

The environment has made it difficult to demonstrate the strength of offline customer service, and new customer acquisition continues to be lower than the previous year.
By bringing counseling online, the Company has been able to maintain a repeat rate of new customers, but the buildup of existing customers is decreasing due to a lack of absolute numbers.
On the other hand, the change in the number of trial aesthetic customers in the current term shows a gradual recovery, and we expect to attract new customers in the future.

It will take some time to expand the customer base that has declined over the past few years, but the decline in the number of customers will bottom out in H1 and turn into an improving trend in the future.
We will explain our efforts in H2 of the fiscal year later.

ORBIS

Brand Analysis (2)

H1 Result

- Mail-order purchase per customer rose YoY, but revenue declined due to a decrease in the number of customers.
- In terms of product, demand for makeup is experiencing a comeback, with sales on a recovery trend.

H1		Results (mil. yen)	YoY Change
Net sales		19,060	(3.8%)
Operating income		2,482	(13.5%)
Key indicators			
Sales ratio	Domestic e-commerce		60.5%
	(Proportion of domestic sales attributable to e-commerce)		63.5%
	Other mail-order		13.8%
	Stores and overseas, etc.		25.7%
Sales growth*	Domestic e-commerce		down 3.3%
	Other mail-order		down 12.7%
	Stores and overseas, etc.		down 0.7%
Mail-order** purchase per customer*			up 3.3%
Number of mail-order** customers*			down 10.5%
ORBIS U series ratio of sales(1)			26%

(1) Total of *ORBIS U*, *U white*, *U encore*, and *U.*

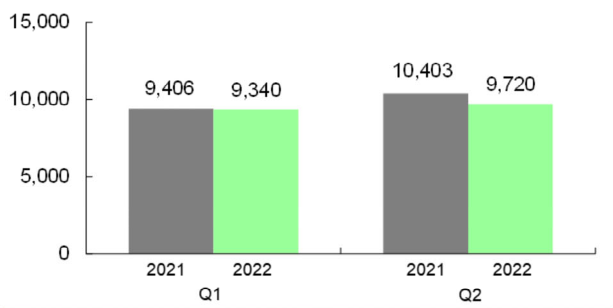
* YoY basis

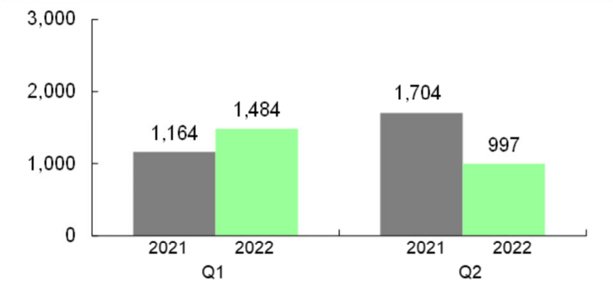
** include e-commerce and catalog

Topics

- Launched limited-edition for special type of *ORBIS OIL CUT CLEANSING LIQUID*, a staple product (May).

ORBIS OIL CUT CLEANSING LIQUID





Note: YoY change has been calculated using the same accounting standards for both years.

ORBIS revenue declined due to the continued decline in the number of customers, as the Company continued to strategically curb discounts and other promotions.

Due to the renewal of ORBIS U in this August, we have temporarily curbed the volume of advertising.

In addition, the unit price of advertising has increased due to intensifying competition in the e-commerce market, and we are struggling to acquire new customers.

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Brand Analysis (3) Overseas Brands

H1 Result

- Jurlique continued to struggle in Australia and Hong Kong, and suffered from store shutdowns and shortened opening hours due to lockdowns in mainland China, but revenue increased and losses were ameliorated, offset by e-commerce growth.

H1			Results (mil. yen)	YoY Change(1)
Jurlique	Net sales		3,655	5.2%
	OP income		(886)	56
H2O PLUS	Net sales		728	76.0%
	OP income		(206)	143
Key indicators				
Jurlique				
Sales ratio		Australia		16.0%
		Hong Kong		11.4%
		Duty free		15.3%
		mainland China		38.8%
Sales growth(2)		Australia		down 6.8%
		Hong Kong		down 30.9%
		Duty free		up 21.1%
		mainland China		up 18.0%

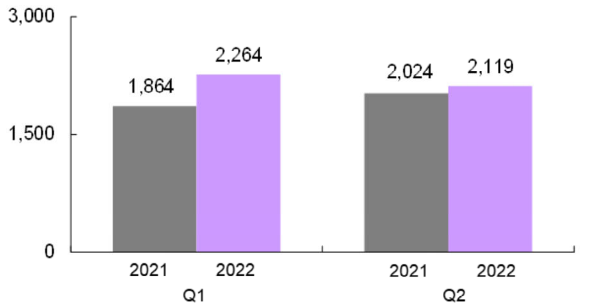
(1) For operating income, the YoY difference is shown as an amount (mil. yen)
(2) AUD basis, YoY

Topics

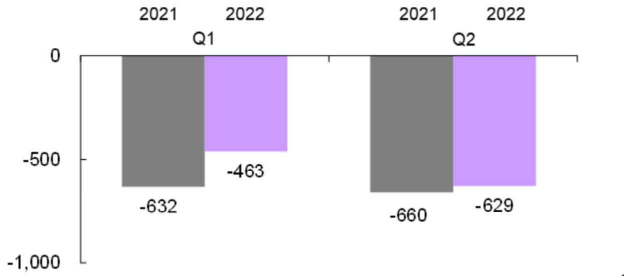
- Jurlique launched a limited-edition mist (June).

(Left) *Lavender Hydrating Mist*
(Right) *Sweet Violet & Grapefruit Mist N*

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Note: YoY change has been calculated using the same accounting standards for both years.

Jurlique was affected by the lockdown in China but is making up for its offline struggles through e-commerce, a key channel for the Company.

H2O PLUS, which was resolved to be liquidated, is progressing as planned toward liquidation and closed its own e-commerce business at the end of June.

Brand Analysis (4) Brands Under Development

H1 Result

- THREE revenue decreased, impacted by the temporary suppression of online promotions after the reopening of in-house e-commerce.
- Revenue decreased for DECENCIA due to restrained investment in preparation for product renewals in the second half of the fiscal year.

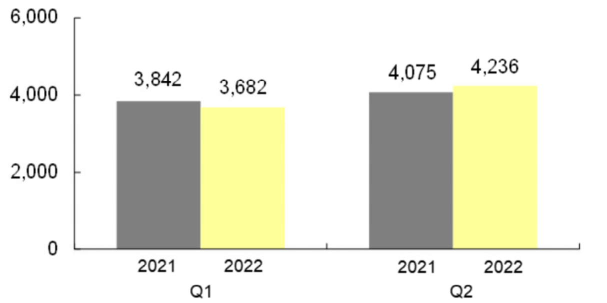
Topics

- Received best cosmetics awards.

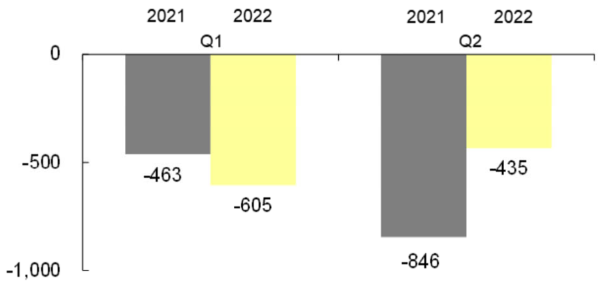
H1		Results (mil. yen)	YoY Change
Net sales		7,919	0.0%
Operating income(1)		(1,041)	269
ACRO Net sales		3,364	(20.8%)
ACRO OP income(1)		(1,057)	69
THREE(3) Net sales		2,854	(18.4%)
THREE(3) OP income(1)		(582)	(60)
DECENCIA Net sales		2,480	(11.1%)
DECENCIA OP income		404	(0.0%)
Key indicators			
THREE(3)			
Sales ratio	Domestic storefronts, etc.		62.5%
	Domestic e-commerce		9.6%
	Overseas		27.9%
Sales growth(2)	Domestic storefronts, etc.		down 12.9%
	Domestic e-commerce		down 57.5%
	Overseas		down 1.2%

(1) The YoY change is shown as the amount (mil. yen)
(2) YoY basis (3) Includes FIVEISM

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Note: YoY change has been calculated using the same accounting standards for both years.

As for brands under development, THREE resumed its own e-commerce operation in April, but even after the resumption, the Company curbed online promotions, resulting in a decline in revenue due to a lack of customer activation.

Sales of external e-commerce platforms are growing, and new customer contact points are expanding.

DECENCIA saw a decline in revenue as investments were strategically restrained in preparation for the renewal of the main series in H2.

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I have explained the results by brand.
Next, I will now continue with an explanation of the outlook for the current fiscal year.

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Forecasts for Fiscal 2022 (Revised)

The Company has revised its forecasts downwards, mainly for POLA, but aims for an increase in revenue in the second half of the fiscal year.

(mil. yen)	FY2022 H1 Results	YoY Change (same-standard basis)		FY2022 Full-year Plan	Vs Apr. 28 Plan	YoY Change (same-standard basis)	
		Amount	%			Amount	%
Consol. net sales	78,748	(8,162)	(9.4%)	170,000	(16,000)	(4,896)	(2.8%)
Beauty care	76,420	(8,262)	(9.8%)	165,800	(16,000)	(4,603)	(2.7%)
Real estate	1,039	(13)	(1.3%)	1,900	-	(212)	(10.1%)
Others	1,287	113	9.7%	2,300	-	(79)	(3.3%)
OP income	4,917	(3,481)	(41.5%)	11,700	(6,000)	(3,882)	(24.9%)
Beauty care	5,246	(3,190)	(37.8%)	13,130	(6,000)	(2,624)	(16.7%)
Real estate	316	129	69.4%	400	-	(88)	(18.2%)
Others	71	43	160.7%	70	-	0	(0.6%)
Reconciliations	(716)	(464)	-	(1,900)	-	(1,168)	-
Ordinary income	8,876	(904)	(9.2%)	15,700	(2,000)	(1,962)	(11.1%)
Profit attributable to owners of parent	10,904	4,304	65.2%	14,000	(2,200)	3,176	29.3%

Planned exchange rates: 1.00 AUD = 88.3 JPY (PY 82.48) 1.00 USD = 122.9 JPY (PY 109.8) 1.00 CNY = 18.9 JPY (PY 17.03)

	FY2021	FY2022 (plan) *Dividend forecasts are unchanged
Shareholder returns	Annual ¥51 (Consol. Payout ratio 96.1%)	Annual ¥52 (Interim ¥21, Year-end ¥31) (Consol. Payout ratio 82.2%)
Capital investment	¥8,945 mil.	¥12,000 mil. - ¥14,000 mil.
Depreciation	¥7,110 mil.	¥8,000 mil. - ¥9,000 mil.

As you can see, we have decided to revise our full-year plan downward.

In addition to the difference in the plan that occurred in H1, we have revised the plan mainly for POLA after carefully examining the outlook for the pace of recovery in H2 of the fiscal year, based on stricter assumptions about the external environment.
We are very sorry that we are unable to meet your expectations in an environment that is difficult to foresee due to COVID-19.
The following pages provide a detailed explanation of the modifications.

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Forecasts for Fiscal 2022 (Revised)

(mil. yen)	FY2022 H1 Results	YoY Change (same-standard basis)		FY2022 Full-year Plan	Vs Apr. 28 Plan	YoY Change (same-standard basis)	
		Amount	%			Amount	%
Consolidated net sales	78,748	(8,162)	(9.4%)	170,000	(16,000)	(4,896)	(2.8%)
Operating income	4,917	(3,481)	(41.5%)	11,700	(6,000)	(3,882)	(24.9%)
Ordinary income	8,876	(904)	(9.2%)	15,700	(2,000)	(1,962)	(11.1%)
Profit attributable to owners of parent	10,904	4,304	65.2%	14,000	(2,200)	3,176	29.3%

Net sales

- Revised downward by ¥16,000 mil., mainly attributable to POLA.

  [Breakdown of revision for POLA]
  - In Japan, results have fallen short of the plan due to a slower-than-anticipated recovery in consignment sales during the first half of the fiscal year. The Company will strive to close this gap in the second half, with a YoY increase in new customers, but the downward revision reflects the difficulty in anticipating a rapid recovery.
  - Overseas, the forecast accounts for the impact of lockdowns in mainland China, but the Company aims for an increase in revenue in the second half.

Operating income

- The Company will control expenses to address the decline in gross profit associated with the downward revision of net sales, and improve profit margin compared to the first half of the fiscal year.

Ordinary income

- Forecasts reflect the foreign exchange gain for the first half of the fiscal year.

Breakdown of revision by brand

Brand	Net Sales (mil. yen)	Operating income (mil. yen)
POLA	(14,500)	(5,800)
Brands under development	(1,000)	(400)
H2O PLUS	(500)	200

POLA accounts for the majority of the revision, since the recovery of the consignment sales channel was less than expected in H1, resulting in a deviation from the plan.

We will work to recover in H2, but we have judged that a rapid turnaround is unlikely given the current customer structure.

With regard to overseas, the impact of the lockdown, which was not assumed at the beginning of the year, has been newly factored in. However, in H2, we hope to turn revenue growth of overseas even in this situation.

POLA ORBIS HOLDINGS

Next, I will explain our initiatives for H2 and beyond.

POLA

Initiatives for 2022 Q3 onward

- For consignment sales, aim for the nationwide expansion of stores utilizing social media and other digital media, which have proved effective for new customer acquisition, and accelerate expansion of customer base into new demographics linked directly through online communication.

- Launch a cream in the *White Shot* series (July), adopting a new approach focused on the impact on skin from changing seasons and mask-wearing.

POLA WHITE SHOT CREAM RXS

- Launch new products in the *B.A* series, and target cross-selling with skincare series.
  - New foundation makeup with a skincare concept, providing aging-care as part of makeup (August).
  - Evolve aging-care for the eyes with the renewal of cream for the area around the eyes (October).

(Left) *POLA B.A SERUM CUSHION FOUNDATION*
(Right) *POLA B.A EYE ZONE CREAM N*

- Expand customer contact points in mainland China.
  - Accelerate the pace of store openings in the second half of the fiscal year, mainly for stores providing aesthetic treatment, and achieve high LTV through counseling and prestige products such as the *B.A* series.
  - Plan expansion into new e-commerce platforms in the second half, in addition to Tmall and JD.

Store providing aesthetic treatment

- Open stores in Malaysia, and enhance brand presence in new markets where growth is anticipated.

POLA's consignment sales channel is facing a decline in the number of customers. However, there are a number of stores that are effectively utilizing social networking services, such as Instagram and LINE, and are seeing results in attracting new customers. These success stories will be rolled out nationwide to accelerate the speed of expansion of online customer contact.
We will also introduce new products from B.A., which are performing well, in order to attract new customers and revitalize existing customers.

As for overseas, we will continue to open new stores in China to enhance the brand value. Although the store opening schedule was delayed due to the lockdown, we will accelerate the pace of store openings in H2.
Outside of China, we will expand our customer contacts, particularly in the ASEAN region, and enhance our brand presence globally.

ORBIS

Initiatives for 2022 Q3 onward

- Renew the *ORBIS U* skincare series, the symbol of ORBIS (August)
  - Use the launch of core products as a hook to strengthen promotional investment, with a sales target for renewed products of 2.5 bil. yen (+25% YoY) in the first fiscal year.*
  - Enhance the functionality of *ORBIS U*'s unique approach focusing on skin fitness.
  - Strengthen communications prior to product launch to acquire new customers and revitalize existing customers, including holding pre-launch experience events at flagship stores and utilizing influencers to post information on social media.

*August 2022 to the end of December 2022

ORBIS U

- Strengthen product lineup and promote cross-selling
  - Launch the brand's first ever cushion foundation (September) in the makeup category, where a recovery is evident, aiming for repeat purchases of items highly aligned with skincare.
  - Plan the large-scale launch of high value-added skincare product in the second half of the fiscal year.
- Focus on the Douyin live commerce for online sales in mainland China, and expand offline customer contact points more rapidly to accelerate growth.

ORBIS SEAMLESS FIT CUSHION FOUNDATION

ORBIS has a major topic regarding product. The brand's iconic skincare series, ORBIS U, will be renewed.

Since its launch, this product has received many best cosmetic awards, but we have enhanced its functionality, such as its moisturizing ability.

Large-scale promotion will be held through offline events and social networking services.

By attracting new customers, we hope to halt the decline in the total number of customers.

In addition, the brand's first cushion foundation and special care products are scheduled to launch, which will promote cross-selling and raise the purchase per customer.

We would like to turn the revenue growth into an annual increase through aggressive promotional investments.

Initiatives for 2022 Q3 onward

Overseas Brands

Jurlique

- In mainland China, invest to capture the strong performance in e-commerce and strengthen skincare customer acquisition.
- Leverage the Group's expertise in R&D to launch a cosmetic oil that uses advanced moisturizing capacity to address skin damage due to stress (September; to be launched in mainland China from 2023), and pivot on this new hero product to acquire new customers and promote repeat purchases.

RO Face Oil

Brands Under Development

THREE

Amplitude
ITRIM
FIVEISM × THREE

- Strengthen online promotions aimed at a recovery in in-house e-commerce, expand customer contact points, and promote repeat purchases by existing customers, to maximize LTV for THREE.
- Launch a new facial care series in ITRIM (August), and strengthen storefront proposals to acquire new customers.

ITRIM Shionkou

DECENCIA

- Strengthen branding as a prestige brand.
- Renew the main product series, and launch the new aging-care product *DECENCIA* (October).

DECENCIA

FUJIMI

- Pivot on supplements to acquire new customers and use cross-selling to increase per-customer spending.

FUJIMI PERSONALIZE SUPPLEMENT

Jurlique is growing in China, mainly through e-commerce. We will increase brand recognition by focusing on skincare items that are performing well and strengthening the acquisition of new customers.
In September, we will launch a cosmetic oil that takes advantage of the Group's research and development expertise. We will nurture this product as a new hero product in Jurlique's skincare line.

THREE will strengthen its online efforts to get its own e-commerce back on a growth trajectory. We have also started operating an official LINE account and feel that it is responding well to its function as a traffic line to e-commerce.

DECENCIA is working to expand brand recognition as a prestige brand in the sensitive skin market.
We intend to completely revamp ayanasu, our flagship series, and further raise the brand stage as new anti-aging skincare, DECENCIA series.

FUJIMI, a personalized brand, has grown to a level where single-month sales exceed JPY200 million. By promoting cross-selling with supplements at the core, we will increase lifetime value.

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(Appendix) Quarterly Segment Results

■ Net sales

(mil. yen)	FY2022 Jan.-Mar.		FY2022 Apr.-Jun.		FY2022 Jul.-Sep.		FY2022 Oct.-Dec	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Consolidated net sales	37,662	(11.9%)	41,085	(6.9%)	-	-	-	-
Beauty care	36,516	(12.3%)	39,903	(7.3%)	-	-	-	-
Real estate	523	(1.4%)	516	(1.2%)	-	-	-	-
Others	622	6.3%	665	13.1%	-	-	-	-

■ Operating income

(mil. yen)	FY2022 Jan.-Mar.		FY2022 Apr.-Jun.		FY2022 Jul.-Sep.		FY2022 Oct.-Dec	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Consolidated operating income	1,912	(53.3%)	3,005	(30.2%)	-	-	-	-
Beauty care	2,026	(49.0%)	3,219	(27.8%)	-	-	-	-
Real estate	189	(8.1%)	127	146	-	-	-	-
Others	0	(92.7%)	70	393.2%	-	-	-	-
Reconciliations	(305)	(202)	(411)	(261)	-	-	-	-

Note: YoY change is calculated using the same accounting standards for both years.
: Where operating income (current or previous year) is negative, YoY change represents YoY difference (mil. yen).

(Appendix) Quarterly Results by Brands

■ Net sales

(mil. yen)	FY2022 Jan.-Mar.		FY2022 Apr.-Jun.		FY2022 Jul.-Sep.		FY2022 Oct.-Dec	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Beauty care net sales	36,516	(12.3%)	39,903	(7.3%)	-	-	-	-
POLA	21,229	(20.0%)	23,826	(10.2%)	-	-	-	-
ORBIS	9,340	(0.7%)	9,720	(6.6%)	-	-	-	-
Jurlique	1,925	13.5%	1,729	(2.7%)	-	-	-	-
H2O PLUS	338	102.0%	389	58.2%	-	-	-	-
Brands under development	3,682	(4.2%)	4,236	4.0%	-	-	-	-

■ Operating income

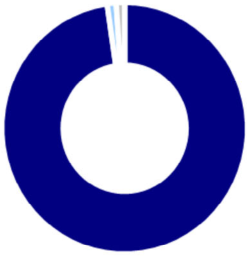
(mil. yen)	FY2022 Jan.-Mar.		FY2022 Apr.-Jun.		FY2022 Jul.-Sep.		FY2022 Oct.-Dec	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Beauty care operating income	2,026	(49.0%)	3,219	(27.8%)	-	-	-	-
POLA	1,611	(58.8%)	3,286	(22.9%)	-	-	-	-
ORBIS	1,484	27.5%	997	(41.5%)	-	-	-	-
Jurlique	(323)	124	(562)	(68)	-	-	-	-
H2O PLUS	(139)	44	(66)	99	-	-	-	-
Brands under development	(605)	(142)	(435)	411	-	-	-	-

Note: YoY change is calculated using the same accounting standards for both years.
: Where operating income (current or previous year) is negative, YoY change represents YoY difference (mil. yen).
: Consolidated operating income and loss for each brand are shown for reference purposes only (figures are unaudited).

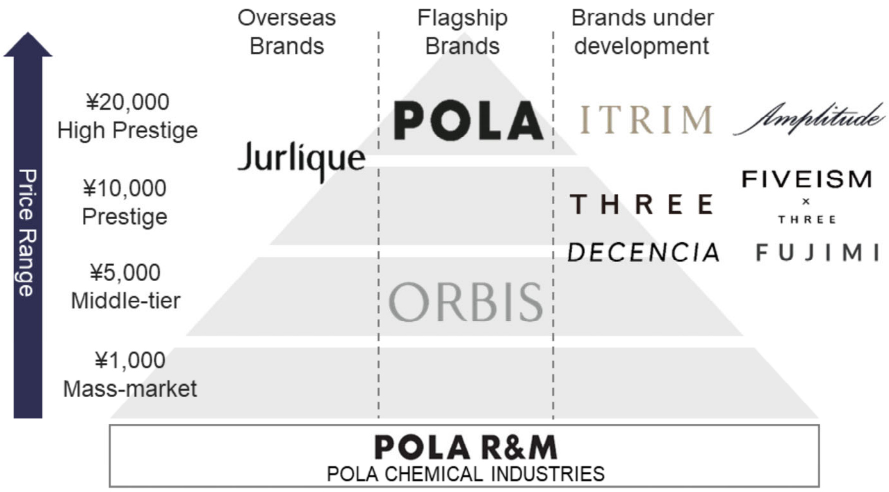
(Appendix) About POLA ORBIS Group

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

FY2021
Consol. Net Sales
¥178.6 bil.



- Beauty care business 98%
- Real estate business 1%
- Other businesses 1% (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

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(Appendix) Beauty Care Business Brand Portfolio

	Sales ratio*	Brand	Concept and products	Price	Main sales channel
Flagship brands	60%	POLA Since 1929	■ High-prestige skincare ■ Leading-edge technology in aging-care and skin-brightening fields	Approx. ¥10,000 or higher	■ JP: Consignment sales, department stores and e-commerce ■ Overseas: Department stores, directly-operated stores, DFS(1), e-commerce and cross-border e-commerce
	25%	ORBIS Since 1984	■ Aging-care brand to draw out people's intrinsic beauty	Approx. ¥1,000~ ¥3,000	■ JP: Mail-order (e-commerce and catalog) and directly-operated stores ■ Overseas: E-commerce, cross-border e-commerce, DFS(1), and retail stores
Overseas Brands	5%	Jurlique Acquired in 2012	■ Premium natural skincare brand from Australia	Approx. ¥5,000 or higher	■ AU: Department stores, directly-operated stores and e-commerce ■ Overseas: Department stores, directly-operated stores, DFS(1), e-commerce and cross-border e-commerce
Brands under develop-ment	10%	THREE Since 2009	■ Skincare made with natural ingredients from Japan and fashion-forward make-up	Approx. ¥5,000 or higher	■ JP: Department stores, directly-operated stores and e-commerce ■ Overseas: Department stores, DFS(1), e-commerce and cross-border e-commerce (Operated by ACRO INC.)
		Amplitude Since 2018	■ High prestige quality makeup from Japan	Approx. ¥5,000~ ¥10,000	■ JP: Department stores and e-commerce ■ Overseas: DFS(1) and cross-border e-commerce (Operated by ACRO INC.)
		ITRIM Since 2018	■ Premium skincare made from finely selected organic ingredients	Approx. ¥20,000	■ JP: Department stores and e-commerce ■ Overseas: DFS(1) and cross-border e-commerce (Operated by ACRO INC.)
		FIVEISM × THREE Since 2018	■ Cosmetics brand with a gender-fluid concept	Approx. ¥2,000~ ¥12,000	■ JP: Department stores, directly-operated stores and e-commerce ■ Overseas: Department stores, DFS(1) and cross-border e-commerce (Operated by ACRO INC.)
		DECENCIA Since 2007	■ Skincare for sensitive skin	Approx. ¥5,000～ ¥10,000	■ JP: E-commerce, department store ■ Overseas: Cross-border e-commerce
		FUJIMI Acquired in 2021	■ Personalized beauty care brand operated by tricot, Inc.	Approx. ¥6,000～ ¥10,000	■ JP: E-commerce and directly-operated store

*Sales ratio in the beauty care business as of FY2021. Brands under development includes OEM business.

(1) Duty free stores

POLA ORBIS HOLDINGS

(Appendix) Improvement in Capital Efficiency and Shareholder Returns

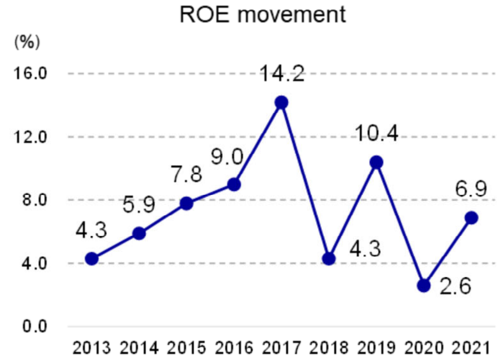
Initiatives to Improve Capital Efficiency

Target for 2023
ROE 9% or higher
(Return on equity)

= EPS (Earnings per share) / BPS (Book value per share)

EPS:
- Operating income CAGR 25%
- Achieve net income growth which is higher than operating income growth by decreasing overseas losses

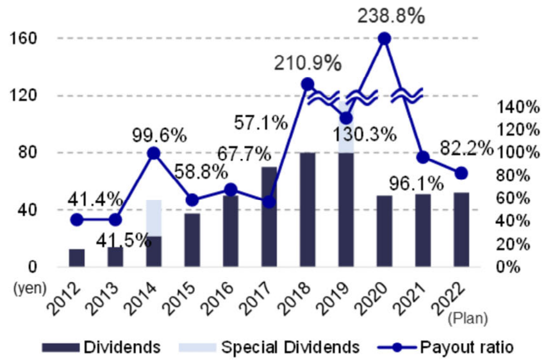
BPS:
- Improve shareholder return through dividends
- Optimize balance sheet
- Investment for future growth



Improvement of Shareholder Return

Basic Policy :
- With a policy of consolidated payout ratio of **60%** or higher, aim for steady increases in dividends, in line with profitable growth.
- Purchases of treasury stock shall be considered based on our investment strategies, as well as market prices and liquidity of the Company's shares.

Dividends forecast for FY2022:
- Dividend per share : **¥52** (Interim ¥21, Year-end ¥31)
- Consol. payout ratio : 82.2%



(Appendix) Long-term Management Plan - VISION 2029

VISION 2029

A collection of unique businesses that respond to diversifying values of "beauty"

Basic strategy 1	Develop the cosmetics business globally; reform and enhance the brand portfolio
Basic strategy 2	Create new value and expand business domains
Basic strategy 3	Strengthen research and technical strategy

STAGE 1
Build the base of existing businesses, and restructure the portfolio for high profits

- ✓ Emphasize profitability and LTV in domestic businesses
- ✓ Accelerate global development
- ✓ Sow the seeds for growth in new businesses, and engage in CVC investment
- ✓ Dispose of unprofitable businesses

FY2021 - 2023

STAGE 2
Invest in growth businesses to accelerate growth

- ✓ Rapid global development
- ✓ New business growth
- ✓ M&A and CVC investment
- ✓ Launch new materials and expand pipelines
- ✓ Establish new dosage forms technology

FY2024 - 2026

STAGE 3
Be a collection of unique businesses that respond to diversifying values of "beauty"

- ✓ Establish a clear presence in the well-being and social domains

【Targets for 2029】

- ■ Consolidated operating income: ¥50.0 bil.
- ■ Consolidated operating margin: 15% or higher
- ■ Consolidated net sales: ¥300.0 bil.
- ■ Overseas sales ratio: 30 - 35%
- ■ ROE: 14% or higher

FY2027 - 2029

POLA ORBIS HOLDINGS

(Appendix) 2021 – 2023 Medium-term Management Plan

Management Indicators for 2023

Net Sales	■ Consolidated net sales	⇒ **¥205.0 to 215.0 bil.** in FY2023 CAGR 6% or higher
	■ Overseas sales ratio	⇒ **20 to 25%** in FY2023 (15% in FY2020) CAGR 20 to 25%
	■ Domestic e-commerce sales ratio	⇒ **30%** in FY2023 (24% in FY2020)
Operating Income	■ Operating margin	⇒ **12% or higher** in FY2023
	■ Operating income	⇒ CAGR **25% or higher**
Capital Efficiency	■ ROE	⇒ **9% or higher** in FY2023
Shareholder Returns	■ Consolidated payout ratio	⇒ **60% or higher**

Strategy 1. Evolve domestic direct selling

Strategy 2. Grow overseas businesses profitably

Strategy 3. Profit contribution from brands under development

Strategy 4. Strengthen operations

Strategy 5. Expand new brands and domains of “beauty”

POLA ORBIS HOLDINGS

(Appendix) Beauty Care Business Results for FY2019 – FY2021 by Brands

(mil. yen)	FY2019 Results	FY2020 Results	FY2021 Results	FY2021 Results (recalculated under the 2022 standard)
Consolidated net sales	219,920	176,311	178,642	174,896
Beauty care net sales	214,886	171,658	174,150	170,403
POLA	135,502	102,888	105,168	105,769
ORBIS	50,726	45,415	43,389	39,071
Jurlique	7,765	6,444	7,838	7,940
H2O PLUS	1,470	722	1,116	1,116
Brands under development	19,421	16,186	16,637	16,505
Consol. operating income	31,137	13,752	16,888	15,582
Beauty care operating income	30,193	12,965	17,060	15,754
POLA	25,529	10,927	16,374	15,144
ORBIS	9,252	7,329	5,925	5,965
Jurlique	(2,968)	(2,489)	(1,536)	(1,542)
H2O PLUS	(825)	(724)	(802)	(802)
Brands under development	(794)	(2,076)	(2,901)	(3,011)

Note : Consolidated operating income and loss for each brand are shown for reference purpose only (unaudited).
Full-year financial results for 2021 (recalculated under the 2022 standard) have been provided for reference only (unaudited).