Financial Results of 2023
2024–2026 Medium-term Management Plan

POLA ORBIS HOLDINGS INC.
Representative Director and President
Yoshikazu Yokote

- 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.
- POLA ORBIS HOLDINGS INC. has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from fiscal 2022. The results for fiscal 2021 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.

We will now begin the financial results briefing for the fiscal year ended December 31, 2023, medium-term management plan for 2024-2026, and forecasts for fiscal 2024.

POLA ORBIS HOLDINGS

Part I Fiscal 2023 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis

Part II 2024–2026 Medium-term Management Plan

1. Review of the Previous Medium-term Management Plan and Recognition of Current Status
2. 2024–2026 Medium-term Management Plan
3. Forecasts for Fiscal 2024

Today's flow will be in two parts.
The first part will discuss the financial results for the year ended December 31, 2023, and the second part will outline the new medium-term management plan for 2024-2026.

Part I Fiscal 2023 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis

Let me first discuss the financial results for the fiscal year ended December 31, 2023.

POLA ORBIS HOLDINGS

FY2023 Key Topics

Cosmetics Market

- It was recognized that the scale of the Japanese cosmetics market as a whole experienced low single-digit growth, partly due to the recovery from the COVID-19 pandemic.
- The cosmetics market in mainland China requires monitoring, with a sense of uncertainty concerning economic conditions and consumption trends.

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

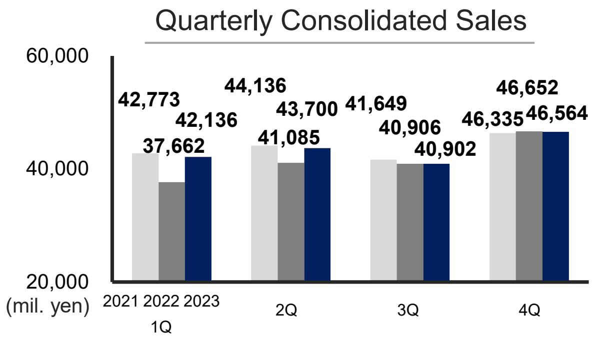
Our Group

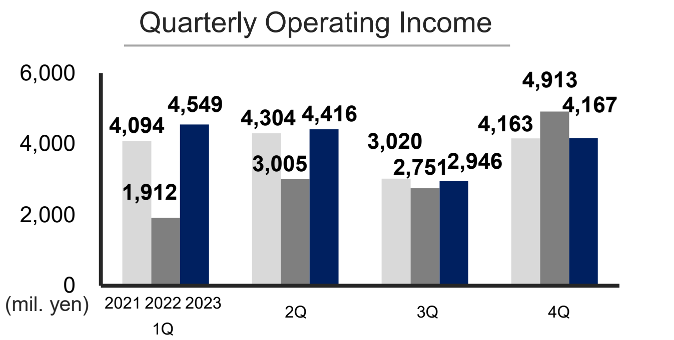
- Consolidated net sales increased (up 5% YoY in Japan, down 1% YoY in overseas). Substantial increase in consolidated operating income (up 28% YoY).
- POLA's revenue increased in Japan, supported by growth mainly in department stores and e-commerce. Revenue in mainland China declined YoY due to a deterioration in business sentiment and the impact of ALPS* treated water. *Advance Liquid Processing System
- ORBIS recorded double-digit growth in revenue and income due to growth in both the number of customers and average purchase per customer in the direct selling channel, as well as significant expansion in external channels.
- Jurlique's revenue increased, but losses were not ameliorated due to the impact of struggling duty free business.
- Losses from brands under development were ameliorated.

Medium-term Management Plan Indicators (FY2023)

Overseas sales ratio	16.7% (-0.7ppt*)
Domestic e-commerce sales ratio	28.2% (+1.3ppt*)

*vs Dec. 2022





Note: Results for FY2021 have been calculated using the same revenue recognition standards as FY2022.

First, trends in the cosmetics market.
Domestic sales were solid, growing at around low single-digit levels for the year, due in part to recovery from the pandemic. In China, the economy has been showing signs of stagnation, especially since H2 of last year, and the situation requires careful attention to trends. Under these circumstances, the Group achieved an increase in consolidated sales and a significant increase in consolidated operating income.

Looking at the situation of major brands, POLA's domestic revenue increased due to strong performance in department stores and e-commerce, while overseas, the Chinese business was affected by the market environment and fell below the previous year's level.
In Japan, ORBIS achieved double-digit growth in both revenue and income as it made progress in building up its customer base.

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Actual vs Planned Variance Analysis

(mil. yen)	FY2022 Results	FY2023 Results	YoY change Amount	YoY change %	Jul. 31, 2023 Plan	vs. Plan Amount	vs. Plan %
Consol. net sales	166,307	173,304	6,996	4.2%	180,000	(6,695)	(3.7%)
Operating income	12,581	16,080	3,499	27.8%	16,000	80	0.5%
Ordinary income	14,928	18,469	3,541	23.7%	17,500	969	5.5%
Profit attributable to owners of parent	11,446	9,665	(1,781)	(15.6%)	11,600	(1,934)	(16.7%)

Average exchange rates: 1.00 AUD = 93.33 JPY, 1.00 CNY = 19.82 JPY

	Variance from Jul. 31 Plan	Main causes of Variance
Consol. net sales	- ¥6,695 mil. (- 3.7%)	■ Variance in the beauty care segment (approx. - ¥7,000 mil.) • POLA (approx. - ¥7,500 mil.) • ORBIS (approx. + ¥900 mil.) • Jurlique (approx. - ¥150 mil.) • Brands under development (approx. - ¥250 mil.)
Operating income	¥80 mil. (+ 0.5%)	■ POLA: Expenses were controlled in Japan and the decline in marginal profit was suppressed (approx. - ¥1,400 mil.) ■ ORBIS: Gross profit increased mainly due to the increase in net sales (approx. + ¥900 mil.) ■ Jurlique: Difference due to struggling duty free business (approx. - ¥450 mil.) ■ Brands under development: Progress on the amelioration of losses exceeded the plan (approx. + ¥850 mil.)
Ordinary income	969 mil. (+ 5.5%)	■ Foreign exchange gain was posted due to the lower-than-anticipated value of the yen (approx. + ¥1,000 mil.)
Profit attributable to owners of parent	- ¥1,934 mil. (- 16.7%)	■ Impairment loss, etc. for FUJIMI and other extraordinary losses increased (approx. + ¥2,400 mil.) ■ Income taxes etc. increased (approx. + ¥300 mil.)

Next, I would like to discuss the difference between actual and planned results.
The difference in planned consolidated net sales is mainly due to POLA's domestic and overseas sales. On the other hand, operating income was able to achieve the planned value, which was revised upward at the time of last year's H1 results, due in part to the securing of income at POLA in Japan, higher-than-planned revenue at ORBIS, and a reduction in losses due to the termination of unprofitable brands.

The upturn in ordinary income was due to foreign exchange gains. Net profit fell short of the plan due to extraordinary losses, including an impairment loss at FUJIMI, and an increase in income taxes etc.

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Consolidated P&L Changes Analysis
Net Sales to Operating Income

(mil. yen)	FY2022 Results	FY2023 Results	YoY Change Amount	YoY Change %
Consolidated net sales	166,307	173,304	6,996	4.2%
Cost of sales	31,037	31,227	190	0.6%
Gross profit	135,270	142,076	6,806	5.0%
SG&A expenses	122,688	125,996	3,307	2.7%
Operating income	12,581	16,080	3,499	27.8%

Key Factors

■ Consol. net sales
Revenue increased in Japan but decreased overseas for the full year due to struggling sales in the second half.

■ Cost of sales
The cost of sales ratio declined due to a greater proportion of high value-added products and a reduction in loss on valuation and abandonment due to brand discontinuation.
Cost of sales ratio FY2022: 18.7% ⇒ FY2023: 18.0%

■ SG&A expenses
Labor expenses: up ¥382 mil. YoY
Sales commissions: up ¥105 mil. YoY
Sales related expenses: up ¥1,556 mil. YoY
Administrative expenses, etc.: up ¥1,262 mil. YoY

■ Operating income
Operating margin FY2022: 7.6% ⇒ FY2023: 9.3%

We will now explain about consolidated P&L. Consolidated net sales increased by 4%, the cost of sales ratio improved, and high gross profit margins were maintained.

In SG&A expenses, we were able to increase the operating margin to 9.3% through efficient execution of expenses that were kept below the rate of revenue growth with an awareness of return on investment.

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

(mil. yen)	FY2022 Results	FY2023 Results	YoY Change Amount	YoY Change %
Operating income	12,581	16,080	3,499	27.8%
Non-operating income	2,773	2,691	(82)	(3.0%)
Non-operating expenses	427	302	(125)	(29.3%)
Ordinary income	14,928	18,469	3,541	23.7%
Extraordinary income	762	674	(88)	(11.6%)
Extraordinary losses	3,379	3,783	404	12.0%
Profit before income taxes	12,311	15,360	3,049	24.8%
Income taxes etc.	804	5,627	4,823	599.9%
Profit attributable to non-controlling interests	61	67	6	10.5%
Profit attributable to owners of parent	11,446	9,665	(1,781)	(15.6%)

Key Factors

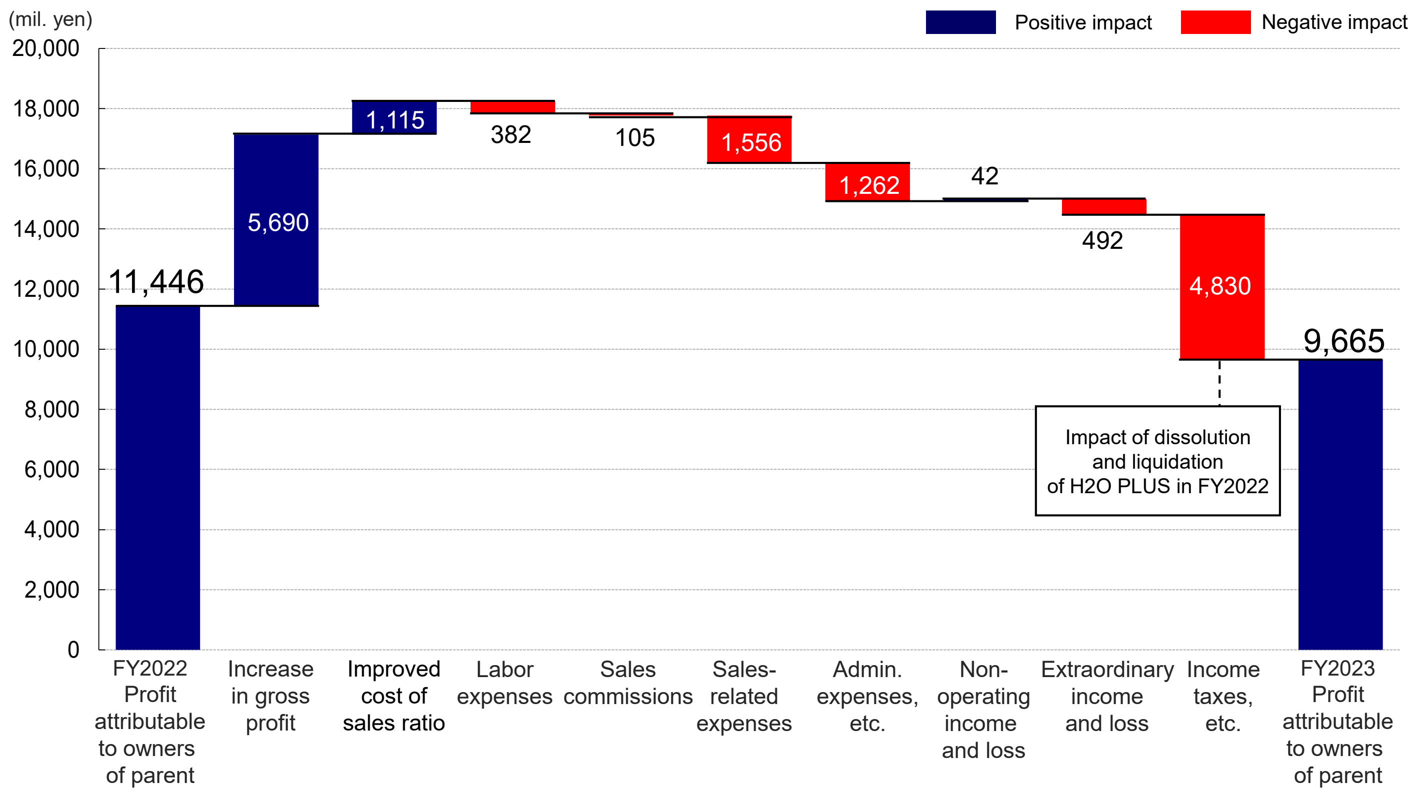
- Extraordinary losses: FUJIMI impairment loss ¥928 mil.
  Extraordinary losses due to discontinuation of Amplitude and ITRIM ¥770 mil.
- Income taxes etc.: Reduction in income taxes etc. – recorded in FY2022 due to liquidation of H2O PLUS ¥4,466 mil.

This is about operating income to profit attributable to owners of parent. While operating income increased, net income decreased. This was due to a JPY4.4 billion decrease in income taxes etc. in the previous year due to the settlement of H2O PLUS.

Moving on to page 11, I will explain the status of each brand.

Factors Impacting Profit Attributable to Owners of Parent

Despite an increase in gross profit due to higher revenue,
profit attributable to owners of parent declined by ¥1,781 mil. YoY
due to the rebound of the reduction in income taxes, etc. in FY2022.



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Part I Fiscal 2023 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis

POLA ORBIS HOLDINGS

Segment Results

(mil. yen)	FY2022 Results	FY2023 Results	YoY Change Amount	YoY Change %
Consolidated net sales	166,307	173,304	6,996	4.2%
Beauty care	161,654	168,477	6,822	4.2%
Real estate	2,083	2,078	(5)	(0.2%)
Others	2,569	2,748	178	7.0%
Operating income	12,581	16,080	3,499	27.8%
Beauty care	13,793	16,354	2,561	18.6%
Real estate	491	440	(51)	(10.5%)
Others	96	149	52	54.7%
Reconciliations	(1,800)	(863)	936	-

Segment Results Summary

- Beauty care: Net sales increased YoY, primarily due to an increase in revenue from POLA and ORBIS, and operating income rose, mainly due to an increase in gross profit and the amelioration of losses in brands under development.

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Beauty Care Business Results by Brands

(mil. yen)	FY2022 Results	FY2023 Results	YoY Change Amount	YoY Change %
Beauty care net sales	161,654	168,477	6,822	4.2%
POLA	96,371	98,499	2,127	2.2%
ORBIS	38,417	42,874	4,457	11.6%
Jurlique	8,388	9,032	644	7.7%
Brands under development	16,892	17,368	475	2.8%
Beauty care operating income	13,793	16,354	2,561	18.6%
POLA	12,495	11,555	(940)	(7.5%)
ORBIS	4,850	6,340	1,490	30.7%
Jurlique	(1,266)	(1,350)	(84)	-
Brands under development	(2,105)	(298)	1,807	-

Note: Consolidated operating income and loss for each brand are shown for reference purposes only (figures are unaudited).
Totals for the beauty care business include results for the H2O PLUS brand (liquidation completed in December 2023).

POLA

Brand Analysis (1)

FY2023 Result

- Revenue experienced double-digit growth in the department store, e-commerce and amenities business, and domestic revenue increased.
- The decline in customer numbers for consignment sales was ameliorated, and the decline in customer numbers in Japan overall was stopped.
- Mainland China struggled during the second half, but existing customer numbers at stores remained on par with the previous year and the business maintained its strength in customer relations.

Q4 (YTD)		Results (mil. yen)	YoY Change
Net sales		98,499	2.2%
Operating income		11,555	(7.5%)
Key indicators			
Sales ratio	Domestic		83.4%
	Consignment sales		61.8%
	E-commerce		6.7%
	Dept. store, B2B[1] etc.		14.9%
	Overseas		16.6%
Sales growth[2]	Domestic		up 2.2%
	Consignment sales		down 3.8%
	E-commerce		up 18.4%
	Dept. store, B2B etc.		up 26.8%
	Overseas		up 2.5%
Consignment sales channel Purchase per customer[2]/ # of customers[2]			up 6.0% / down 7.2%
# of stores domestic[3]			2,666 (down 168)
# of stores overseas[3]/ # of stores mainland China[3]			162 (up 10) / 90 (up 3)

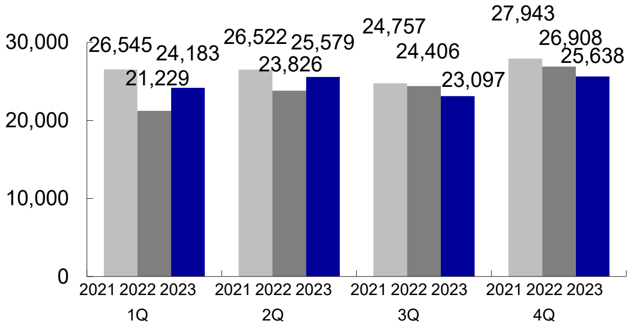
(1) Hotel amenities business
(2) YoY basis (3) vs Dec. 2022

Topics

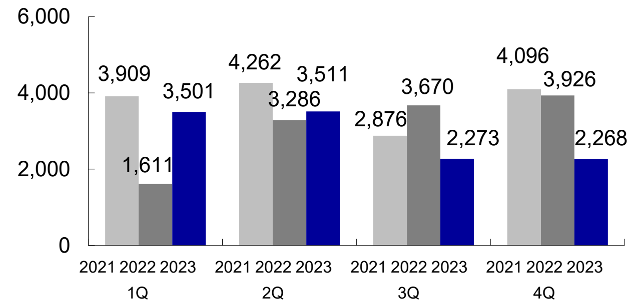
- Launched POLA's premium serum *B.A GRANDLUXE* (October).

B.A GRANDLUXE Ⅳ

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Note: Results for FY2021 have been calculated using the same revenue recognition standards as FY2022.

First, POLA.

Domestic department stores and e-commerce continue to perform well, with double-digit revenue growth in each, thanks to significant gains in new customers. Consignment sales declined, but the decline in the number of customers narrowed as we encouraged customers to visit our aesthetic salons. In the domestic business as a whole, the decline in the number of customers was halted as a result of increased investment in customer acquisition, and we were able to increase revenues.

Overseas, overall revenue increased, but the business environment in the most important region, mainland China, was difficult, resulting in a YoY decline. However, looking at the customer structure in China, we were able to do well by continuing to strengthen communication with existing customers and maintaining the number of existing customers in our stores at the same level as the previous year.

ORBIS

Brand Analysis (2)

FY2023 Result

- Stabilization of the customer base progressed in the direct selling channel, with double-digit growth in the number of new customers and a YoY increase in the number of existing customers.
- Revenue increased substantially for external channels with the expansion of sales channels.
- *ORBIS U.* and other highly functional, high price range products grew.
- Double-digit increase in revenue and income

Q4 (YTD)		Results (mil. yen)	YoY Change
Net sales		42,874	11.6%
Operating income		6,340	30.7%
Key indicators			
Sales ratio	Domestic		95.9%
	Direct Selling[1]		85.2%
	External channels etc.		10.7%
	Overseas		4.1%
Sales growth[2]	Domestic		up 12.2%
	Direct Selling		up 7.4%
	External channels etc.		up 73.7%
	Overseas		down 0.3%
Direct Selling purchase per customer[2]			up 1.4%
Number of Direct Selling customers[2]			up 4.7%
Core target customer ratio			66.7%

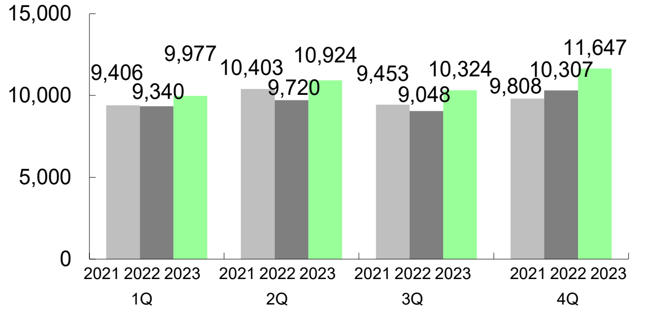
(1) Total of in-house mail-order sales and directly-operated stores sales
(2) YoY basis

Topics

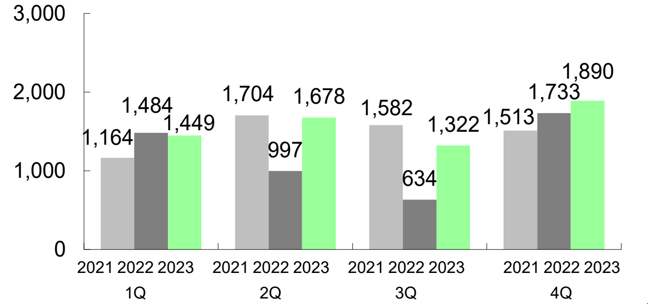
- *ORBIS U. Foaming Wash* received best cosmetics award from a beauty magazine.

ORBIS U.

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Note: Results for FY2021 have been calculated using the same revenue recognition standards as FY2022.

Then, ORBIS.
In addition to the acquisition of new customers and the buildup of existing customers in the direct selling channel, the external channel continued to grow, with revenues increasing by more than 70%. Customer acquisition is progressing steadily for high-priced and high-functionality products such as ORBIS U., resulting in a double-digit increase in revenue and a 30% increase in income, including the effect of cost reductions.

Jurlique Brand Analysis (3)

FY2023 Result

- Revenue grew in all key markets of mainland China, Australia, and Hong Kong.
- Income was significantly impacted by a decline in gross profit due to a slowdown in duty free business, and the contribution from key markets was not enough to ameliorate losses overall.

Q4 (YTD)		Results (mil. yen)	YoY Change
Net sales		9,032	7.7%
Operating income(1)		(1,350)	(84)
Key indicators			
Sales ratio	Australia		20.4%
	Mainland China		38.6%
	Hong Kong		13.1%
	Duty free		12.5%
Sales growth(2)	Australia		up 17.9%
	Mainland China		up 2.3%
	Hong Kong		up 12.1%
	Duty free		down 10.3%

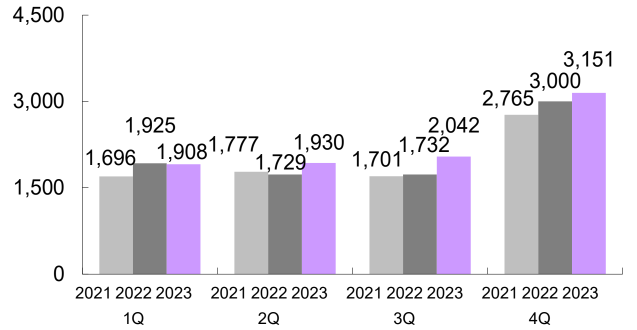
(1) The YoY difference is shown as an amount (mil. yen)
(2) AUD basis, YoY

Topics

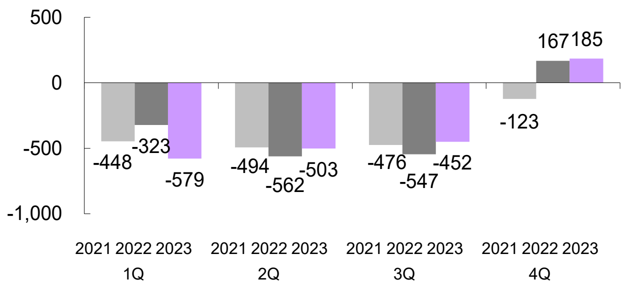
- The business focused on face oil, Jurlique's star product.

Rare Rose Face Oil

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Note: Results for FY2021 have been calculated using the same revenue recognition standards as FY2022.

Next is Jurlique.
Although sales in the key markets of mainland China, Australia, and Hong Kong all grew, partly due to the high evaluation of the star product Face Oil, the impact of the decline in gross profit due to the slowdown in the duty-free business could not be absorbed. Overall, losses did not improve.

Brand Analysis (4) Brands Under Development

FY2023 Result

- Domestic revenue for THREE increased, and initial results from the launch of the brand's first fragrance were strong.
- DECENCIA focused on marketing to boost its brand value, and its customer numbers transitioned to a growth trend.
- Losses from brands under development were ameliorated.

Q4 (YTD)		Results (mil. yen)	YoY Change
Net sales		17,368	2.8%
Operating income(1)		(298)	1,807
THREE Net sales		5,771	(4.5%)
THREE OP income(1)		(867)	297
DECENCIA Net sales		5,220	10.5%
DECENCIA OP income		678	14.1%
Key indicators			
THREE			
Sales ratio	Domestic		80.4%
	Overseas		19.6%
Sales growth(2)	Domestic		up 4.7%
	Overseas		down 29.7%

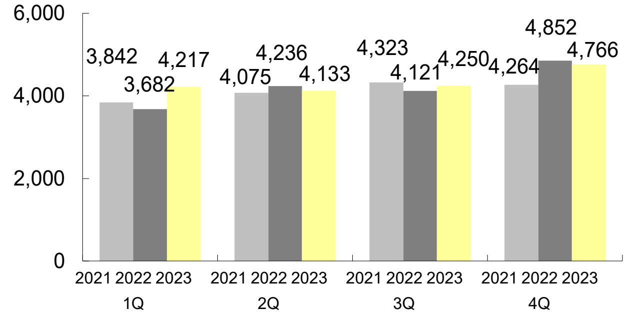
(1) The YoY change is shown as the amount (mil. yen)
(2) YoY basis

Topics

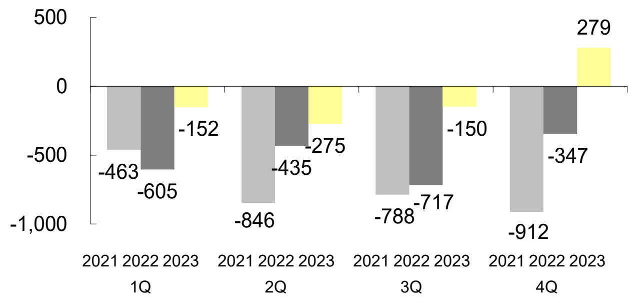
- Launched a fragrance from THREE (November). Sought product differentiation through an approach centered on essential oils.

THREE ESSENTIAL SCENTS

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Note: Results for FY2021 have been calculated using the same revenue recognition standards as FY2022.

Next is the brands under development.
First, for THREE, however, saw domestic revenue increase by about 5% in Q4, thanks in part to the introduction of a new product, the brand's first fragrance, which helped to revitalize the storefront.
DECENCIA focused on marketing to enhance its brand value, and increased revenues by gaining a significant number of new customers and steadily building up existing customers as well.
In addition, overall loss of brands under development improved by ¥1.8 billion by streamlining expenses and scrapping unprofitable brands.

Part II 2024–2026 Medium-term Management Plan

1. Review of the Previous Medium-term Management Plan and Recognition of Current Status
2. 2024–2026 Medium-term Management Plan
3. Forecasts for Fiscal 2024

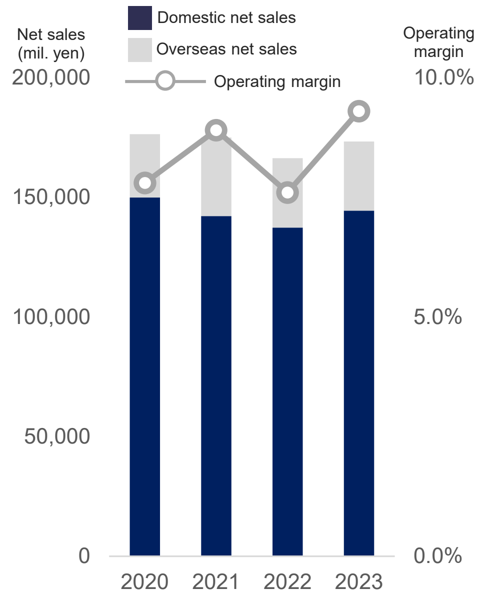
From here, in the second part of this presentation, I will explain the new medium-term management plan for 2024-2026. First, a summary of the previous medium-term plan.

Review of the Previous Medium-term Management Plan for 2021–2023

Management Indicators	FY2023 Results
Consolidated net sales	**¥173.3 bil.** CAGR* **0.1**%
Overseas sales ratio	**16.7**%
Domestic e-commerce sales ratio	**28.2**%
Consolidated operating margin	**9.3**%
Consolidated operating income	CAGR* **8.2**%
ROE	**5.7**%
Consolidated payout ratio	Maintained a payout ratio of 60% or higher

*CAGR for 2021-2023
Calculated using the same accounting standards for each fiscal year.

Performance Trend



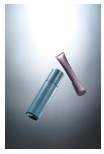
Note: Results for FY2021 have been calculated using the same revenue recognition standards as FY2022.

Although management indicators fell short of the plan, mainly due to the time needed to rebuild the domestic market after COVID-19 and the deterioration in market conditions in mainland China, business performance recovered after bottoming in 2022, and we achieved an improvement in profitability.
The proportion of domestic sales through e-commerce progressively increased, and we achieved results from the structural reform of the business model.

The previous medium-term plan, which began in 2021, failed to achieve the original plan in any of the indicators, as the prolonged pandemic had a significant impact on performance both domestically and internationally. However, in the final year, bottoming out in 2022, we are seeing results in the improvement of profitability and the recovery of our domestic business.

POLA ORBIS HOLDINGS

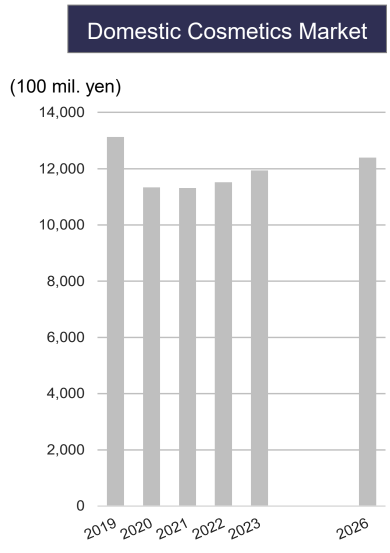
Review of the Previous Medium-term Management Plan for 2021–2023

Strategies	Evaluation			
Evolve domestic direct selling	**Fell short**	Achievements	■ POLA promoted Online Merges with Offline (OMO) and focused on seamless cross-channel customer acquisition and development. Turned around the decline in customer numbers in the domestic business to increase YoY in 2023. ■ ORBIS achieved an upturn in customer numbers, rebuilt the brand, and renewed growth.	
		Challenges	■ Strengthen customer contact points for POLA to further promote OMO.	
Grow overseas businesses profitably	**Failed**	Achievements	■ POLA promoted the expansion of sales channels in mainland China and maintained a robust customers base despite the COVID-19 pandemic and the impact of the treated water, and also expanded sales channels in ASEAN. ■ H2O PLUS was liquidated, and losses were reduced in overseas brands.	
		Challenges	■ Renew business growth in the Chinese market and expand into ASEAN and North America, our Next Markets. ■ Swiftly achieve profitability for Jurlique.	
Profit contribution from brands under development	**Fell short**	Achievements	■ Decided to withdraw from Amplitude and ITRIM and allocated resources to THREE as part of our efforts for structural reforms into the portfolio for high profits.	
		Challenges	■ Achieve renewed growth for THREE.	
Strengthen operations	**Achieved**	Achievements	■ Completed construction of the Technical Development Center for new value creation, beginning operation in January 2024. ■ Progressed in management team succession with the new management structure from 2023.	
		Challenges	■ Utilize the new materials pipeline to achieve swift commercialization.	
Expand new brands and domains of "beauty"	**Achieved**	Achievements	■ Progress was made on several initiatives to lay the groundwork in new domains, including the establishment of an aesthetic medicine-related subsidiary.	
		Challenges	■ Expand and monetize new businesses.	

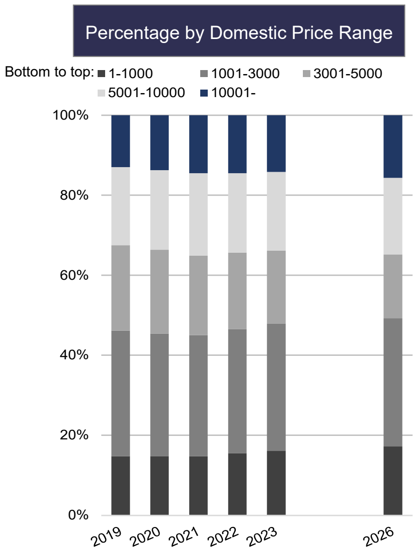
Next, we look back at the strategic aspects.
The first strategy was the evolve domestic directing selling in Japan. However, POLA has a high proportion of offline sales, and the number of customers continued to decline due to the impact of the pandemic. As of last year, we were finally able to halt the decline in the number of customers, but we recognize that in order to further accelerate the OMO, we will need to strengthen our customer contact points, which are the receiving points. On the other hand, ORBIS has been strategically replacing its customer base for many years. We have made progress in attracting customers who are highly interested in skincare and can expect high lifetime value and have been able to turn the number of customers into an increase.

In terms of overseas strategy, there is an urgent need to achieve renewed growth in mainland China, especially for POLA, and to establish a foundation for growth in Next China as a group. The issue of turning around Jurlique remained a challenge.
With regard to brands under development, we have executed a portfolio review and made progress in improving losses, so it will be very important to strengthen the customer base of each brand such as THREE, DECENCIA, etc. in the future. We also recognize that our initiatives for the future, such as strengthening the management base and expanding into new domains, are progressing as planned, with new businesses starting ahead of schedule.

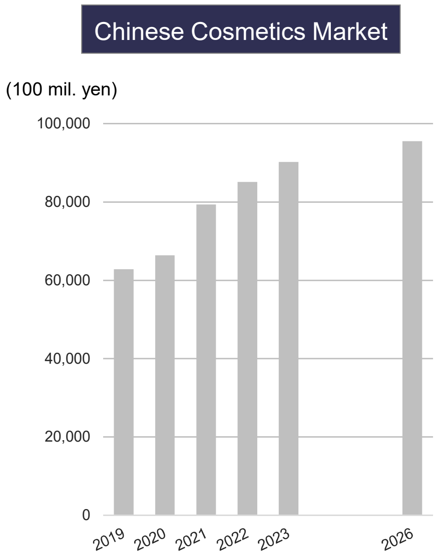
Business Environment



Source: Data published in January 2024 by Intage SLI
Company assumption for 2026



Source: Data published in January 2024 by Intage SLI
Company assumption for 2026



Source: Data published in December 2023 by Euromonitor
Note: Data aggregation methods differ between research companies.

【Domestic market】

- Domestic demand is on a recovery trend and a moderate recovery is expected continue, but there is no change in the outlook for market contraction in the long term due to the declining population.
- Despite the recovery in the number of foreign visitors to Japan, there is a clear difference in consumption trends compared to before the COVID-19 pandemic, and it is difficult to see inbound expenditure on cosmetics recovering to pre-pandemic levels.
- By price range, the high price range market that is the Group's focus is performing strongly and predicted to continue to expand in 2024 and beyond.

【Overseas market】

- In the Chinese market, a sense of uncertainty persists at present concerning economic conditions and consumption trends, but given the market scale, it continues to be our main key market.
- ASEAN is in an expanding trend, with the prestige skincare market, especially, forecast to grow, and we perceive it as a promising market.

Our outlook for the cosmetics market as we build our new medium-term plan starting this year.

We estimate that domestic demand will continue to recover moderately. By price range, the high price range market, on which the Group is focusing our efforts, has remained relatively firm even under the pandemic, and is expected to continue to expand in the future.

As for overseas markets, the Chinese cosmetics market is showing signs of uncertainty, but considering the size of the market, it remains the most important market for our group.

In ASEAN, the market is expected to expand, and the prestige skin care market in particular is expected to grow. We will accelerate the development of this new strategic market for our company.

Towards Achieving VISION 2029

VISION 2029

A collection of unique businesses that respond to diversifying values of “beauty”

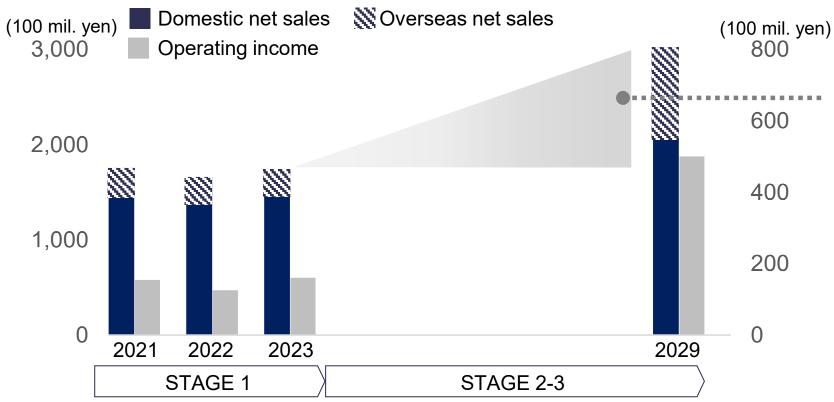
Basic strategy 1	Develop the cosmetics business globally; reform and enhance the brand portfolio
Basic strategy 2	Create new value and expand business domains
Basic strategy 3	Strengthen research and technical strategy

【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

The progress and external environment in STAGE 1 of VISION 2029, from 2021 to 2023, differed from our expectations, but our vision for the future remains unchanged. In STAGE 2, the next three years, we will swiftly resolve outstanding issues to achieve high growth and enhanced profitability in STAGE 3.

Performance Trend



What is needed to bridge the gap with VISION 2029

- ✓ Achieve an overwhelming increase in income-generating power in the domestic business.
- ✓ Grow business in the Chinese market and develop the Next Market.
- ✓ Steadily implement plans to achieve profitability in unprofitable brands.
- ✓ Build new core businesses.

From here, I would like to explain our approach toward achieving our long-term management plan, which has 2029 as its goal. In 2022, we announced our long-term vision, VISION 2029, with a goal of 2029, the 100th anniversary of our founding. We will now strategically work to realize our goal of becoming "a collection of unique businesses that respond to diversifying values of 'beauty'."

In terms of management indicators, the previous medium-term plan was not achieved, but there is no change in the long-term vision of the Group and the 2029 target level that we have set. In order to close the gap between our long-term plan and the current situation, we believe income-generating power in domestic, the growth in overseas business, swiftly turning around loss-making brands, and create new pillars of growth are important.

POLA ORBIS HOLDINGS

Part II 2024–2026 Medium-term Management Plan

1. Review of the Previous Medium-term Management Plan and Recognition of Current Status
2. 2024–2026 Medium-term Management Plan
3. Forecasts for Fiscal 2024

Based on this review and recognition of the environment, we have been considering a new medium-term plan.

POLA ORBIS HOLDINGS

2024–2026 Medium-term Management Plan

Basic Policy of the 2024–2026 Medium-term Management Plan

We designated the plan as the “three years of re-challenging and establishing a foundation for growth” to achieve VISION 2029, and will further refine our brands to strengthen our income-generating power in Japan and invest in growth domains such as overseas and new businesses.

4 Business Growth Strategies

Strategy 1	Strengthen the customer base in the domestic business to achieve sustainable growth and improve profitability
Strategy 2	Further grow the overseas business and establish business bases in new markets
Strategy 3	Achieve profitability through growth in brands under development, contributing to sustainable earnings
Strategy 4	Enhance the brand portfolio and expand business domains

Sustainably Strengthen Management Foundations

Strategy 5	Strengthen R&D capabilities for new value creation
Strategy 6	Strengthen sustainability combining the resolution of social issues with uniqueness

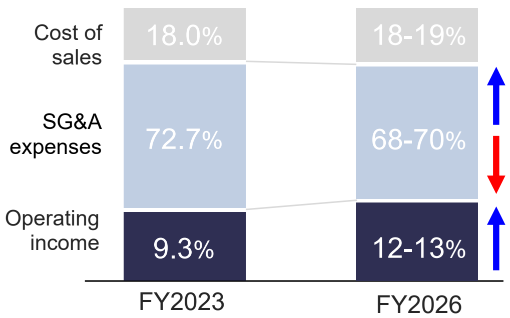
Here is the new medium-term management plan.
We have positioned the three-year period beginning this year as the "Three-years of re-challenge and establishing a foundation for growth" toward the achievement of VISION 2029.
We will proceed with these four growth strategies: "strengthen the customer base in the domestic business to achieve sustainable growth and improve profitability," centering on POLA and ORBIS; "further grow the overseas business and establish business bases in new markets"; "achieve profitability through growth in brands under development, contributing to sustainable earnings," work to turn around unprofitable brands, such as THREE; and finally, "enhance the brand portfolio and expand business domains."
In addition, to strengthen the management foundation that supports these strategies, we have positioned two strategies: strengthening R&D capabilities for new value creation and a sustainability strategy.

2024–2026 Medium-term Management Plan

Management Indicators for 2026

Consolidated Net Sales	**¥200.0 bil.** CAGR approx. **5**%	Domestic Net Sales	CAGR approx. **4**%
		Overseas Net Sales	CAGR approx. **12**%
		Overseas Sales Ratio	**20**%
Consolidated Operating Income	Operating margin **12-13**%		
Capital Efficiency	ROE **10%** or higher		
Shareholder Returns	Consolidated payout ratio **60%** or higher		

■ Changes in the structure of P&L under the Medium-term Management Plan



- ✓ Increase in depreciation burden due to the operation of new production equipment.
- ✓ Increase investment in overseas and untapped markets where high growth is forecast into the future.
- ✓ For existing business, achieve more efficient investment in customer acquisition through expense execution emphasizing accumulating the customer composition and improving customer retention rates.
- ✓ Increase in gross profit due to sales growth.
- ✓ More efficient expense execution and amelioration of losses in unprofitable businesses.
- ✓ Boost profitability through changes to the mix of high-profit sales channels.

In terms of management indicators, we aim to achieve an average annual growth rate of approximately 5% in sales, reaching ¥200 billion. We are targeting an average growth rate of approximately 4% in Japan and a growth rate in excess of double digits overseas.

We hope to steadily improve our operating margin and achieve a level of 12% to 13%.

While making investments overseas and in untapped domains, we will continue to strengthen direct selling in Japan, transforming it into a customer structure with a high proportion of existing customers and eliminating losses from unprofitable brands in order to achieve sustainable profitability improvement.

We have set a target ROE of 10% or more and a dividend payout ratio of 60% or more, the same as in the past, for shareholder returns.

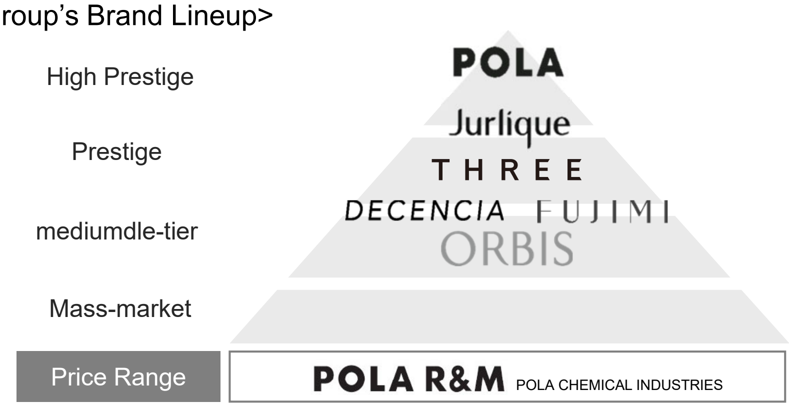
The Group's Domestic Strategy

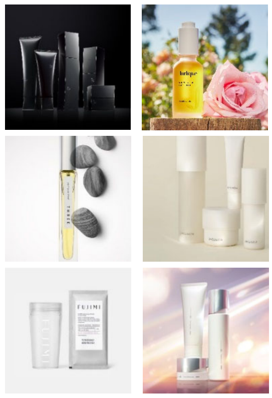
2026 Consolidated domestic sales	CAGR approx. **4**%

Key Strategies

- Boost the income-generating power of existing domestic brands, achieve sustainable growth, and use the profits generated to invest in growth domains and new businesses.
  - Further refine the individuality and strengths of each brand to boost brand value.
  - Raise the proportion of existing customers, realize a robust customer composition, and maximize lifetime value (LTV).
  - Achieve profitability in unprofitable brands to contribute to income.
- Continue to sow seeds and monetize new businesses.

<The Group's Brand Lineup>





Here is an explanation of what the strategy entails.

First is the overall strategy for the Group's domestic business. In the domestic market, which is not expected to grow significantly in the future, we believe it is essential for profitability to be supported by loyal customers who can be expected to make repeat purchases of each brand.

Therefore, we will strive to improve the lifetime value of each and every customer through direct communication with them, which is one of the strengths of our group, by realizing a stable customer structure and by positioning the retention rate as an important indicator. In addition to the growth of existing brands, we will also work aggressively to sow the seeds of new business and monetize them.

POLA

The Group's Domestic Strategy (1) POLA

- Establish brand experience (the One POLA model) to promote the transition from new customer acquisition to high LTV.
- Introduce a new salon model for offline sales, the pillar of relationship-building with customers.
(Please see p25 for details.)

One POLA value proposition

New customers

Expand and strengthen new contact points

Offline
- Strengthen locally-based customer contact points for consignment sales.
- Open stores in the train station buildings, etc. expected to attract young customers.
- Develop new sales channels such as specialist cosmetics stores.

Online
- Continue to strengthen the entrance function for e-commerce and expand marketing volume.
- Strengthen communication from stores.

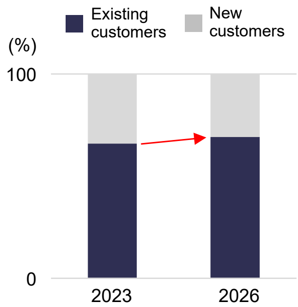
Enhance LTV through seamless cross-channel brand experience

- Introduce the new salon model.
- Strengthen measures to direct e-commerce customers to physical stores through new store websites.
- Enhance purchasing experience through the implementation of new customer contact records.
- Develop the role of e-commerce from a forum for purchasing to a forum for brand experience and enable live two-way communication.

Existing customers

Change in customer composition

<Customer composition in the domestic business>



- ✓ Improve the customer retention rate, increase the proportion of existing customers among all customers, and build a strong customer base.
- ✓ In addition, boost profitability by achieving higher LTV.

POLA domestic business
FY2024–2026 Net sales CAGR **2-3**%

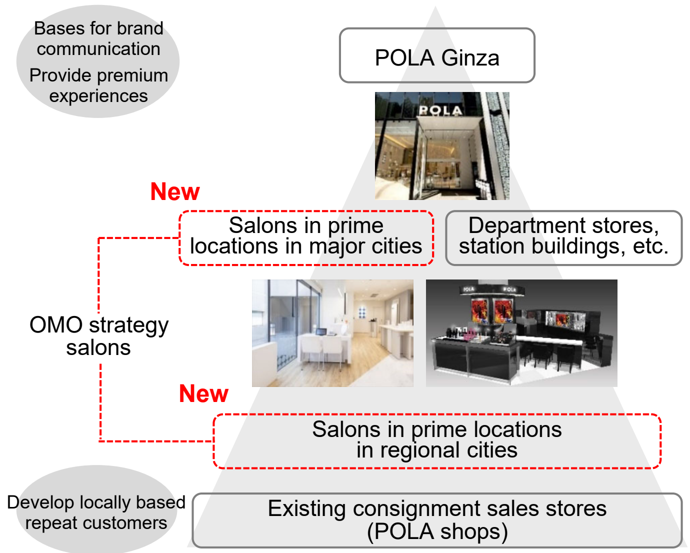
I would like to explain our strategy in Japan, brand by brand. First is POLA.
In POLA's domestic business, we will transcend the boundaries of business such as consignment sales, department stores, and e-commerce, and as One POLA, we will continue to aim to provide value to customers as an integrated brand. We have shown the flow of the process as below.
First, expand and strengthen new contact points are shown in the upper row. Community-based events, department stores, and e-commerce have served as entry points to the brand, and we will further strengthen and continue these efforts. In addition, we will work to expand new points of contact with station buildings and cosmetics specialty stores that can be expected to attract younger customers.

Then, in order to promote the retention of acquired customers, the brand experience used by offline as shown in the lower section is important. Last year, we developed the so-called OMO strategy of guiding and introducing e-commerce and department store customers acquired through aggressive new investments to aesthetic salons such as POLA The Beauty and have been monitoring and verifying customer movements and responses. The results confirm that offering skin analysis and aesthetic treatments in salons fits well with customers' needs, deepens relationships, and promotes cross-channel purchasing.
From now on, we will promote offline customer service by providing more personalized customer service based on skin concerns and purchase data, and by further strengthening the dissemination of store information that takes advantage of each store's individuality and strengths. The key to achieving this is the strategic development and placement of salons that fit the target customer's lifestyle path. Through these cross-channel efforts, we will steadily build up our existing customer base and rebuild it into a solid customer base. We plan an average growth rate of 2% to 3% for POLA in Japan.

The Group's Domestic Strategy (1)
POLA Offline Customer Contact Points

- Relocate offline customer contact points and clarify the role and value provided by each customer contact point.
- Strengthen the rollout of salons as a destination for customer direction through OMO and focus on attracting new customers to stores and retaining customers through store branding.

Approach to store rollout



- Vision for opening OMO strategy salons
  Planned rollout of **300 stores in 2027** in main cities across Japan.
  2025: Approx. 50 stores (including 5 major city stores)
  2026: Approx. 150 stores* (including 10 major city stores*)

*Cumulative number

- Introduce a new salon model
  - Open new high-grade aesthetic salons in major metropolitan areas to communicate the POLA brand.
  - Relocate stores to locations with high market potential and boost convenience in regional cities.
  - Build a store network to receive customers acquired online and directed to physical stores.
  - Continue the incorporation of stores, heavily emphasizing store results, while also introducing systems and mechanisms adapted to the operation of the salon model.
- Enhance customer experience in salons
  - Introduce exclusive aesthetic treatment courses under the new salon model and further enhance customer engagement through personalized beauty experiences.
  - Focus on training to improve the quality of service provided by Beauty Directors.

Here again, I would like to explain POLA's strategy for developing offline customer contact points, which is the core of POLA's OMO strategy. In the last fiscal year, the development of various OMO measures has confirmed that the inducement to the salon and providing experiences are pleasing to our target customers.

However, the problem was that the target customers were very selective in their selection of salons, and we recognized the need to reorganize the location, salon furnishings, and sales structure in line with their lifestyle paths.

We will develop and locate strategically located salons in favorable locations in major metropolitan areas and regional cities that are easily accessible to the target customers with whom we wish to deepen relationships through the OMO strategy, and provide high-grade aesthetic and other personalized experiences that customers are highly satisfied with, in order to keep and retain customers and increase their loyalty.

In 2024, we will develop and open one salon under the major city model, and while verifying our activities, we will accelerate store openings and renovations to establish a salon network of 150 salons in 2026, the final year of our three-year plan, and 300 salons in 2027.

The Group's Domestic Strategy (2) ORBIS

ORBIS

- Stably grow the direct selling business pivoting on skincare and build a robust income base.
- Enter untapped markets and expand top-line in new domains.

Growth pivoting on skincare

- Sales of *ORBIS U.* experienced double-digit growth in 2023 and high value-added special care grew due to popular attention on high function UV product.
- Launched new products in our focus skin-brightening category (February).

ORBIS ADVANCED BRIGHTENING SERUM

Customer retention and LTV enhancement

<Trend in direct selling customers>

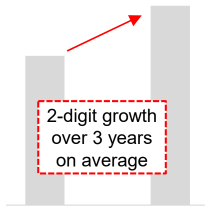
Raise the proportion of existing customers and build a strong customer base

- Use our platform for customer data, acquired mainly through the app, to expedite the steps from customer insight analysis to the implementation of measures and execute customer retention scenarios with high precision.
- Introduce a new loyalty program centered on brand empathy and experience to boost customer loyalty and LTV.

Expand in growth domains and untapped markets

- Develop sales channels
  - Actively develop external channels as new growth drivers.

<External channels: sales plan>



ORBIS U.

- Product rollout
  - Strengthen base makeup, centering on *ORBIS U* makeup.
  - Expand the product lineup in domains associated with skin beautification, not limited to cosmetics.

ORBIS domestic business
FY2024–2026 Net sales CAGR **4-5**%

In terms of the Group's domestic strategy, let me now turn to ORBIS.

Last year was a year in which the rebranding that ORBIS has been promoting showed results. ORBIS U., ORBIS's flagship skincare series, achieved double-digit growth, contributing to the acquisition of new customers, and while the price range was raised significantly from the past, ORBIS was able to gain a high reputation for quality and functionality and re-grow into a brand chosen for its product strength.

We will continue to expand high-price, high-value-added products in our core skincare business, while further strengthening CRM and evolving digital experiences such as apps to conduct two-way, personalized communication with each and every customer. We will realize customer loyalty and increase lifetime value, and promote further strengthening of profitability. At the same time, we will develop new growth domains. The external channel, which grew by more than 70% last year, will be positioned as a new growth driver and will be actively developed.

The Group’s Domestic Strategy (3)
Brands Under Development

- Swiftly achieving profitability in brands under development remains a challenge.
- THREE will be in a brand regeneration phase, DECENCIA will achieve profitable growth, and FUJIMI will achieve profitability in 2024.

THREE

- Regenerate the brand through a customer approach pivoting on differentiated “essential oils” and “fragrances” to evolve into a lifestyle brand.

	Until now	From now on
Market	Beauty market	Wellness market
Customer contact points	Centered on makeup	Centered on holistic / fragrance
Customer composition	High proportion of new customers	More repeat customers

THREE Isetan Shinjuku store

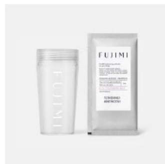
DECENCIA

- Reinforce the increasing trend in customer numbers seen in the second half of 2023 and implement marketing with a greater focus on customer retention and LTV enhancement.
- Improve investment efficiency to achieve profitable growth.


DECENCIA series

FUJIMI

- Expand the lineup of beauty wellness products centered on protein, for which further market expansion is forecast, enhance customer experience value and strengthen cross-selling.



FUJIMI PERSONALIZED PROTEIN

Next is the brands under development.

THREE is in a brand revitalization phase. We would like to redefine the value we provide as "essential oils" extracted from organic plants and the natural "fragrance" of those essential oils and take a holistic approach to radicalize the characteristics of the brand.

The fragrance made entirely from essential oils, which was launched last year, has been extremely well received, and the brand's position is changing. Through these new brand experiences, we intend to expand our top line, while streamlining and reducing fixed costs and optimizing our channel structure to return the business to profitability within this medium-term period.

DECENCIA's efforts to revamp customer communications are beginning to bear fruit. Last year we were able to turn the customer base into an increasing trend. We increase our presence as a sensitive skin brand by promoting new customer retention and improving lifetime value through cross-selling.

FUJIMI is seeing personalized protein as the axis of customer retention in the expanding wellness market. Therefore we will expand the top line through the development of cross-selling merchandise and efforts to increase the retention rate and aim to achieve profitability this fiscal year.

POLA ORBIS HOLDINGS

The Group's Overseas Strategy

2026 Consolidated overseas sales

Drive the Group's growth and establish an earnings structure.

CAGR approx. **12**%

Overseas sales ratio

16.7% FY2023

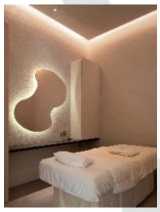
20% FY2026

Key Strategy 1 Regrowth in the Chinese market

- We have established a company to oversee management of the Chinese business and we will build a locally-directed Group-wide structure.
- Focus the investment of the Group's management resources to achieve business expansion centered on POLA and multi-brand growth.

Key Strategy 2 Next Market development

- Establish ASEAN as a new strategic region, formulate strategies on a Group-wide basis, and expedite their implementation (expand offline contact points where customers can experience the brand philosophy through aesthetic and spa treatment, etc., and develop special localized products).
- Swiftly formulate growth scenarios and implement trial rollouts for North America.
- Seek growth opportunities through new brands, including external collaboration and M&A activities.



Key Strategy 3 Ensure profitability for Jurlique

Next is the Group's overseas strategy. The positioning of overseas is to drive growth potential as a group and to establish a foundation for future earnings. To achieve this, we have three key strategies, the first of which is "regrowth in the Chinese market." Despite the economic uncertainty, the Chinese market is very important to us because of its market size and the high level of interest in beauty care. In January of this year, we completed the establishment of a regional control company as a group, and under local leadership, we have put in place a structure that allows us to implement the optimal strategy as a group with a sense of speed. We intend to concentrate the investment of management resources in this area and once again achieve business growth as a group, with POLA at the center.

The second is the development of Next Markets and new growth strategies. The strategic regions are positioned as ASEAN and North America. In the ASEAN region, there is already business development for each brand, but the scale is still small, and it is difficult to qualify that strategic market initiatives have been taken. It is imperative that we shift our management focus from the perspective of what individual brands should do, to which region and which brand should be strategically expanded when we look at ASEAN as a group.
As for North America, we see the market shift in awareness and preference about skincare as an opportunity and will begin test marketing this year to speedily expand our business. For these new markets as a group, we would like to actively consider not only using our own resources but also utilizing and collaborating with outside resources. We would also like to prepare for the next strategic markets after ASEAN and North America.

The third is the rebuilding and turn to profitability of Jurlique. Although the turnaround has been postponed, we are making progress in rebuilding our performance in our focus countries and are very close to achieving our goal. We will do everything in our power to make this happen.

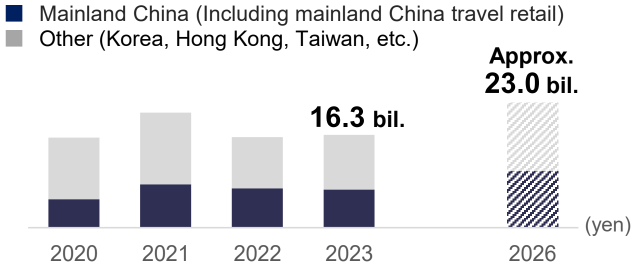
POLA

The Group's Overseas Strategy (1) POLA

- Continue to position mainland China as our main key market and restructure strategies to adapt to changes in the environment.
- Strengthen contact points expected to expand high-prestige, loyal customer demographic and boost brand recognition.

Overseas sales plan

Trend in Overseas sales*



*The new revenue recognition standard was applied from the FY2021 results.

- Continue to identify the Chinese market as our main key market based on the scale of brand sales in mainland China and the growth potential for high-prestige skincare.
- Expand customer contact points in ASEAN to enhance brand recognition and accelerate growth in new markets.

POLA overseas business
FY2024–2026 Net sales CAGR **12-13**%

Restructuring strategies for the Chinese market

Strategy 1 Focus resources on expanding the high-prestige, loyal customer demographic

- Set the customers in the high-prestige, loyal demographic, expected to invest stably in their own beauty, as a key target, and refine brand value as a luxury brand underpinned by science.
- Selectively open and renew stores and test specialized new experiential store models for the new target demographic and enhance brand experience at stores.
- Strengthen CRM to promote the enclosure of targets, such as workshops and new product trial sessions.

B.A series

Strategy 2 Increase the focus on high price range products and develop high value-added services

- Implement marketing pivoting on *POLA B.A* series and the premium line, *B.A GRANDLUXE*, and expand the product lineup.
- Introduce high value-added, high-end aesthetic treatment.

B.A GRANDLUXE Ⅳ

We will supplement the Group's overseas strategy by brand.

First is POLA. In particular, I would like to discuss our strategy for our Chinese business. Last year, sales fell below the previous year's level due to changes especially in the external environment, including the so-called treated water impact and the economic slowdown in H2. However, analysis of customer purchasing trends confirms that there has been no decline in purchases by high-volume purchasers, such as VIP members among POLA's customers with high annual purchase amounts, and members of commercial facilities such as malls who are also considered VIPs. Recognizing these customers as "high prestige customers" who are less susceptible to economic trends and can be expected to make stable self-investment and purchases, we will shift our focus to the strategic development of contact points and deepening communication with these customers.

We will continue to open stores in malls, etc., but in the selection of store locations and store interiors, we will place the highest priority on creating points of contact with our new target customers. We will work to deepen communication with this new customer base while rearranging existing stores in parallel. Store interiors, products offered, and beauty services will also be shifted to higher end domains and philosophy. Our CRM strategy is also focused on deepening relationships with customers who are VIP members or potential VIP members, such as through exclusive workshops and new product experience events, and we would like to focus on measures that lead to increased loyalty. We will also test and verify the development of new store models that can maximize the value of these experiences.

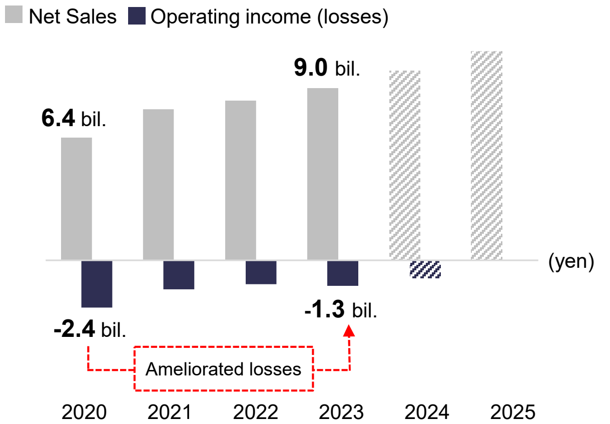
Jurlique

The Group's Overseas Strategy (2) Jurlique

- Narrow down our key markets to mainland China and Australia, and reset our profitability target for 2025.
- Concentrate resources to expand the top line and achieve greater efficiency in SG&A expenses.

Progress on achieving profitability

Performance Trend*



*The new revenue recognition standard was applied from the FY2021 results.

- In addition to the prolonged impact of COVID-19, changes in the market environment in mainland China have caused slower top-line growth.
- The breakeven point is improving and operating losses are shrinking.

Ameliorate losses through business growth

Strategy 1 Accelerate growth in key markets

- Focus on acquiring and developing new customers through strategic products such as the face oil category, which grew approximately 40% in 2023.

(Left) *Rare Rose Face Oil*
(Right) *Herbal Recovery*
(Scheduled for launch in March; Japan launch in June.)

- Selection and focus in marketing investment
  - Mainland China: Expand investment from e-commerce advertising to social media and influencers.
  - Australia: Concentrate investment on strategic products.

Strategy 2 Build a sustainable earnings structure

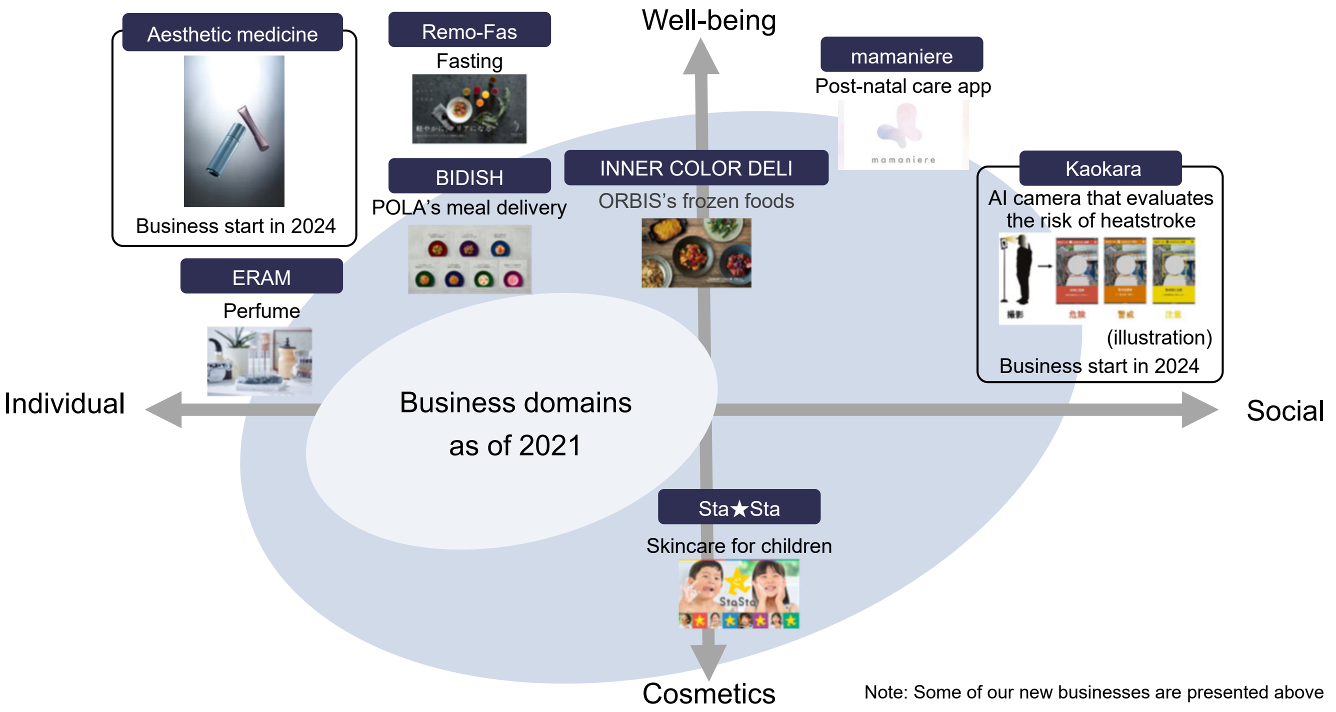
- Renew all products using "Natural & Clean" recipes by 2026 to strengthen global product competitiveness.

Next is Jurlique.
Losses were cut in half during the previous medium-term plan period due to thorough cost structure reforms, and improvement in losses is progressing. In addition, even with the prolonged pandemic, progress has been made in rebuilding performance in mainland China and Australia, and the category of face oil has begun to grow as a representative item of the brand in the area of skincare, which had been an issue. However, top-line progress did not reach our expectations, especially in Europe and North America, and we have rescheduled the timing of the turnaround to 2025. We sincerely apologize for having to push back the turnaround on numerous occasions.
First, we will focus on mainland China and Australia as our key markets for the next three years and concentrate our resources there. From 2026 onward, we will aim to accelerate our growth potential globally, including in Europe and North America, with the introduction of Clean formulations for the entire product lineup.

POLA ORBIS HOLDINGS

Group Business Domain Expansion Strategy

- The groundwork is progressing for several new businesses and we aim to expedite monetization to achieve our VISION 2029: A collection of unique businesses that respond to diversifying values of “beauty.”



Note: Some of our new businesses are presented above

<Approach to expanding into new domains>

Utilization and evolution of research techniques and knowledge	Revitalization of the internal venture program	Collaboration with external resources, including Corporate Venture Capital (CVC), etc.

Next, our business domain expansion strategy.

As stated in our long-term vision, the Group will expand our business into domains that contribute to wellbeing and social value, in anticipation of future changes in society and lifestyle awareness. To this end, we will utilize and develop technologies and knowledge based on POLA Chemical Industries' long-standing research capabilities, and actively encourage the creation of new businesses through our internal venture system. In addition, we will strategically continue our efforts to proactively create future business seeds as a group, such as by investing in and participating in external ventures.

The heat stroke prevention business using AI cameras, which will be newly commercialized this year, is expected to provide new value that will enable both wellbeing and response to social issues, as well as to realize high profitability. We are now preparing to start business with the aim of generating more than ¥1 billion in profit over the medium to long term.

POLA ORBIS HOLDINGS

Strengthen R&D Capabilities for New Value Creation

Research and development

<Cosmetics Domain>

- The Technical Development Center (TDC) began operation in January 2024
  - ✓ New facility responsible for new dosage forms research and the manufacture of high value-added products
  - ✓ Launch differentiated products on the market more swiftly through integrated "research," "development," and "production."
  - ✓ Create new dosage forms using innovative manufacturing technologies.
  - ✓ Environmentally-friendly facility design and production methods that achieve environmental beautification

Technical Development Center

- The expansion of the new materials pipeline is progressing as planned and we aim to create industry-first materials with new efficacies.

<New Domain beyond Cosmetics>

- Research is progressing into *Mirror Skin*(1) and frailty(2) countermeasures as we aspire to create new value transcending the cosmetics category under VISION 2029.

(1) Our research into artificial skin, based on skin copying using iPS cells.
(2) Indicates a condition in between wellness and the need for long-term care, defined as a state of increased vulnerability resulting from aging-associated decline in the ability to recover from stressors (The Japan Geriatrics Society).

Approach to investment in research and development

- Continue to invest at least 2% of consolidated net sales in research and development.
- Shift resources to the development of new technologies and new dosage forms at the TDC.

The next step is to strengthen the management base.

The strategy to create new value in R&D will be pursued strategically in two domains. In the cosmetics domain, at the TDC (Technical Development Center), which began operations in January, we will create completely new and unique dosage forms based on the introduction and practical application of new manufacturing technologies that have not been used in cosmetics development to date and pursue the development of cosmetics with unprecedented high functionality and use-effective.

We are also taking on the challenge of progressing and expanding our pipeline of new materials, which is one of our strengths, and will continue to pursue the evolution of cosmetics. In addition, we will strategically engage in new research domains beyond cosmetics, such as artificial skin and prevention of frailty, which will lead to the future.

As for R&D expenses, we will continuously invest at least 2% of consolidated net sales and accelerate our efforts to create new value under the new structure.

POLA ORBIS HOLDINGS

Strengthen sustainability combining the resolution of social issues with uniqueness

The unique KPIs to realize a sustainable society

No changes have been made to the five categories, established based on the Group's strengths and social responsibilities.

Materiality Categories	Corresponding SDGs	KPIs	Targets for 2029
QOL improvement through innovative technology services		Number of new businesses created (1)	31 in total (2026 target)
		Brand recognition and loyalty	Brand awareness and enthusiasm
		Number of research awards won at home and aboard	10 in total
		Number of researchers in cutting-edge dermatology research	120
Regional revitalization		Number of regional entrepreneur owners	1,200
		Number of initiatives contributing to the local economy	78
Culture, Arts, and Design		Number of new brand experiences created that utilized art	20
		Number of participants in workshops on liberal arts topics	550,000 in total
All-inclusive human resources		Job satisfaction and engagement score	75%
		Women's empowerment	Percentage of female executives: 30-50%
			Percentage of female division managers[2]: 35% (2026 target) New for 2024
			Percentage of female managers: 50% or higher
		Percentage of candidates to become management executives	200%
		Number of sabbatical program applicants New for 2024	21 (2026 target)
Environment		CO_2 emissions	Scope 1, 2 down 42% (vs. 2019) Scope 3 down 30% (vs. 2019)
		Water consumption	Down 26% (vs. 2019)
		Sustainable palm oil procurement New for 2024	100%
		Plastic cosmetics containers and packaging consumption	100% sustainable design based on 4R's

(1)The degree of achievement of the KPIs boxed in red is linked to compensation for the Group's corporate executives (medium- to long-term incentive).
(2) POLA ORBIS HOLDINGS INC., POLA INC. and ORBIS Inc.

Next, I would like to discuss the promotion of sustainability strategies.
These five categories as shown were established based on social issues and our unique strengths and remain unchanged. The items circled in red are those whose achievement is linked to medium- and long-term incentives in executive compensation. New linked items will be added starting in 2024 to increase the effectiveness of our efforts.

POLA ORBIS HOLDINGS

Strengthen sustainability combining the resolution of social issues with uniqueness

Main Initiatives

All-inclusive Human Resources

- Promote the creation of environments where employees can make the most of their abilities, regardless of gender, nationality, or age. We have established the percentage of female division managers (35% by 2026) as a new KPI for our sustainability strategy.
- Support employees to build their careers autonomously, provide opportunities for them to learn, and focus on developing leaders with rich individuality to drive the Group's growth.
- Create workplace environments to promote job satisfaction and enhance our engagement with employees.

Environment

- Acquired SBT 1.5℃ certification, aiming to achieve net-zero CO_2 emissions by 2050.
- Accelerate the introduction of renewable energy, on target to source 70% of the electricity we consume from renewable energy (as of 2023).
- Develop environmentally-friendly products, expand the use of refills and simple packaging, and aim for the 100% sustainable design of cosmetics containers and packaging based on the 4R's*.

*Reduce/Reuse/Replace/Recycle

The solar power generation system at Jurlique's Adelaide factory

Inclusion in ESG indexes and external ratings

- MSCI Japan Empowering Women Index (WIN)
- FTSE4Good Index Series and FTSE Blossom Japan Index
- SOMPO Sustainability Index
- Selected by CDP as a "Climate Change A List" company, the highest rating, for the third consecutive year
- Supplier Engagement Leader, CDP

FTSE4Good

FTSE Blossom Japan

CDP A LIST 2023 CLIMATE

Of the five categories, I would like to make some additional comments on "all-inclusive human resources" and "environment." All-inclusive human resources will be focused on strengthening employee, company engagement. Whether it is business operations, brand building, or new value creation, all it takes is the motivation and loyalty of each and every employee. We will continue to work on this as the foundation of sustainability for the corporate organization. I believe that it is through such an organizational culture that diversity and inclusion are accepted as a matter of course and are encouraged.

In the category of the environment, our goal is to achieve net zero CO2 emissions by 2050. As a measure against climate change, we will actively promote the introduction of renewable energy at our factories and offices, and aim to achieve 100% 4Rs, a sustainability indicator for containers and packaging materials in the development of cosmetics products.

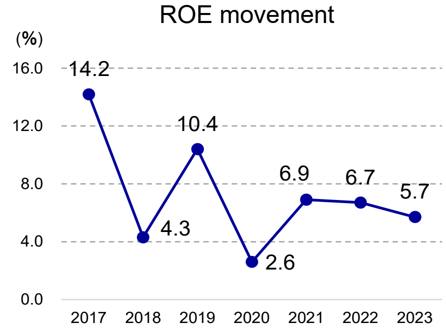
Improvement in Capital Efficiency and Shareholder Returns

【Enhancing Capital Profitability】
Return on equity (ROE) has been declining due to the decrease in profit. Under the new Medium-term Management Plan, we aim to achieve ROE of at least 10% by 2026 through capital profitability enhancement founded on stable and sustainable business growth.

Initiatives to achieve the ROE targets

	FY2023 Result	2026 Target	2029 Target
ROE	5.7%	10% or higher	14% or higher

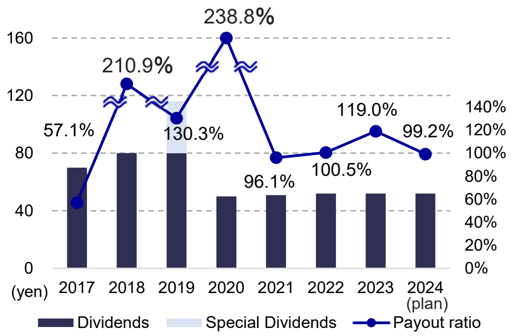
- Swifter decisions to discontinue unprofitable businesses and brands
- Shareholder returns through stable dividends
- Greater balance sheet efficiency
- Strategic investment to achieve sustainable growth



Improvement of Shareholder Return

- 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 FY2024:
- Dividend per share : **¥52** (Interim ¥21, Year-end ¥31)
- Consol. payout ratio : 99.2%



Next is the improvement of capital efficiency and shareholder returns.
The ROE is on a downward trend due to the decrease in net profit, and we recognize this as an issue to be addressed. In order to achieve our target of 14% by 2029, we will strive to improve ROE by achieving sustainable business growth, returning profits to shareholders through stable dividends, making strategic investments, and making prompt decisions on whether or not to continue unprofitable businesses.
We have decided to continue our two basic shareholder return policies: a dividend payout ratio of 60% or more and enhanced returns through income growth.

Part II 2024–2026 Medium-term Management Plan

1. Review of the Previous Medium-term Management Plan and Recognition of Current Status
2. 2024–2026 Medium-term Management Plan
3. Forecasts for Fiscal 2024

Forecasts for Fiscal 2024

(mil. yen)	FY2023 Full-year Results	YoY Change Amount	YoY Change %	FY2024 Full-year plan	YoY Change Amount	YoY Change %
Consol. net sales	173,304	6,996	4.2%	179,000	5,695	3.3%
Beauty care	168,477	6,822	4.2%	174,000	5,522	3.3%
Real estate	2,078	(5)	(0.2%)	2,250	171	8.3%
Others	2,748	178	7.0%	2,750	1	0.1%
OP income	16,080	3,499	27.8%	17,900	1,819	11.3%
Beauty care	16,354	2,561	18.6%	19,650	3,295	20.2%
Real estate	440	(51)	(10.5%)	(50)	(490)	-
Others	149	52	54.7%	100	(49)	(33.2%)
Reconciliations	(863)	936	-	(1,800)	(936)	-
Ordinary income	18,469	3,541	23.7%	17,900	(569)	(3.1%)
Profit attributable to owners of parent	9,665	(1,781)	(15.6%)	11,600	1,934	20.0%

Assumed exchange rates: 1.00 AUD = 93.0 JPY (PY 93.33) 1.00 CNY = 19.7 JPY (PY 19.82)

	FY2023	FY2024 (plan)
Shareholder returns	Annual ¥52 (Consol. Payout ratio 119.0%)	Annual ¥52 (Interim ¥21, Year-end ¥31) (Consol. Payout ratio 99.2%)
Capital investment Depreciation	¥17,478 mil. ¥7,712 mil.	¥ 13,000mil. - ¥14,000 mil. ¥ 8,000mil. - ¥9,000 mil.

Lastly, the forecasts for this fiscal year.
We aim to increase net sales by 3.3% to ¥179.0 billion and operating income by 11.3% to ¥17.9 billion, for an operating margin of 10% in 2024. Shareholder return is set at an annual dividend of ¥52 per share.

Appendices

POLA ORBIS HOLDINGS

(Appendix) Quarterly Segment Results

■ Net sales

(mil. yen)	FY2023 Jan.–Mar.		FY2023 Apr.–Jun.		FY2023 Jul.–Sep.		FY2023 Oct.–Dec.	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Consolidated net sales	42,136	11.9%	43,700	6.4%	40,902	(0.0%)	46,564	(0.2%)
Beauty care	40,950	12.1%	42,578	6.7%	39,731	(0.2%)	45,216	(0.5%)
Real estate	518	(0.9%)	518	0.3%	521	(0.1%)	520	(0.2%)
Others	666	7.1%	603	(9.3%)	650	13.3%	827	16.9%

■ Operating income

(mil. yen)	FY2023 Jan.–Mar.		FY2023 Apr.–Jun.		FY2023 Jul.–Sep.		FY2023 Oct.–Dec.	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Consolidated operating income	4,549	137.9%	4,416	47.0%	2,946	7.1%	4,167	(15.2%)
Beauty care	4,359	115.1%	4,354	35.2%	2,993	(2.6%)	4,646	(15.1%)
Real estate	161	(14.7%)	115	(9.0%)	142	25.2%	19	(67.4%)
Others	2	113.5%	28	(59.1%)	34	36	84	203.6%
Reconciliations	26	331	(81)	329	(224)	210	(583)	65

Note: 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)	FY2023 Jan.–Mar.		FY2023 Apr.–Jun.		FY2023 Jul.–Sep.		FY2023 Oct.–Dec.	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Beauty care net sales	40,950	12.1%	42,578	6.7%	39,731	(0.2%)	45,216	(0.5%)
POLA	24,183	13.9%	25,579	7.4%	23,097	(5.4%)	25,638	(4.7%)
ORBIS	9,977	6.8%	10,924	12.4%	10,324	14.1%	11,647	13.0%
Jurlique	1,908	(0.9%)	1,930	11.6%	2,042	17.9%	3,151	5.0%
Brands under development	4,217	14.5%	4,133	(2.5%)	4,250	3.1%	4,766	(1.8%)

■ Operating income

(mil. yen)	FY2023 Jan.–Mar.		FY2023 Apr.–Jun.		FY2023 Jul.–Sep.		FY2023 Oct.–Dec.	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Beauty care operating income	4,359	115.1%	4,354	35.2%	2,993	(2.6%)	4,646	(15.1%)
POLA	3,501	117.3%	3,511	6.8%	2,273	(38.1%)	2,268	(42.2%)
ORBIS	1,449	(2.4%)	1,678	68.2%	1,322	108.5%	1,890	9.1%
Jurlique	(579)	(256)	(503)	59	(452)	94	185	10.7%
Brands under development	(152)	453	(275)	159	(150)	567	279	627

Note: 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).
: Totals for the beauty care business include results for the H2O PLUS brand (liquidation completed in December 2023).

POLA ORBIS HOLDINGS

(Appendix) Beauty Care Business Results for FY2021–FY2023 by Brands

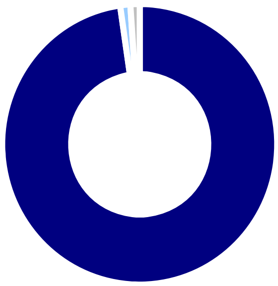
(mil. yen)	FY2021 Results (recalculated under the 2022 standard)	FY2022 Results	FY2023 Results	FY2022–FY2023 YoY Change Amount	FY2022–FY2023 YoY Change %
Consolidated net sales	174,896	166,307	173,304	6,996	4.2%
Beauty care net sales	170,403	161,654	168,477	6,822	4.2%
POLA	105,769	96,371	98,499	2,127	2.2%
ORBIS	39,071	38,417	42,874	4,457	11.6%
Jurlique	7,940	8,388	9,032	644	7.7%
Brands under development	16,505	16,892	17,368	475	2.8%
Consol. operating income	15,582	12,581	16,080	3,499	27.8%
Beauty care operating income	15,754	13,793	16,354	2,561	18.6%
POLA	15,144	12,495	11,555	(940)	(7.5%)
ORBIS	5,965	4,850	6,340	1,490	30.7%
Jurlique	(1,542)	(1,266)	(1,350)	(84)	-
Brands under development	(3,011)	(2,105)	(298)	1,807	-

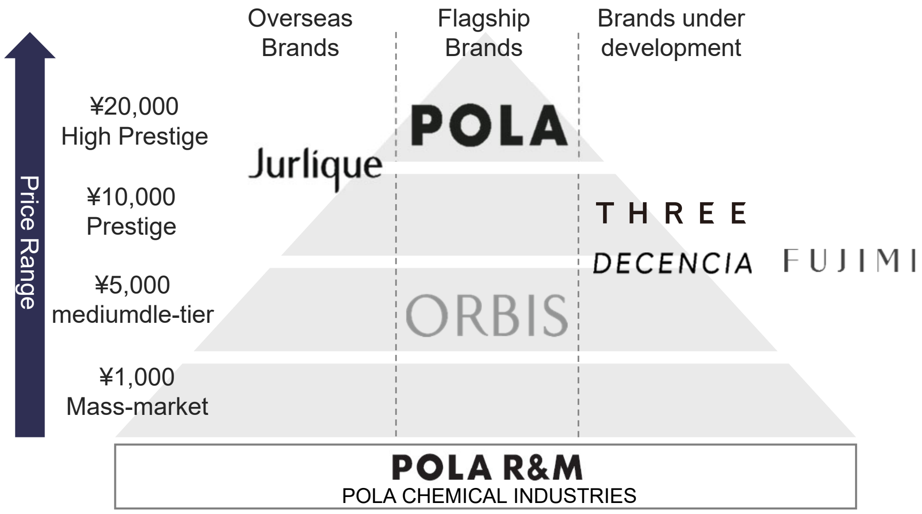
Note : Consolidated operating income and loss for each brand are shown for reference purpose only (unaudited).
Full-year financial results for 2021 (recalculated under the 2022 standard) have been provided for reference only (unaudited).

(Appendix) About POLA ORBIS Group

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

FY2023
Consol. Net Sales
¥173.3 bil.





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	Main sales channel
Flagship brands	59%	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, duty free stores, 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, duty free stores, and retail stores
Overseas Brands	6%	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, duty free stores, 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, duty free stores, e-commerce and cross-border e-commerce
		DECENCIA Since 2007	■ Skincare for sensitive skin	Approx. ¥5,000-¥10,000	■ JP: E-commerce ■ 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

*Sales ratio in the beauty care business as of FY2023. Brands under development includes OEM business.

POLA ORBIS HOLDINGS

(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 (FY2021 - 2023)

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

STAGE 2 (FY2024 - 2026)

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

STAGE 3 (FY2027 - 2029)

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

FY2021 - 2023 → FY2024 - 2026 → FY2027 - 2029