

Third Quarter of Fiscal 2021 Supplementary Material

POLA ORBIS HOLDINGS INC.

Director

Finance, Legal & Administration,

PR, IR and CSR

Akira Fujii

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Forecasts for Fiscal 2021
4. Initiatives Going Forward & Appendices

Cosmetics Market

- The overall size of the Japanese cosmetics market (including exports) continued to shrink
- The impact of the rapid, nationwide spread of COVID-19 infections and the persistence of issues such as the state of emergency was evidenced in the Japanese market
- The impact of COVID-19 and disasters, was temporarily apparent in the Chinese market during the third quarter, and the business environment and economic trends will require close monitoring going forward

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

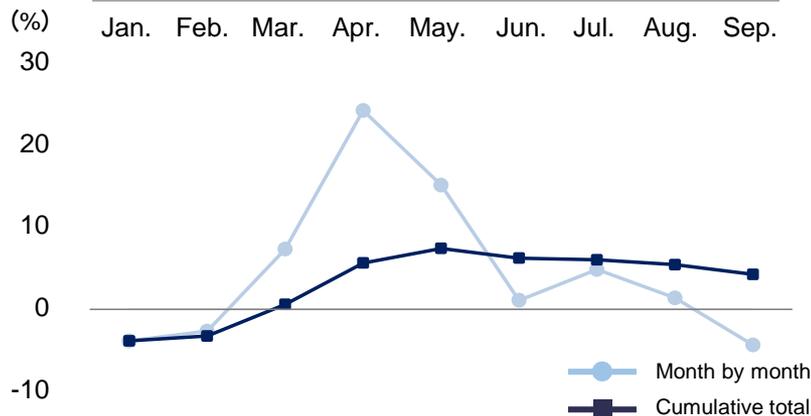
Our Group

- Consolidated revenue and income increased, with revenue growth mainly from POLA overseas, although domestic storefront operations once again faced a difficult business environment due to the impact of COVID-19
- POLA domestic e-commerce and overseas sales continued to grow
- ORBIS revenue decreased, but skincare sales grew, and purchase per customer increased year on year
- Progressive amelioration of losses continued in overseas brands

Medium-term Management Plan Indicators (FY2021 Q3 YTD)	
Overseas sales ratio	17.8% (+2.8ppt*)
Domestic e-commerce sales ratio	27.7% (+3.8ppt*)

*vs Dec. 2020

YoY Change in Consolidated Monthly Net Sales



- The recovery in storefront operations came to a standstill from July onwards, due to the spread of COVID-19 infections across Japan, the prolonged state of emergency, and restrictions on the flow of people
- Issues such as lockdowns and store shutdowns also occurred intermittently in Mainland China and Australia

(mil. yen)	FY2020	FY2021	YoY Change	
	Q3 Results (YTD)	Q3 Results (YTD)	Amount	%
Consolidated net sales	125,814	131,164	5,349	4.3%
Cost of sales	20,504	20,582	78	0.4%
Gross profit	105,310	110,581	5,271	5.0%
SG&A expenses	96,087	98,340	2,252	2.3%
Operating income	9,222	12,241	3,018	32.7%

Key Factors

- Consol. net sales** Increased on a consolidated basis, with revenue growth mainly from POLA overseas, although storefront operations suffered the impact of COVID-19
- Cost of sales** Cost of sales ratio improved due to an increase in the contribution from POLA's high price range products
 Cost of sales ratio FY2020 Q3: 16.3% ⇒ FY2021 Q3: 15.7%
- SG&A expenses** Labor expenses: up ¥970 mil. YoY
 Sales commissions: down ¥1,682 mil. YoY
 ⇒ Decreased due to lower commissions as a proportion of net sales
 Sales related expenses: up ¥708 mil. YoY
 Administrative expenses, etc.: up ¥2,255 mil. YoY
 ⇒ Increased due to the expansion of POLA overseas and a reactionary increase after the transfer of some COVID-19 related expenses to extraordinary losses in the previous year
- Operating income** Operating margin FY2020 Q3: 7.3% ⇒ FY2021 Q3: 9.3%

Consolidated P&L Changes Analysis

Operating Income to Profit Attributable to Owners of Parent

(mil. yen)	FY2020	FY2021	YoY Change	
	Q3 Results (YTD)	Q3 Results (YTD)	Amount	%
Operating income	9,222	12,241	3,018	32.7%
Non-operating income	269	1,377	1,107	410.4%
Non-operating expenses	1,716	186	(1,530)	(89.1%)
Ordinary income	7,775	13,432	5,656	72.8%
Extraordinary income	763	372	(390)	(51.2%)
Extraordinary losses	3,704	723	(2,980)	(80.5%)
Profit before income taxes	4,834	13,081	8,247	170.6%
Income taxes etc.	3,258	4,387	1,129	34.7%
Profit attributable to non-controlling interests	10	32	22	216.5%
Profit attributable to owners of parent	1,565	8,661	7,095	453.1%

Key Factors

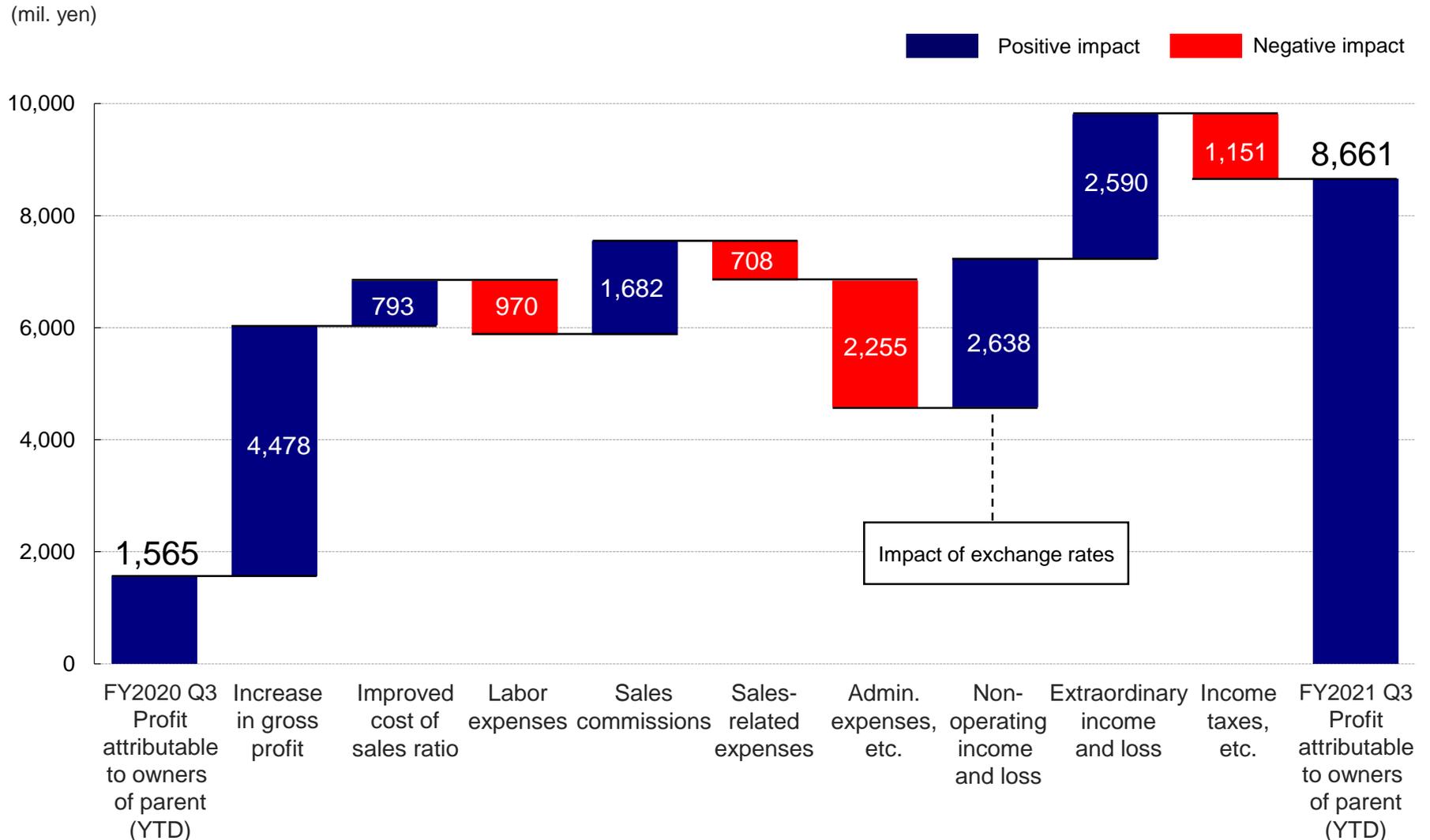
■ Non-operating income: Foreign exchange gain ¥1,108 mil.

■ Extraordinary losses: Loss related to COVID-19 ¥173 mil.

(Breakdown: POLA ¥36 mil. ORBIS ¥75 mil. ACRO ¥39 mil)

[Reference] FY2020 Q3 breakdown: POLA ¥374 mil. ORBIS ¥501 mil. ACRO ¥293 mil.

An increase in gross profit, a change in the business structure, and the impact of the exchange rate boosted profit attributable to owners of parent by ¥7,095 million YoY



1. Highlights of Consolidated Performance
2. **Segment Analysis**
3. Forecasts for Fiscal 2021
4. Initiatives Going Forward & Appendices

Segment Results

(mil yen)	FY2020	FY2021	YoY Change	
	Q3 Results (YTD)	Q3 Results (YTD)	Amount	%
Consolidated net sales	125,814	131,164	5,349	4.3%
Beauty care	122,295	127,834	5,539	4.5%
Real estate	1,763	1,581	(182)	(10.3%)
Others	1,755	1,748	(7)	(0.4%)
Operating income	9,222	12,241	3,018	32.7%
Beauty care	8,423	12,271	3,848	45.7%
Real estate	669	382	(286)	(42.8%)
Others	37	26	(11)	(30.6%)
Reconciliations	92	(439)	(531)	-

Segment Results Summary

- Beauty care** Revenue increased year on year, due to a revenue increase primarily in POLA, despite a decrease in ORBIS
 Operating income increased due to an increase in gross profit and an increase in contribution from POLA domestic e-commerce and overseas sales
- Real estate** Profit fell due to temporary maintenance expenses for property management
- Others** Revenue and income decreased in the building maintenance business

Beauty Care Business Results by Brands

(mil. yen)	FY2020	FY2021	YoY Change	
	Q3 Results (YTD)	Q3 Results (YTD)	Amount	%
Beauty care net sales	122,295	127,834	5,539	4.5%
POLA	72,926	77,146	4,220	5.8%
ORBIS	33,298	32,522	(776)	(2.3%)
Jurlique	4,158	5,103	945	22.7%
H2O PLUS	500	741	240	48.1%
Brands under development	11,410	12,319	908	8.0%
Beauty care operating income	8,423	12,271	3,848	45.7%
POLA	7,177	11,782	4,605	64.2%
ORBIS	5,364	4,451	(912)	(17.0%)
Jurlique	(2,238)	(1,412)	825	-
H2O PLUS	(607)	(532)	74	-
Brands under development	(1,272)	(2,017)	(744)	-

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

Q3 Result (YTD)

- Domestic storefronts continued to face a difficult business environment due to the persistence of issues such as the state of emergency
- High growth continued in domestic e-commerce sales, primarily of *WRINKLE SHOT*
Acquisition of purely new customers progressed strongly; engaged in enhancing LTV through OMO
- Sales in Mainland China were up 56% YoY despite the impact of COVID-19

Q3 (YTD)	Results (mil. yen)	YoY Change
Net sales	77,146	5.8%
Operating income	11,782	64.2%
Key indicators		
Sales ratio	Consignment sales	68.8%
	Overseas	18.7%
	Domestic e-commerce	5.0%
	Dept. store, B2B	7.5%
Sales growth*	Consignment sales	down 3.0%
	Overseas	up 38.3%
	Domestic e-commerce	up 59.1%
	Dept. store, B2B	up 6.9%
Consignment sales channel	# of sales offices**	3,297 (down 483)
	# of PB**	603(down 33)
	Purchase per customer*	up 1.0%
	# of customers*	down 4.1%
Number of stores overseas**		124(up 14)

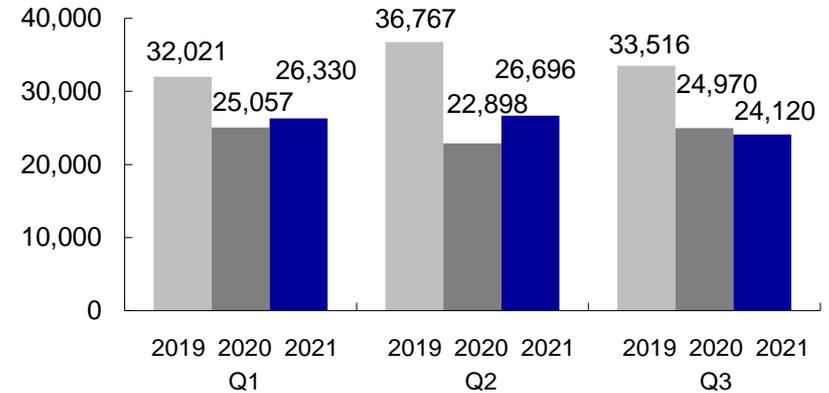
Topics

- Opened first duty free stores in Hainan, China
(3 stores as of September 30)

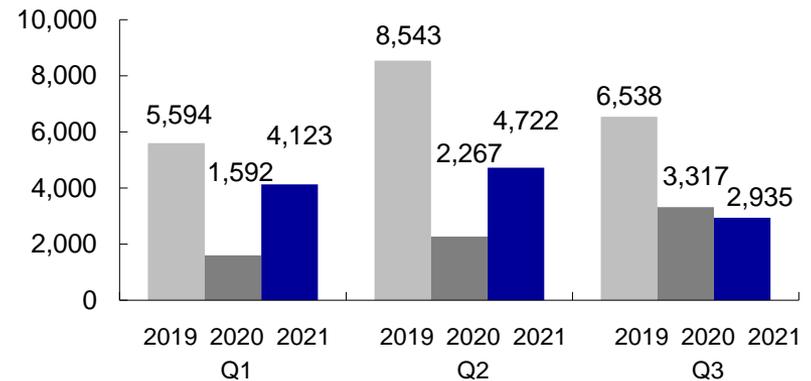


CDF Haikou Downtown Duty Free Shop

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



*YoY basis, ** vs Dec. 2020

Q3 Result (YTD)

- Skincare sales grew through enhanced communication focused on high priced skincare and special care
- Purchase per customer recovered despite a cumulative decline in revenue due to lower customer numbers, and revenue for the three months of Q3 increased, primarily in e-commerce

Q3 (YTD)	Results (mil. yen)	YoY Change
Net sales	32,522	(2.3%)
Operating income	4,451	(17.0%)
Key indicators		
Sales ratio	Domestic e-commerce ⁽¹⁾	61.6%
	(Proportion of domestic sales attributable to e-commerce)	64.2%
	Other mail-order	15.4%
	Stores and overseas	23.0%
Sales growth*	Domestic e-commerce	down 0.4%
	Other mail-order	down 13.2%
	Stores and overseas	up 0.9%
Mail-order** purchase per customer*		up 2.6%
Number of mail-order** customers*		down 7.6%
ORBIS U series ratio of sales ⁽²⁾		26%

- (1) From FY2021, domestic e-commerce includes sales from external e-commerce * YoY basis
** include e-commerce and catalog
- (2) Total of ORBIS U, U white, U encore, and U.

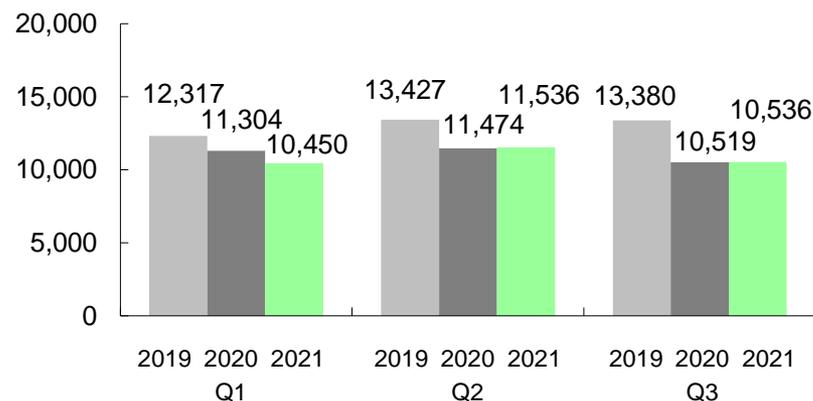
Topics

- Launch a *WRINKLE WHITE ESSENCE* limited-edition kit (August)

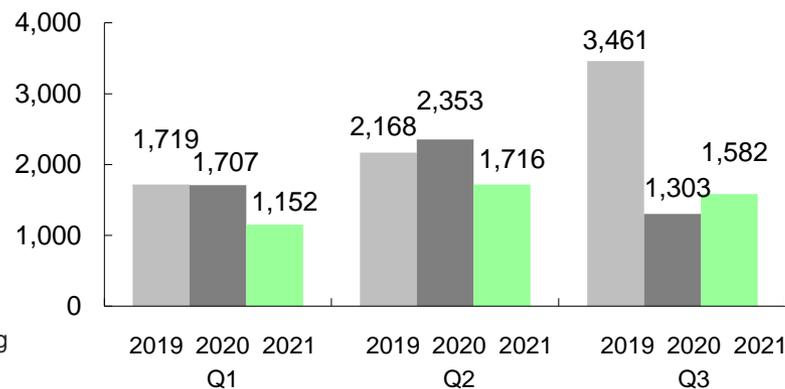


ORBIS WRINKLE WHITE
DELIGHTFUL IMPRESSION KIT

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Q3 Result (YTD)

- Progressive amelioration of losses continued in overseas brands
- Jurlique Australia suffered store shutdowns due to lockdowns, while e-commerce continued to perform strongly in Mainland China
- H2O PLUS e-commerce revenue declined due to a decrease in the efficiency of customer acquisition, while the recovery in amenities continued

3Q (YTD)		Results (mil. yen)	YoY Change ⁽¹⁾
Jurlique	Net sales	5,103	22.7%
	OP income	(1,412)	825
H2O PLUS	Net sales	741	48.1%
	OP income	(532)	74

Key indicators

Jurlique

Sales ratio	Australia	17.1%
	Hong Kong	16.5%
	Duty free	13.0%
	Mainland China	34.1%
Sales growth ⁽²⁾	Australia	down 4.8%
	Hong Kong	up 5.6%
	Duty free	up 91.3%
	Mainland China	up 14.7%

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

(2) AUD basis, YoY

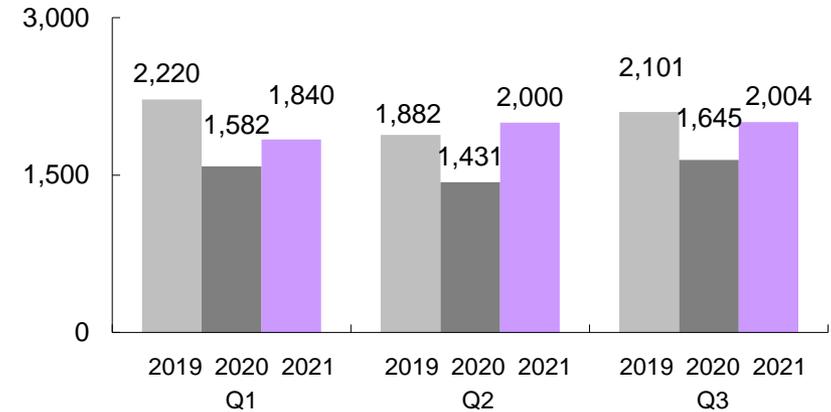
Topics

- Jurlique
Launch a limited-edition kit (August)

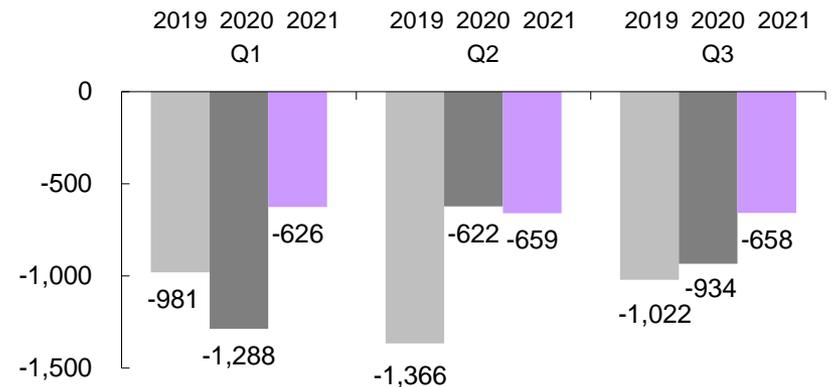


Hydrating Water Essence + Special Kit

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Q3 Result (YTD)

- For THREE, department stores and other offline channels continued to suffer the effects of the prolonged state of emergency
- DECENCIA revenue increased, with a focus on enhancing LTV

(Note) FIVEISM×THREE results have been included in THREE from the third quarter, due to the transfer of brand operation functions (same standard basis)

3Q (YTD)	Results (mil. yen)	YoY Change
Net sales	12,319	8.0%
Operating income ⁽¹⁾	(2,017)	(744)
ACRO Net sales	6,443	4.3%
ACRO OP income ⁽¹⁾	(1,660)	474
THREE Net sales	5,338	4.9%
THREE OP income ⁽¹⁾	(712)	340
DECENCIA Net sales	4,192	4.6%
DECENCIA OP income	636	(5.6%)

Key indicators

THREE

Sales ratio	Domestic storefronts, etc.	58.0%
	Domestic e-commerce	15.1%
	Overseas	26.9%
Sales growth ⁽²⁾	Domestic storefronts, etc.	down 0.4%
	Domestic e-commerce	down 3.0%
	Overseas	up 24.7%

(1) The operating income YoY change is shown as the amount (mil. yen)

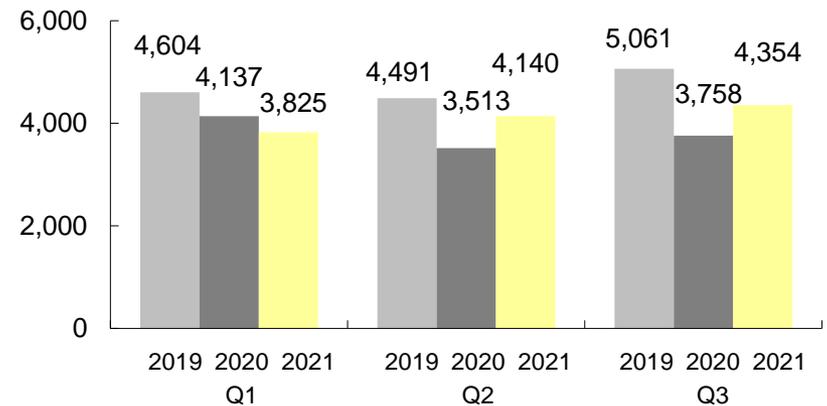
(2) YoY basis

Topics

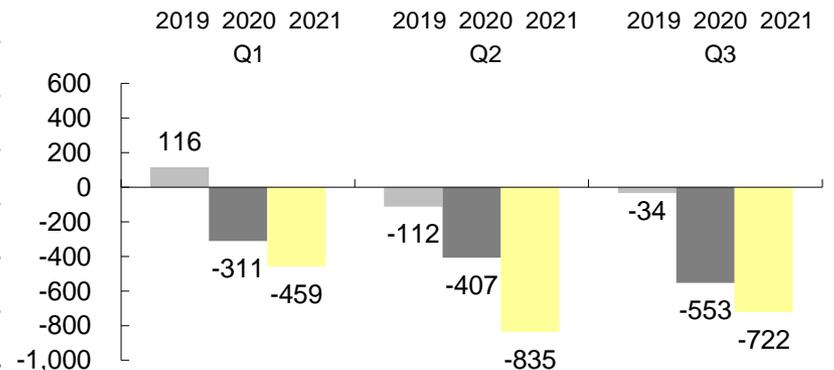
- Launched the new ITRIM *Elementary* lineup (September)



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



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Forecasts for Fiscal 2021 (Unchanged)

The forecast remains unchanged, but the impact of COVID-19 is persisting longer than anticipated and progress is lagging behind the initial plan

Make effort to bring results closer to the initial plan with a recovery through measures such as cost rationalization

(mil. yen)	FY2021	YoY Change	
	Q3 Results (YTD)	Amount	%
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Beauty care	127,834	5,539	4.5%
Real estate	1,581	(182)	(10.3%)
Others	1,748	(7)	(0.4%)
OP income	12,241	3,018	32.7%
Beauty care	12,271	3,848	45.7%
Real estate	382	(286)	(42.8%)
Others	26	(11)	(30.6%)
Reconciliations	(439)	(531)	-
Ordinary income	13,432	5,656	72.8%
Net income attributable to owners of parent	8,661	7,095	453.1%

FY2021	YoY Change	
	Full-year Plan	Amount
190,000	13,688	7.8%
185,900	14,241	8.3%
2,000	(291)	(12.7%)
2,100	(261)	(11.1%)
19,000	5,247	38.2%
18,850	5,884	45.4%
600	(110)	(15.6%)
50	(78)	(61.0%)
(500)	(448)	-
19,000	6,420	51.0%
11,300	6,667	144.0%

Assumed exchange rates : 1.00 AUD = 76 JPY (PY 73.66) 1.00 USD = 107 JPY (PY 106.81) 1.00 CNY = 15.4 JPY (PY 15.48)

	FY2020
Shareholder returns	Annual ¥50 Consol. Payout ratio 238.8%
Capital investment	¥8,464 mil.
Depreciation	¥7,255 mil.

	FY2021 (plan)
Shareholder returns	Annual ¥51 (Interim ¥20, Year-end ¥31) Consol. payout ratio 99.8%
Capital investment	¥11,000 mil. - ¥13,000 mil.
Depreciation	¥7,000 mil. - ¥8,000 mil.

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POLA

- Successively release limited-edition kits from the main skincare series to revitalize customers
 - Launch of limited-edition kits from *WRINKLE SHOT* and *B.A* (October and November respectively)
 - Release a kit from the POLA top serum *B.A GRANDLUXE III* to improve existing customer activity (October)
- Release a new app primarily aimed at new customer acquisition (November), and evolve it as an OMO platform to achieve a seamless cross-channel brand experience
- Aim to maximize domestic e-commerce sales, pivoting on original kits
 - Promote repeat purchases and maximize LTV through communication utilizing in-house e-commerce customer lists
- In Mainland China, focus on customer acquisition in the Singles' Day and Christmas shopping festivals, and utilize strategic advertising and KOL to expand *B.A* brand recognition



POLA WRINKLE SHOT
3D PROGRAM KIT



POLA B.A PRECIOUS
COLLECTION BOX

ORBIS

- Engage in improving per-customer LTV to achieve renewed growth in the domestic business
 - Implement sales promotions, mainly for skincare, and a promotion to mark the first anniversary of the launch of *ORBIS U*.
 - Encourage customers to purchase additional items by offering kits and special care.
 - Increase the proportion of app users over the medium to long term as app users have a high LTV

Strengthen customer engagement with the app as the core



(Left) *ORBIS U*.
(Right) *ORBIS WRINKLE WHITE DELIGHTFUL IMPRESSION KIT*

Overseas Brands

Jurlique

- Implement a new brand strategy as a Holistic & Conscious brand Planning to open a new store in Australia embodying the brand concept
- Launch a Christmas coffret (from October onwards)



Image of the new Jurlique store

H2O+

- Enhance the efficiency of customer acquisition through efficient online advertising, and promote conversion to recurring customers after initial acquisition



Jurlique

(Left) Premium Winter Collection Botanical to Cosmos

(Right) Nutri-Define Precious Kit

Brands Under Development

THREE

Amplitude

ITRIM

FIVEISM
x
THREE

DECENCIA

FUJIMI

- Promote structural reform of sales channels for ACRO and reduce fixed costs to ameliorate losses
- Appeal to customers with THREE's unique brand value, through the expansion and enhancement of holistic care products
Launch a new product from the *BALANCING SQ* series (October)
- Release limited-edition kits for the year-end sales from THREE, Amplitude and ITRIM (to be launched progressively from October onwards)
- Launch a limited-edition kit from DECENCIA's premium skincare series *decency* (October), and promote the upsell of high-function products



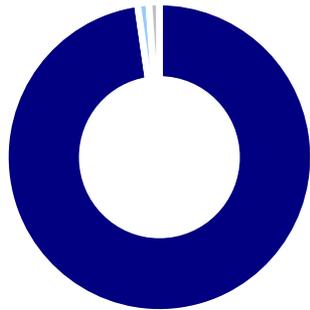
THREE SKINCARE RETREAT KIT N



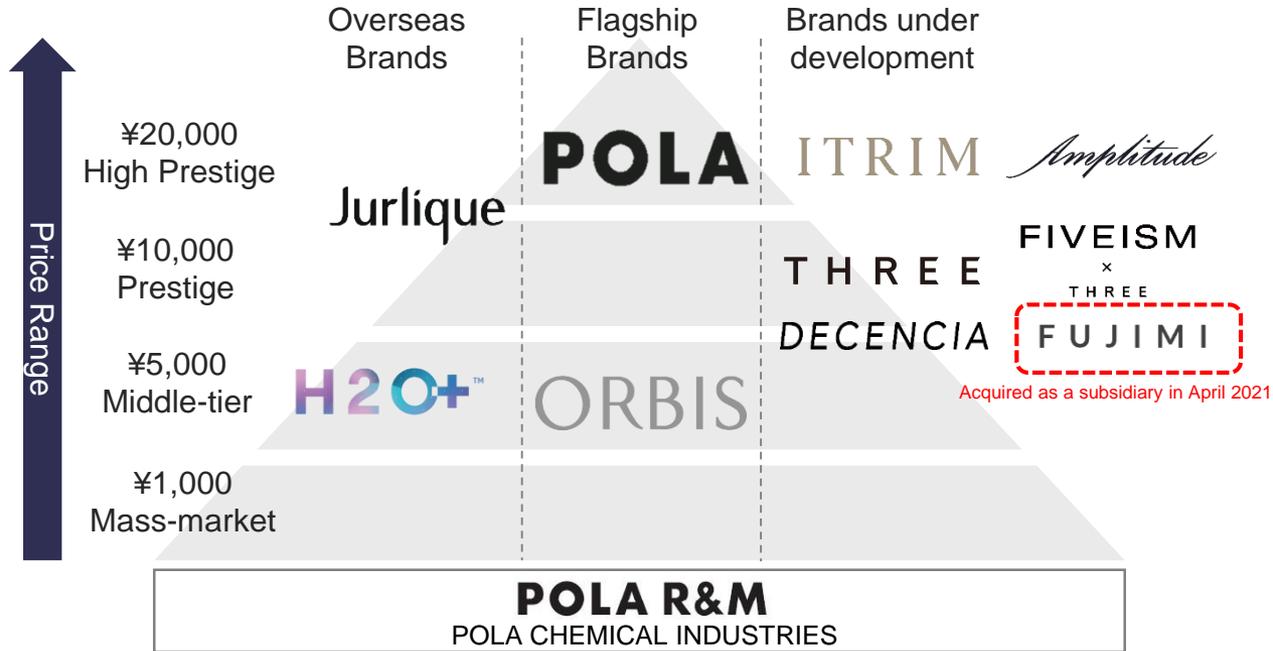
DECENCIA *decency* premium kit

Beauty care is the core business of the Group, and 10 different cosmetics brands are operated under the Group umbrella

FY2020
Consol. Net Sales
¥176.3 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

(Appendix) Beauty Care Business Brand Portfolio

	Sales ratio*	Brand	Concept and products	Price	Main sales channel
Flagship brands	60%	POLA Since 1929	<ul style="list-style-type: none"> High-prestige skincare Leading-edge technology in aging-care and skin-brightening fields 	Approx. ¥10,000 or higher	<ul style="list-style-type: none"> JP: Consignment sales, department stores and e-commerce Overseas: Department stores, directly-operated stores, DFS⁽¹⁾, e-commerce and cross-border e-commerce
	26%	ORBIS Since 1984	<ul style="list-style-type: none"> Aging-care brand to draw out people's intrinsic beauty 	Approx. ¥1,000~¥3,000	<ul style="list-style-type: none"> JP: Mail-order (e-commerce and catalog) and directly-operated stores Overseas: E-commerce, cross-border e-commerce, and DFS⁽¹⁾
Overseas Brands	4%	Jurlique Acquired in 2012	<ul style="list-style-type: none"> Premium natural skincare brand from Australia 	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> AU: Department stores, directly-operated stores and e-commerce Overseas: Department stores, directly-operated stores, DFS⁽¹⁾, e-commerce and cross-border e-commerce
	1%	H2O+ Acquired in 2011	<ul style="list-style-type: none"> Skincare with concept of innovation and power of pure water 	Approx. ¥4,000 not sold in Japan	<ul style="list-style-type: none"> US: E-commerce, hotel amenities
Brands under development	9%	THREE Since 2009	<ul style="list-style-type: none"> Skincare made with natural ingredients from Japan and fashion-forward make-up 	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> JP: Department stores, directly-operated stores and e-commerce Overseas: Department stores, DFS⁽¹⁾, e-commerce and cross-border e-commerce
		<i>Amplitude</i> Since 2018	<ul style="list-style-type: none"> High prestige quality makeup from Japan 	Approx. ¥5,000~¥10,000	<ul style="list-style-type: none"> JP: Department stores and e-commerce Overseas: DFS⁽¹⁾ and cross-border e-commerce
		ITRIM Since 2018	<ul style="list-style-type: none"> Premium skincare made from finely selected organic ingredients 	Approx. ¥20,000	<ul style="list-style-type: none"> JP: Department stores and e-commerce Overseas: DFS⁽¹⁾ and cross-border e-commerce
		FIVEISM x THREE Since 2018	<ul style="list-style-type: none"> Industry's first men's cosmetics focusing on makeup 	Approx. ¥2,000~¥12,000	<ul style="list-style-type: none"> JP: Department stores, directly-operated stores and e-commerce Overseas: DFS⁽¹⁾ and cross-border e-commerce
		DECENCIA Since 2007	<ul style="list-style-type: none"> Skincare for sensitive skin 	Approx. ¥5,000~¥10,000	<ul style="list-style-type: none"> JP: E-commerce, department store Overseas: Cross-border e-commerce
		FUJIMI Acquired in 2021	<ul style="list-style-type: none"> Personalized beauty care brand operated by tricot, Inc. 	Approx. ¥6,000~¥10,000	<ul style="list-style-type: none"> JP: E-commerce

*Sales ratio in the beauty care business as of FY2020. Brands under development includes OEM business. FUJIMI is excluded, as tricot, Inc. was included in the scope of consolidation from April 2021.

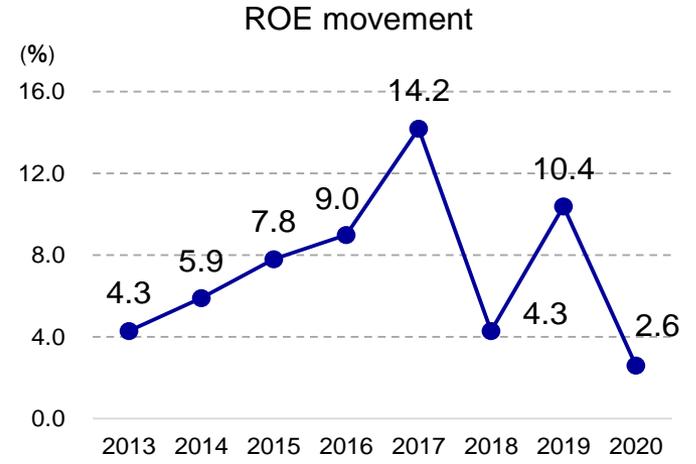
Initiatives to Improve Capital Efficiency

Target for 2023
ROE 12%
(Return on equity)

EPS
(Earnings per share)

BPS
(Book value per share)

- Operating income CAGR 30%
- Achieve net income growth which is higher than operating income growth by decreasing overseas losses
- Improve shareholder return through dividends
- Optimize balance sheet
- Investment for future growth



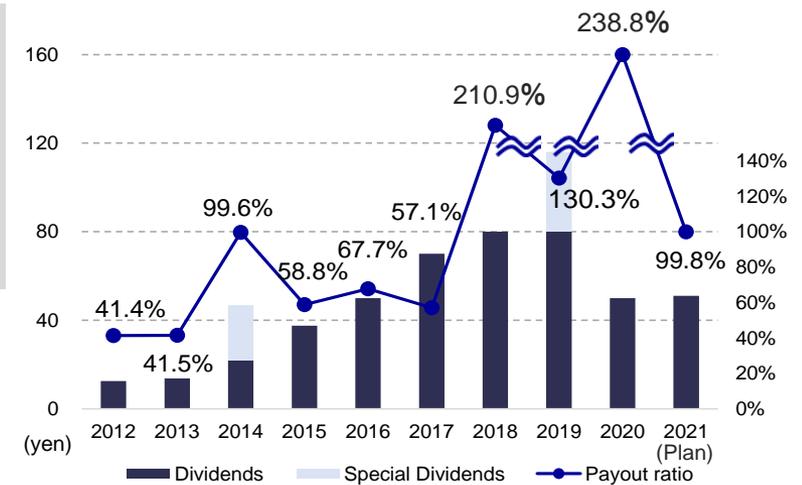
Improvement of Shareholder Return

Basic Policy :

- With a policy of consolidated payout ratio of **60% or higher**, enhance shareholder return by realizing stable profit 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 FY2021:

- Dividend per share : **¥51** (Interim ¥20, Year-end ¥31)
- Consol. payout ratio : 99.8%



Management Indicators for 2023

Net Sales	■ Consolidated net sales	⇒ ¥215.0 to 225.0 bil. in FY2023 CAGR 7 to 9%
	■ 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	⇒ 15% or higher in FY2023
	■ Operating income	⇒ CAGR 30% or higher
Capital Efficiency	■ ROE	⇒ 12% 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”

(Appendix) Beauty Care Business Results for FY2018 – FY2020 by Brands

(mil. yen)	FY2018	FY2019	FY2020	2019 vs 2020 YoY Change	
	Results	Results	Results	Amount	%
Consolidated net sales	248,574	219,920	176,311	(43,609)	(19.8%)
Beauty care net sales	231,207	214,886	171,658	(43,228)	(20.1%)
POLA	150,183	135,502	102,888	(32,613)	(24.1%)
ORBIS	51,051	50,726	45,415	(5,310)	(10.5%)
Jurlique	10,386	7,765	6,444	(1,320)	(17.0%)
H2O PLUS	2,041	1,470	722	(747)	(50.9%)
Brands under development	17,544	19,421	16,186	(3,235)	(16.7%)
Consol. operating income	39,496	31,137	13,752	(17,384)	(55.8%)
Beauty care operating income	38,294	30,193	12,965	(17,228)	(57.1%)
POLA	32,574	25,529	10,927	(14,602)	(57.2%)
ORBIS	9,340	9,252	7,329	(1,923)	(20.8%)
Jurlique	(3,763)	(2,968)	(2,489)	479	-
H2O PLUS	(552)	(825)	(724)	100	-
Brands under development	695	(794)	(2,076)	(1,282)	-

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