

First Half of Fiscal 2018 Supplementary Material

POLA ORBIS HOLDINGS INC.
Representative Director and President
Satoshi Suzuki

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

Cosmetics Market

- The Japanese cosmetics market overall showed steady growth and export value of cosmetics has increased.
- However, the pure domestic market alone, excluding inbound demand seemed to decline slightly.
- As for the inbound market in Japan, the market size continued to grow, being backed up by the increasing number of tourists visiting Japan.

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

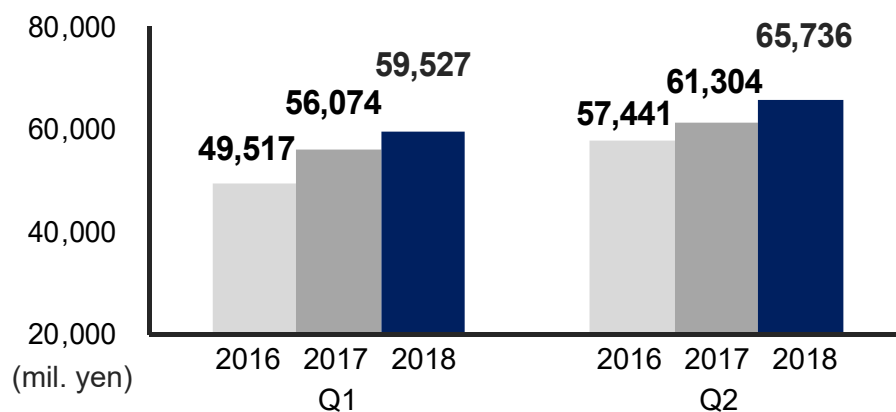
Our Group

- The Group achieved increases in sales and operating income driven by POLA and brands under development.
- For POLA, thanks to the expansion of the customer base last year, the brand achieved increases in sales and operating income yoy.
- ORBIS increased its operating income as a result of structural reforms, however, sales decreased due to the reduced number of customers.
- Jurlique fell short of the plan because of sales decline. H2O PLUS has progressed in line with the plan.
- From brands under development, THREE sustained its momentum both domestically and overseas.

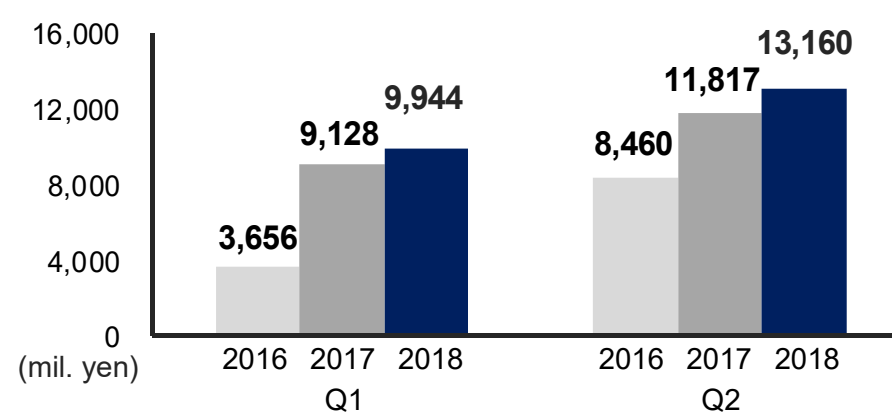
(Reference) Ratio of Inbound Sales
to Consolidated Net Sales

| | |
|--------------------|------------|
| FY2016 (Full year) | Approx. 6% |
| FY2017 (Full year) | Approx. 7% |
| FY2018 H1 | Approx. 7% |

Quarterly Consolidated Sales



Quarterly Operating Income



Actual vs Planned Variance Analysis

| (mil. yen) | FY2017 | FY2018 | YoY Change | | vs. Plan (May 1, 2018) | |
|---|------------|------------|------------|-------|------------------------|-------|
| | H1 Results | H1 Results | Amount | % | Amount | % |
| Consol. net sales | 117,378 | 125,262 | 7,884 | 6.7% | 4,262 | 3.5% |
| Operating income | 20,944 | 23,103 | 2,158 | 10.3% | 3,503 | 17.9% |
| Ordinary income | 20,944 | 22,723 | 1,779 | 8.5% | 3,123 | 15.9% |
| Profit attributable to owners of parent | 13,955 | 15,321 | 1,365 | 9.8% | 2,321 | 17.9% |

Average exchange rates: 1AUD = 83.92 JPY, 1USD = 108.68JPY, 1CNY = 17.09JPY

| | Variance from May 1 Plan | Major Factors of the Variance |
|---|---------------------------|--|
| Consolidated net sales | + ¥4,262 mil. (+3.5%) | <ul style="list-style-type: none"> ■ POLA (+ ¥4,280 mil.) ■ ACRO (THREE brand) (+ ¥710 mil.) ■ ORBIS (- ¥460 mil.) ■ Jurlique (- ¥400 mil.) |
| Operating income | + ¥3,503 mil. (+17.9%) | <ul style="list-style-type: none"> ■ Increase in gross profit due to sales increase (+ ¥3,060 mil.) ■ Cost control on sales-related expenses at ORBIS (+ ¥340 mil.) ■ Decrease in gross profit at Jurlique (- ¥320 mil.) |
| Ordinary income | + ¥3,123 mil. (+15.9%) | <ul style="list-style-type: none"> ■ Increase in association with increased operating income (+ ¥3,500 mil.) ■ FX losses due to yen appreciation (- ¥400 mil.) |
| Profit attributable to owners of parent | + ¥2,321 mil. (+17.9%) | <ul style="list-style-type: none"> ■ Increase in profit before income taxes and reduction in effective tax rate due to improvement in overseas losses |

Analysis of Consolidated P&L Changes

Net Sales to Operating Income

| (mil. yen) | FY2017 | FY2018 | YoY Change | |
|------------------------|------------|------------|------------|-------|
| | H1 Results | H1 Results | Amount | % |
| Consolidated net sales | 117,378 | 125,262 | 7,884 | 6.7% |
| Cost of sales | 18,925 | 19,847 | 921 | 4.9% |
| Gross profit | 98,452 | 105,415 | 6,962 | 7.1% |
| SG&A* expenses | 77,507 | 82,311 | 4,804 | 6.2% |
| Operating income | 20,944 | 23,103 | 2,158 | 10.3% |

*Selling, General and Administrative Expenses

Key Factors

- Consol. net sales** Sales growth was mainly attributed to POLA brand, which experienced strong sales to existing customers in Japan and growth in Chinese, Hong Kong, and duty-free markets. At ORBIS, sales dropped but the average spending price per customer grew year on year as a result of promotions centered on ORBIS=U.
- Cost of sales** The cost of sales ratio was improved owing to an increase in the sales composition ratio of high-prestige products under the POLA brand and ORBIS's initiatives above.
 Cost of sales ratio 2017H1: 16.12% ⇒ 2018H1: 15.84%
- SG&A expenses**
 - Labor expenses : up ¥516 mil. YoY
 -> resulted from new store openings at POLA and THREE brands.
 - Sales commissions : up ¥2,370 mil. YoY
 -> resulted from increased sales at POLA. The commission ratio within POLA has improved.
 - Sales related expenses : up ¥801 mil. YoY
 -> resulted from execution of fixed costs in accordance with initial plan in spite of increase in sales.
 - Administrative expenses : up ¥1,115 mil. YoY
 -> resulted from costs for launching new brands.
- Operating income** Beauty care : up ¥2,157 mil. YoY

Analysis of Consolidated P&L Changes

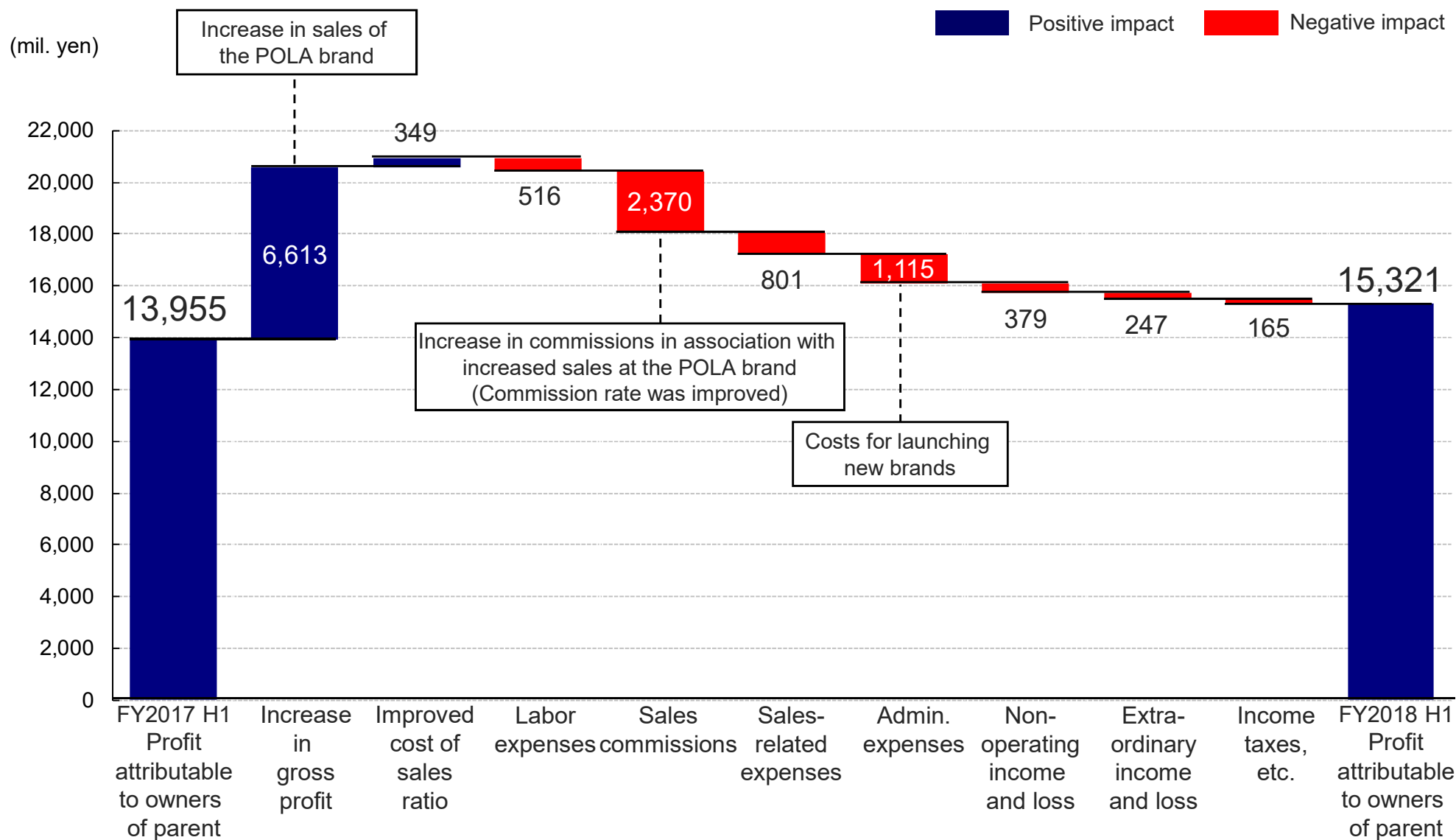
Operating Income to Profit Attributable to Owners of Parent

| (mil. yen) | FY2017 | FY2018 | YoY Change | |
|--|------------|------------|------------|---------|
| | H1 Results | H1 Results | Amount | % |
| Operating income | 20,944 | 23,103 | 2,158 | 10.3% |
| Non-operating income | 228 | 265 | 37 | 16.2% |
| Non-operating expenses | 229 | 645 | 416 | 181.4% |
| Ordinary income | 20,944 | 22,723 | 1,779 | 8.5% |
| Extraordinary income | 629 | 28 | (600) | (95.5%) |
| Extraordinary loss | 535 | 182 | (353) | (65.9%) |
| Profit before income taxes | 21,037 | 22,569 | 1,531 | 7.3% |
| Income taxes | 7,071 | 7,248 | 177 | 2.5% |
| Profit attributable to non-controlling interests | 10 | 0 | (11) | - |
| Profit attributable to owners of parent | 13,955 | 15,321 | 1,365 | 9.8% |

Key Factors

- Non-operating expenses : Loss from unfavorable foreign exchange rates ¥585 mil.
- Income taxes : Reduction in effective tax rate due to improvement in overseas losses (effective tax rate = 32.1%)

Profit attributable to owners of parent was up 9.8% yoy
due to an increase in the gross profit and improvements in the profit structure



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Segment Results

| (mil yen) | FY2017 | FY2018 | YoY Change | |
|------------------------|------------|------------|------------|--------|
| | H1 Results | H1 Results | Amount | % |
| Consolidated net sales | 117,378 | 125,262 | 7,884 | 6.7% |
| Beauty care | 109,303 | 116,973 | 7,670 | 7.0% |
| Real estate | 1,348 | 1,354 | 5 | 0.4% |
| Others | 6,726 | 6,934 | 208 | 3.1% |
| Operating income | 20,944 | 23,103 | 2,158 | 10.3% |
| Beauty care | 20,095 | 22,253 | 2,157 | 10.7% |
| Real estate | 592 | 564 | (28) | (4.8%) |
| Others | 165 | 519 | 354 | 214.6% |
| Reconciliations | 91 | (234) | (325) | - |

Segment Results Summary

- **Beauty care** Sales growth was mainly attributed to POLA.
Operating income rose 10% thanks to sales growth at POLA brand and COGS improvements at POLA, ORBIS, Jurlique and other brands.
- **Real estate** Occupancy rate has been maintained at a high level. However, maintenance expenses were incurred.
- **Others** At pharmaceutical business, sales increased year on year by concentrating sales and promotion resources on mainstay products.

Beauty Care Business Results by Brands

| (mil. yen) | FY2017 | FY2018 | YoY Change | |
|------------------------------|------------|------------|------------|---------|
| | H1 Results | H1 Results | Amount | % |
| Beauty care net sales | 109,303 | 116,973 | 7,670 | 7.0% |
| POLA | 69,538 | 76,559 | 7,021 | 10.1% |
| ORBIS | 26,681 | 26,032 | (649) | (2.4%) |
| Jurlique | 5,084 | 4,993 | (90) | (1.8%) |
| H2O PLUS | 1,119 | 960 | (158) | (14.2%) |
| Brands under development | 6,878 | 8,427 | 1,548 | 22.5% |
| Beauty care operating income | 20,095 | 22,253 | 2,157 | 10.7% |
| POLA | 16,058 | 18,268 | 2,209 | 13.8% |
| ORBIS | 4,922 | 5,147 | 224 | 4.6% |
| Jurlique | (1,125) | (1,506) | (381) | - |
| H2O PLUS | (452) | (346) | 106 | - |
| Brands under development | 692 | 691 | (1) | (0.2%) |

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

H1 Results

- The number of existing customer increased.
- Overseas sales grew especially in Chinese, Hong Kong, and duty-free markets. (by 2.3 times)
- Wrinkle Shot sales was ¥4.9 bil. As a result of price revision, composition ratio of the number of customers aged 39 or less grew. The brand can expect future growth in LTV of such customers.
- The inbound ratio was approximately 11%.

| H1 | Results (mil. yen) | YoY Change |
|------------------|--------------------|------------|
| Net sales | 76,559 | 10.1% |
| Operating income | 18,268 | 13.8% |

Key indicators

| | | | |
|-----|---|------------------------------|--------------------|
| (1) | Number of sales offices (vs. Dec. 2017) | | 4,124 (down 26) |
| | Number of PB ⁽²⁾ (vs. Dec. 2017) | | 656(±0) |
| | Cosmetics sales ratio | PB ⁽²⁾ | 39.8% |
| | | Esthe-inn | 47.4% |
| | | D2D ⁽³⁾ and other | 12.8% |
| | Sales growth* | PB | up 6.6% |
| | | PB (like-for-like) | up 6.4% |
| | | Esthe-inn | up 6.3% |
| | | D2D | up 0.4% |
| | Purchase per customer* | | down 4.6% |
| | Number of new customers* | | down 6.4% |
| | Growth rate of overseas sales* | | up 131.7% |

(1) Consignment sales channel (2) PB: POLA THE BEAUTY stores

(3) D2D: Conventional door-to-door *YoY

Topics

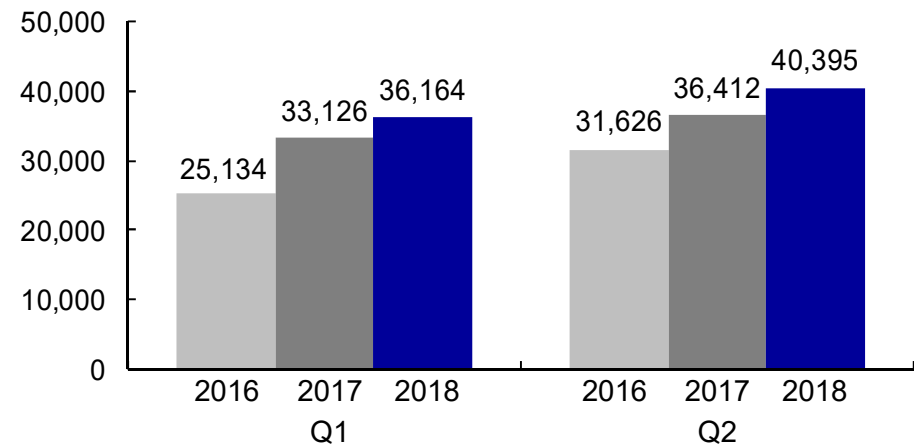
- Won #1 best cosmetics awards from major beauty magazines for January – June period.

Left : WHITE SHOT CXS/SXS

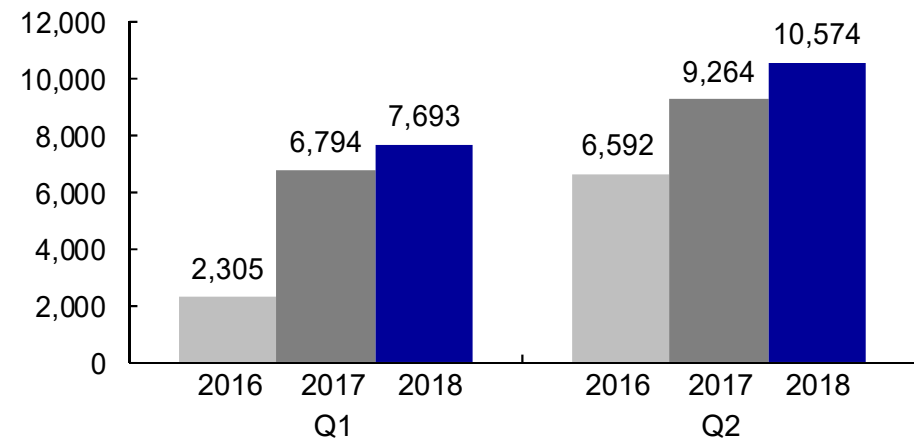
Right: diem couleur color blend foundation



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



H1 Results

- Focused on customer acquisition through “ORBIS=U” with a view to improving quality of the customer base.
- ORBIS=U series accounted for about 20% of total sales.
- Narrowed down the customer base by clarifying target customer and achieved improvements in promotional cost efficiency and profitability.

| H1 | Results (mil. yen) | YoY change |
|---|---------------------|------------|
| Net sales | 26,032 | (2.4%) |
| Operating income | 5,147 | 4.6% |
| Key indicators | | |
| Sales ratio | Online | 48.1% |
| | Other mail-order | 24.3% |
| | Stores and overseas | 27.6% |
| Sales increase* | Online | up 0.5% |
| | Other mail-order | down 9.9% |
| | Stores and overseas | up 0.1% |
| Mail-order ⁽¹⁾ purchase per customer* | | up 0.6% |
| Number of mail-order ⁽¹⁾ customers* | | down 4.4% |
| Number of customers purchasing the mainstay skincare product series* ⁽²⁾ | | up 25.3% |

(1) Mail-order includes online and other mail-order

(2) For the last 6 months period

* YoY basis

Topics

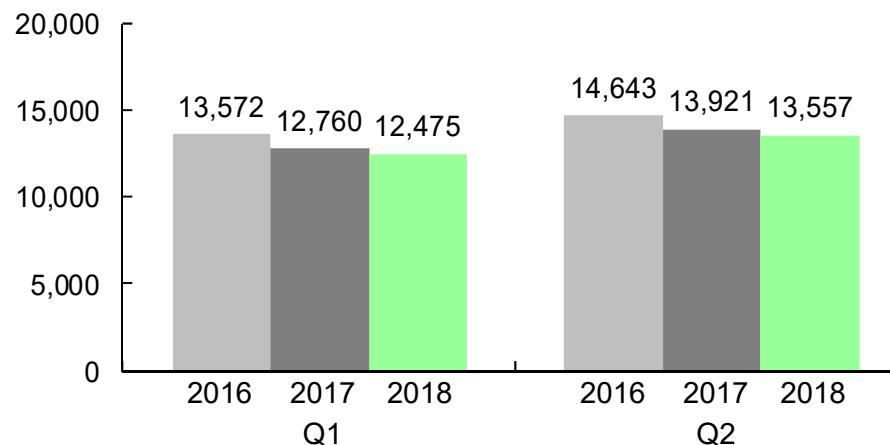
- Introduced new ORBIS shopping app – customers can check delivery status and make payments within one application.

アプリはココが便利!

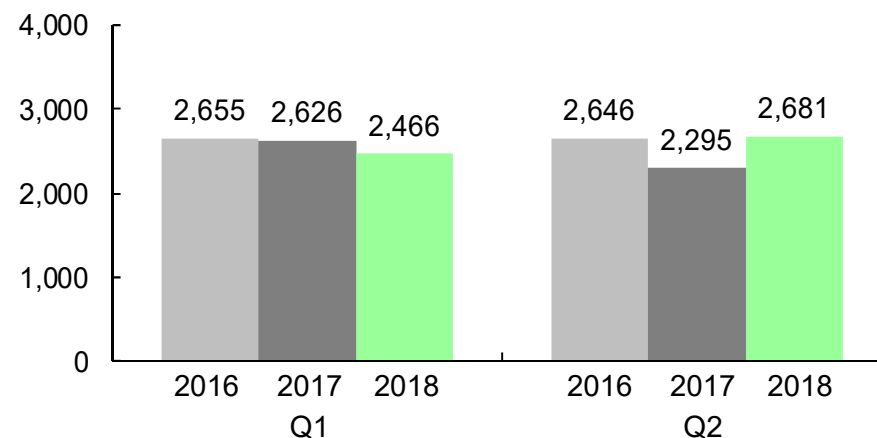
- お届けするお荷物の配送状況が確認できる!
- 電子バーコードでコンビニ支払いができる!
- 探す・買う・読むなど充実機能で楽しみ方いろいろ!
- オルビス・ザ・ショップのポイントカード代わりに!



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



H1 Results

- Sales declined slightly by 0.8% yoy (on an AUD basis).
- Performance fell short of initial plan mainly due to sales drop in China and Australia.
- Launch new products regularly in the second half.

Topics

- Launch four products from new cleansing series

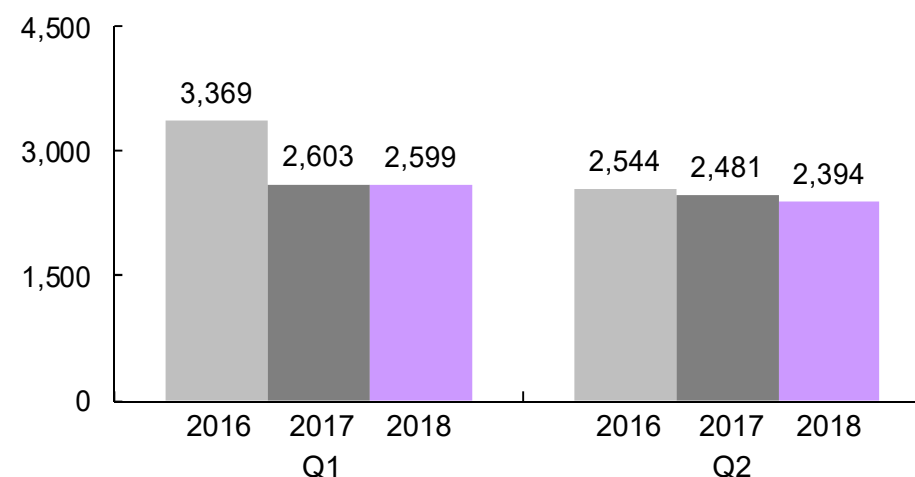


| H1 | Results (mil. yen) | YoY change ⁽¹⁾ |
|--|--------------------|---------------------------|
| Net sales | 4,993 | (1.8%) |
| Operating income (before goodwill amortization) | (1,477) | (381) |
| Operating income | (1,506) | (381) |
| Key indicators | | |
| Number of doors in China (vs. Dec. 2017) | | 100 (down 10) |
| Sales ratio | China | 16% |
| | Hong Kong | 15% |
| | Duty free | 15% |
| | Australia | 29% |
| Sales growth ⁽²⁾ | China | down 19% |
| | Hong Kong | up 1% |
| | Duty free | up 6% |
| | Australia | down 9% |

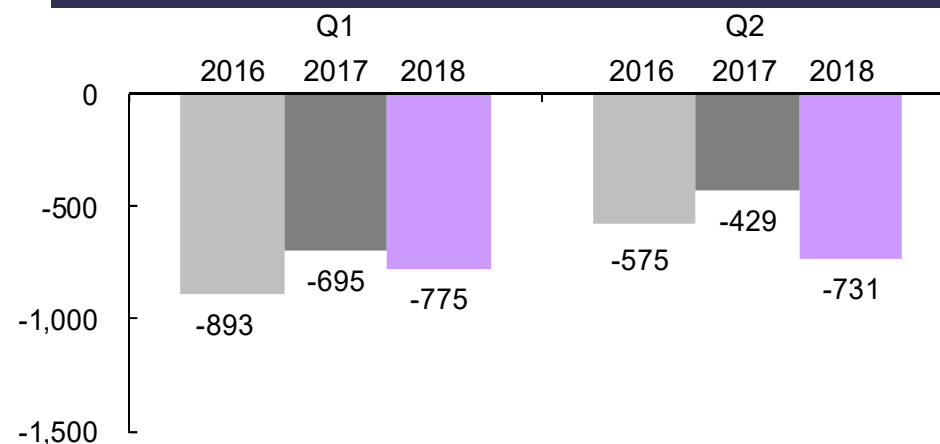
(1) For operating income, the YoY difference is shown as an amount (mil. yen).

(2) AUD basis, YoY

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



H1 Results

- Sales were down year on year in North America. Impact of reduction in sales channel is expected to continue for the full year.
- Implemented marketing strategies focused on hero products development.
- Profit structure has been improved. (personnel and advertising costs)

| H1 | Results (mil. yen) | YoY change ⁽¹⁾ |
|-----------------------------|--------------------|---------------------------|
| Net sales | 960 | (14.2%) |
| Operating income | (346) | 106 |
| Key indicators | | |
| Sales ratio | North America | 90% |
| | Others | 10% |
| Sales growth ⁽²⁾ | North America | down 9% |
| | Others | down 28% |

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

(2) USD basis, YoY

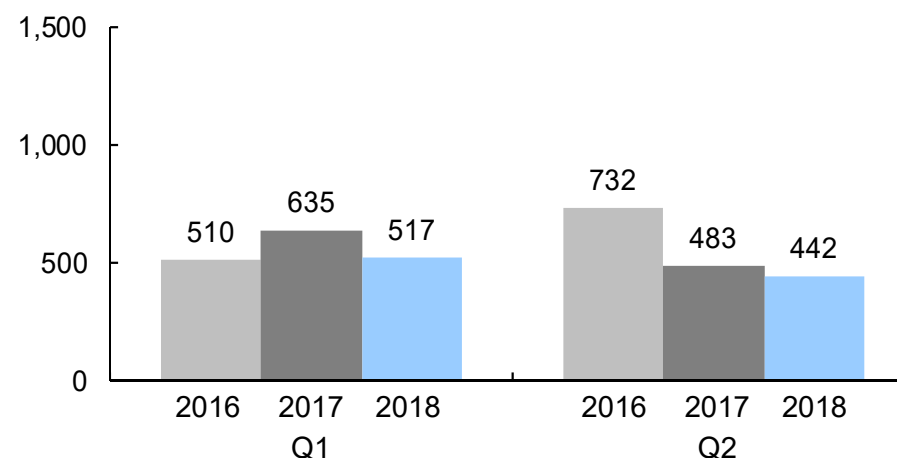
Topics

- Developed product strategies with the support of group companies.

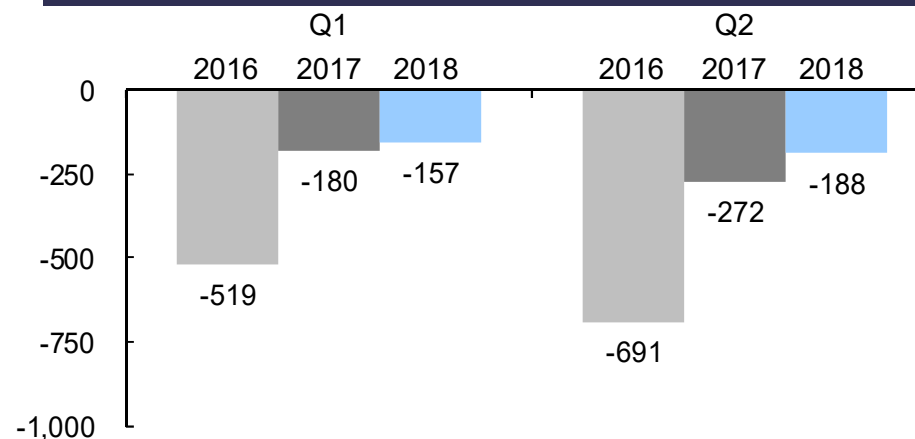


OASIS Hydrating Treatment
(existing mainstay product)

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



H1 Results

- At THREE, products for holistic care approach were strong. Sales grew in Korea and Thailand.
- Costs for launching new brands amounted to approximately ¥380 mil.
- DECENCIA experienced double-digit growth thanks to strong sales to existing customers.

| H1 | Results (mil. yen) | YoY change |
|-------------------|--------------------|------------|
| Net sales | 8,427 | 22.5% |
| Operating income | 691 | (0.2%) |
| ACRO Net sales | 4,912 | 32.6% |
| ACRO OP income | 250 | (27.9%) |
| (THREE Net sales) | 4,912 | 32.6% |
| (THREE OP income) | 625 | 80.0% |

Key indicators

| | | |
|-------|--|-----|
| THREE | Dept. store counters in Japan | 39 |
| | Other stores in Japan | 68 |
| | Overseas stores (in 7 countries & regions) | 46 |
| | Overseas sales ratio | 21% |

Brand Portfolio of Brands Under Development

| Company | ACRO INC. | DECENCIA INC. |
|---------|--|---------------|
| Brand | <p>THREE ITRIM</p> <p><i>Amplitude</i> FIVEISM x THREE</p> | DECENCIA |

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

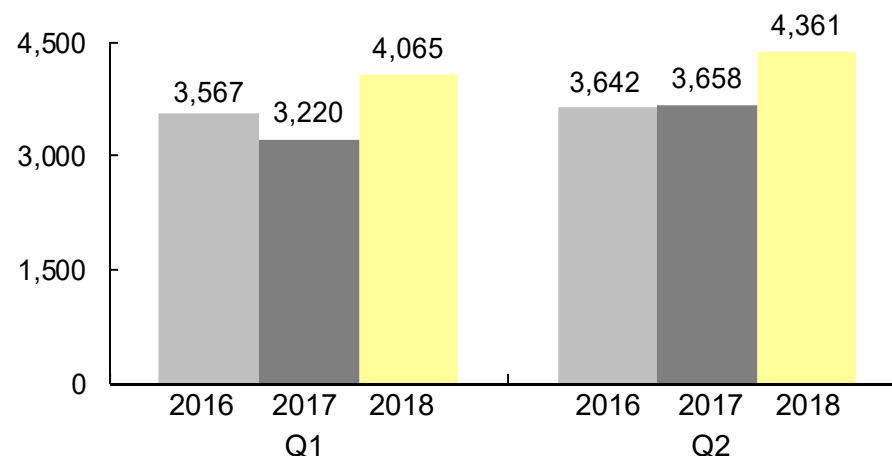
Topics

- Won #1 best cosmetics awards from major beauty magazines for January – June period.

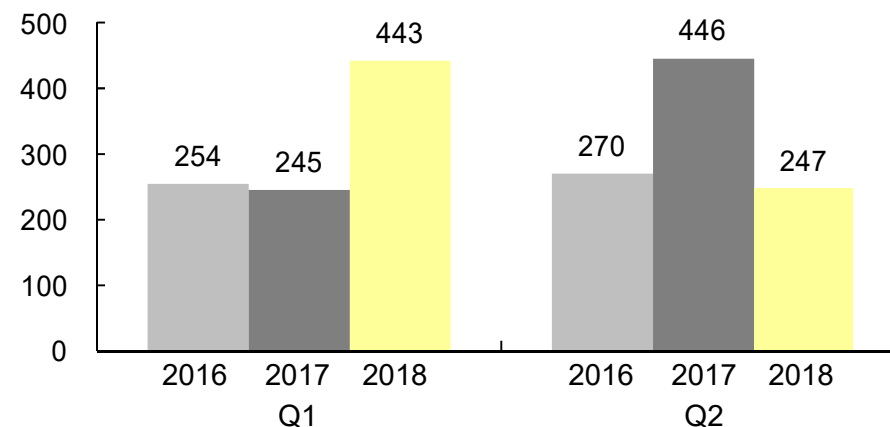
Three items on the left : THREE
Two items on the right : DECENCIA



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



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Forecasts for FY2018 (No Change)

Although overall performance has exceeded plan, forecast revision is to be considered in the 3rd quarter after evaluating performance of overseas brands and additional investment plan in the second half

| (mil. yen) | FY2018 | YoY Change | | FY2018 | YoY Change | |
|---|------------|------------|--------|----------------|------------|---------|
| | H1 Results | Amount | % | Full-year Plan | Amount | % |
| Consol. net sales | 125,262 | 7,884 | 6.7% | 253,000 | 8,664 | 3.5% |
| Beauty care | 116,973 | 7,670 | 7.0% | 235,800 | 8,666 | 3.8% |
| Real estate | 1,354 | 5 | 0.4% | 2,600 | (94) | (3.5%) |
| Others | 6,934 | 208 | 3.1% | 14,600 | 92 | 0.6% |
| OP income | 23,103 | 2,158 | 10.3% | 41,500 | 2,618 | 6.7% |
| Beauty care | 22,253 | 2,157 | 10.7% | 40,700 | 2,578 | 6.8% |
| Real estate | 564 | (28) | (4.8%) | 900 | (182) | (16.9%) |
| Others | 519 | 354 | 214.6% | 300 | 614 | — |
| Reconciliations | (234) | (325) | — | (400) | (391) | — |
| Ordinary income | 22,723 | 1,779 | 8.5% | 41,500 | 2,249 | 5.7% |
| Net income attributable to owners of parent | 15,321 | 1,365 | 9.8% | 28,000 | 862 | 3.2% |

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

| | FY2017 |
|---------------------|--|
| Shareholder returns | Annual ¥70 Consol. payout ratio 57.1% |
| Capital investment | ¥8,885 million |
| Depreciation | ¥6,551 million |

| | FY2018 (plan) |
|---------------------|--|
| Shareholder returns | Annual ¥80 (Interim ¥35, Year-end ¥45) Consol. payout ratio 63.2% |
| Capital investment | ¥8,000 ~ 9,000 million |
| Depreciation | ¥7,000 ~ 8,000 million |

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■ Sustain stable growth of flagship brands to lead Group earnings

POLA

ORBIS

- Launch new products from aging care series to approach new customers
- Open new stores to accelerate overseas expansion
(Two counter openings at Korean duty-free store in July, etc.)
- Introduce re-promotion initiatives for Wrinkle Shot Serum in July (special kit)
- Implement new brand strategy according with a new product to be launched in October (see page 19)



POLA Red B.A

■ Bring overseas operations solidly into the black overall

Jurlique

H2O+TM
BEAUTY

- Revamp mainstay aging care series in September
- Strengthen promotions at official website and introduce sampling campaign initiatives for a mainstay product



Jurlique
New Herbal Recovery Range

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

Amplitude
FIVEISM
x
THREE

THREE

- Launch three new brands in September (see page 20)
- Aim for improvements in repeat ratio and purchase price per customer by constantly strengthening holistic care products
- Encourage customer acquisition through color makeup products



THREE A/W MAKEUP
Alchemist-Twist For Eye

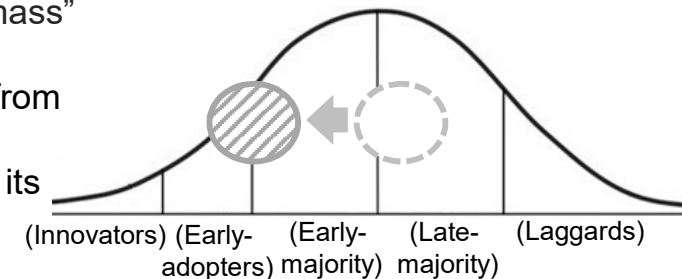
Introduce a new brand strategy with a major renewal of ORBIS U series

ORBIS *u*



Aging care approach applied with moisturizing mechanism that utilizes Group's research findings
(Powerful approach to weakening skin resilience and dullness that become severe with aging)

- ✓ Clarify core target customer as "natural-oriented smart mass"
- ✓ Reorganize brand strategy from omnidirectional approach to consistent approach with its unique value



ORBIS *u*

Features excellent texture and expresses the brand's distinctive concepts through its simple design

Product

Shift to below ¥3,000

(after-tax price, from over ¥3,000)

Differentiate in pricing compared to peers to gain market share and increase sales composition ratio of higher-priced products within ORBIS to raise LTV

Price

Appeal Brand Value

Cross-media marketing strategy through online, TV commercials, magazines and social media

Promo

Web × Shop

Unified CRM activities both at online and stores

Place

The brand aims to achieve operating margin to exceed 20% by 2020 and realize sustainable growth both in sales and operating income

Department store and e-commerce sales start from September in Japan
(Overseas expansion planned from 2019 onwards)

Amplitude

“Dignified and sophisticated womanhood”

High prestige quality makeup from Japan

Main price range | ¥5,000 - 10,000

Sales channel | Department stores, EC



ITRIM

“Authentic beauty to live ‘ITO-RIM*’”

Premium skincare made from finely selected organic ingredients

Main price range | ¥20,000

Sales channel | Department stores, EC



*Ancient Japanese word "ITO (very)" combined with "RIN (graceful / dignified)"

FIVEISM

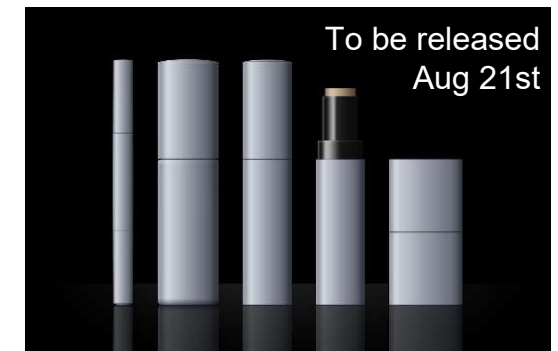
×
THREE

“Creating new culture”

World’s first men’s cosmetics focusing on makeup

Main price range | ¥2,000 - 12,000

Sales channel | Department stores, EC



To be released
Aug 21st

Each brand will target profitability with sales of approximately ¥2.0 billion in about five years after launch

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Pursuing scientific exploration and cultivating of new research areas with the aim of creating new value that goes beyond the existing borders of cosmetics

■ FRC^{*} joins the MIT Media Lab Consortium

FRC joins the Massachusetts Institute of Technology (MIT) Media Lab as a “Consortium Lab Member”.

Collaborating to explore the relationship between skin and emotions.

^{*}Frontier Research Center, a division of POLA CHEMICAL INDUSTRIES, INC.



■ MIRC^{*1} sponsors a space exploration business contest “S-Booster 2018”

“S-Booster 2018” is a contest which is advanced by the Cabinet Office, JAXA, NEDO and various private sponsoring companies.^{*2}

As part of the contest's committee, MIRC expects to obtain useful hints for cultivating possibilities of business development that goes beyond cosmetics field.

MIRC has also joined “S-Matching”, a web platform exclusively for business matching to encourage investment in the space industry.

^{*1} Multiple Intelligence Research Center, a division of POLA ORBIS HOLDINGS INC.

^{*2} National Space Policy Secretariat of the Cabinet Office,
Japan Aerospace Exploration Agency (JAXA),
New Energy and Industrial Technology Development Organization (NEDO)



■ Corporate venture capital recently invests in two startups

POLA ORBIS corporate venture capital started in 2018 with a vision to create synergies with companies with an affinity for women.



As a part of sustainability activities,
the Group put efforts on human resource managements

■ POHD recognized as the 2018 Certified Health and Productivity Management Organization Recognition Program “WHITE 500”

POLA ORBIS HOLDINGS has been recognized as the “2018 Certified Health and Productivity Management Organization for the large enterprise category (White 500)”, a certified health and productivity management organization recognition program established by the Ministry of Economy, Trade and Industry.

In addition, POLA introduced a program to support Beauty Directors to balance their work during illness treatment.



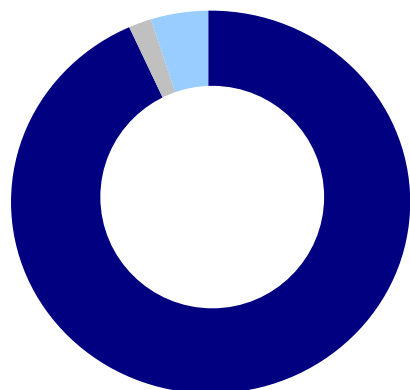
■ Selected for the “MSCI Japan Empowering Women Index (WIN)”, a MSCI ESG Index

POLA ORBIS HOLDINGS has been continuously selected for inclusion in the “MSCI Japan Empowering Women Index (WIN)”, one of the ESG indices selected by the Government Pension Investment Fund (GPIF) of Japan.

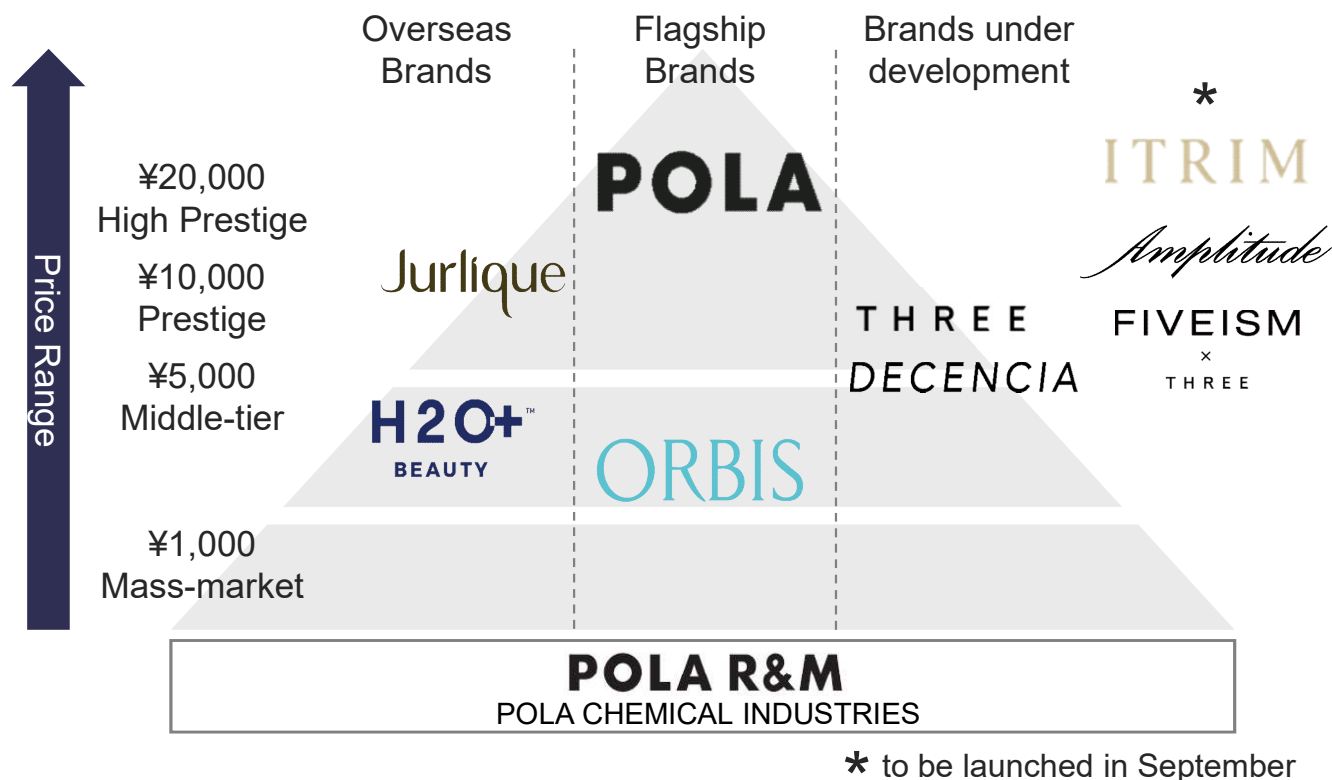


Beauty care is the core business of the Group, and
6 different cosmetics brands are operated under the Group umbrella

FY2017
Consol. Net Sales
¥244.3 bil.



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



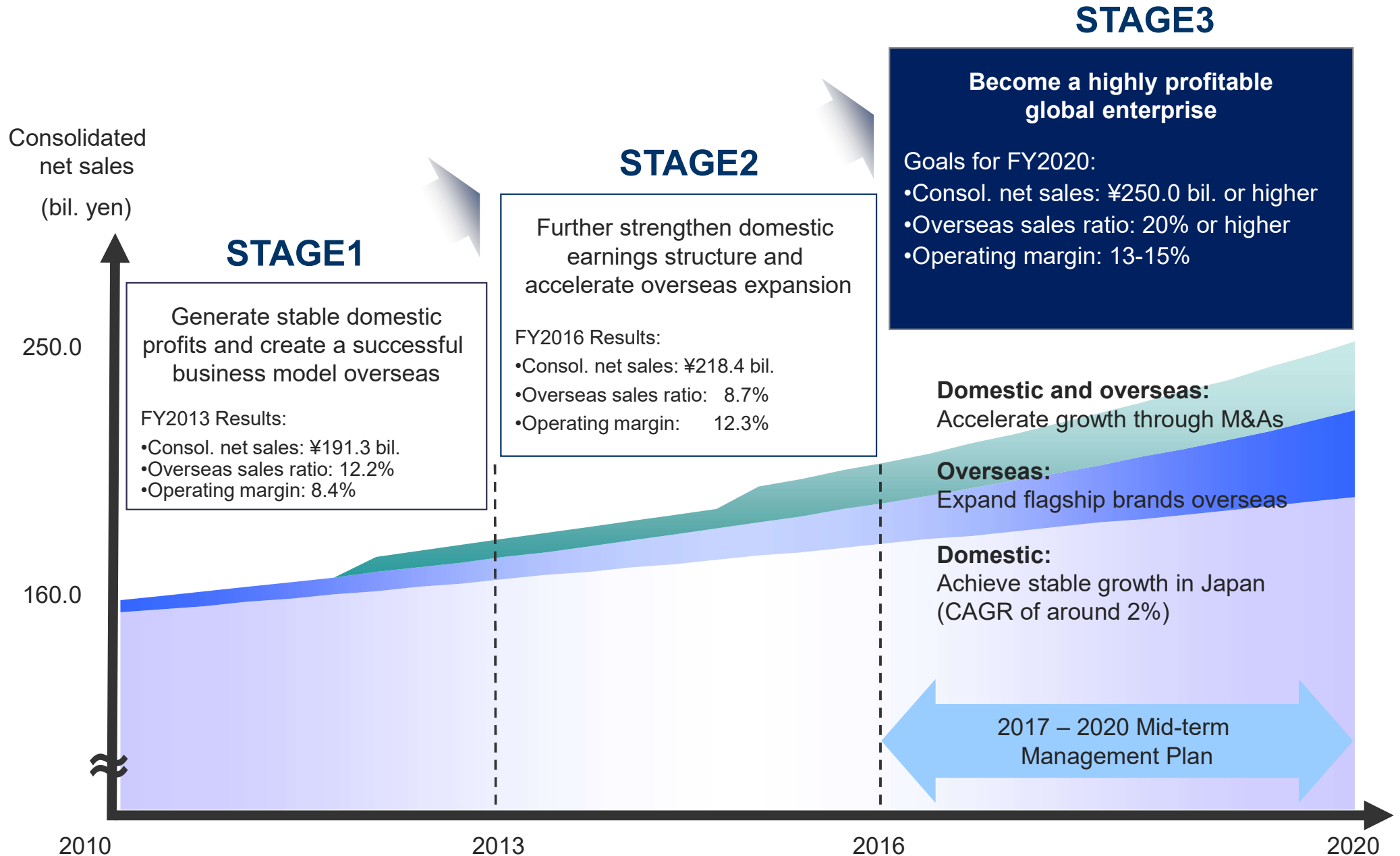
Our strengths

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> ■ Multi-brand strategy ■ Focus on skincare products ■ Flagship brands, POLA and ORBIS own and operate through their own unique sales channels | | <ul style="list-style-type: none"> ■ Meeting diversified needs of customers ■ High customer repeat ratio ■ Strong relationships with customers |
|---|--|---|

(Appendix) Beauty Care Business Brand Portfolio

| | Sales ratio* | Brand | Concept and products | Price | Sales channel |
|--------------------------|--------------|---|---|----------------------------------|--|
| Flagship brands | 63% | POLA Since 1929 | <ul style="list-style-type: none"> ■ High-prestige skincare ■ Leading-edge technology in anti-aging and skin-whitening fields | Approx. ¥10,000 or higher | <ul style="list-style-type: none"> ■ Consignment sales through Beauty Directors: POLA THE BEAUTY (PB), Esthe-inn and conventional door-to-door ■ Department store counters ■ Overseas |
| | 23% | ORBIS Since 1984 | <ul style="list-style-type: none"> ■ Anti-aging brand to draw out people's intrinsic beauty | ¥1,000~ ¥3,000 | <ul style="list-style-type: none"> ■ Mail-order (online and catalog) ■ Retail stores ■ Overseas |
| Overseas Brands | 6% | Jurlique Acquired in 2012 | <ul style="list-style-type: none"> ■ Prestige organic skincare brand from Australia | Approx. ¥5,000 or higher | <ul style="list-style-type: none"> ■ Specialty stores, department store counters and directly-operated stores, ■ Duty free stores |
| | 1% | H2O+TM BEAUTY 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: Specialty stores and online |
| Brands under development | 7% | T H R E E 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"> ■ Department store counters and specialty stores ■ Directly-operated stores and online ■ Overseas |
| | | DECENCIA Since 2007 | <ul style="list-style-type: none"> ■ Skincare for sensitive skin | ¥2,000~ ¥5,000 | <ul style="list-style-type: none"> ■ Online |

*Sales ratio in the beauty care business as of FY2017



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

Consolidated net sales

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

Operating income

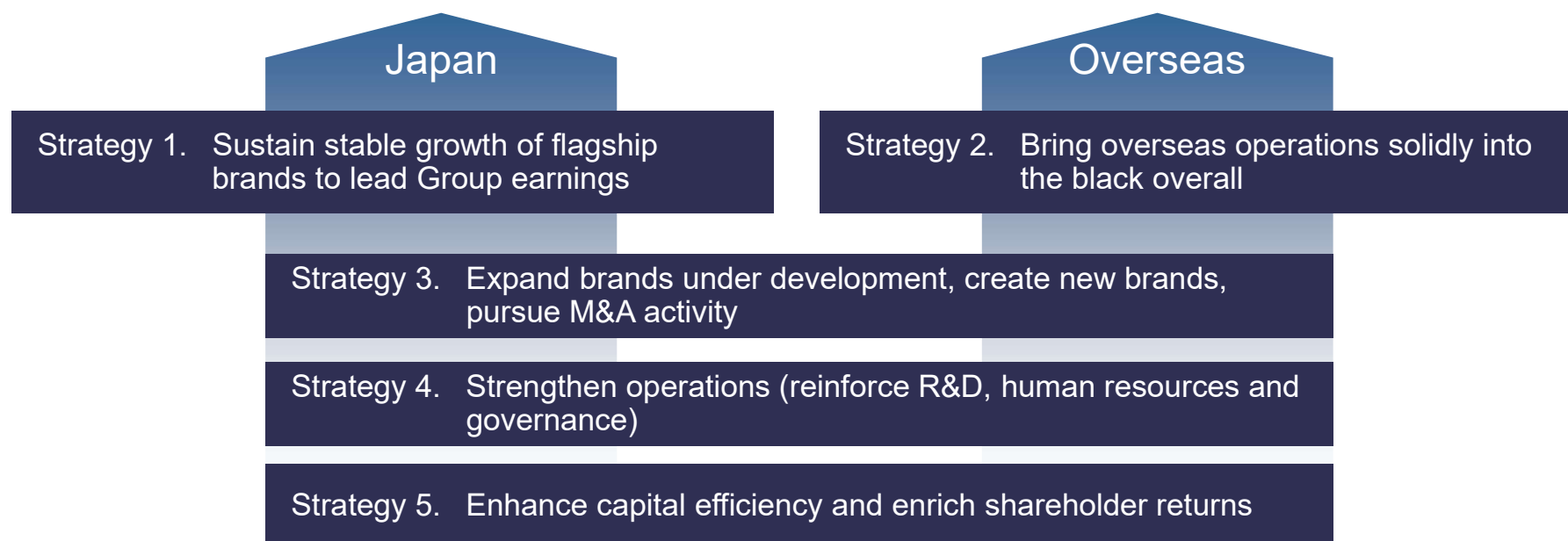
- Operating income: CAGR 10% or higher
- Operating margin: 15% or higher in FY2020

Capital efficiency

- Target for ROE: 12% in FY2020

Shareholder returns

- Consolidated payout ratio: 60% or higher
from FY2017



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

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

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