

ORBIS



**POLA**



DECENCIA



Jurlique



## POLA ORBIS HOLDINGS Integrated Report 2022

FUJIMI



THREE



Vision

To maximize the unique character of each brand,  
and become a global corporate group that  
enriches the lives of people around the world.

Editorial Policy

This report, incorporating non-financial information such as management's policies, strategies and the underlying basis for these decisions in addition to financial information, is intended to give stakeholders greater insight into our activities. In addition, it has been compiled with reference to the *International Integrated Reporting Framework*, issued by the International Integrated Reporting Council (IIRC), as well as *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation*, prepared by Japan's Ministry of Economy, Trade and Industry. Our sustainability report and a database related to ESG are available for viewing on our website.

<https://www.po-holdings.co.jp/en/csr/index.html>

Time Frame

This report focuses on activities and results achieved in fiscal 2022—the 12 months from January 1, 2022 to December 31, 2022—but some fiscal 2023 content is also included.

Scope

POLA ORBIS HOLDINGS INC. and consolidated subsidiaries

Disclaimer

Forecasts and other forward-looking statements in this report are predictions related to future results or events, except where the information is historical fact, and are based on assumptions made by the Company using information available at the time. The risks and uncertainties inherent in such assumptions may cause actual results to differ from stated expectations. Information related to the financial results for fiscal 2022 has been prepared on the basis of data available as of February 14, 2023.

Editorial Structure

The Corporate Communications Division—specifically, the IR team and the sustainability supervision team within this division—functions as the production office and coordinates with corporate planning departments, finance departments, human resources departments and Group companies to compile this report. The director in charge of PR, IR, CSR and sustainability, who holds a concurrent role as chair of the Group CSR Committee, carries responsibility for production of this report.



CONTENTS

Part 1: POLA ORBIS Group direction

Our perception of value/what we hold dear

|                              |   |
|------------------------------|---|
| To Our Stakeholders          | 2 |
| A Message from the President | 4 |

TOPICS

|                                   |    |
|-----------------------------------|----|
| Diversity in the POLA ORBIS Group | 12 |
|-----------------------------------|----|

Value creation story

|   |    |
|---|----|
| POLA ORBIS Group History                              | 14 |
| Strengths of the POLA ORBIS Group                     | 16 |
| Value Creation Process of the POLA ORBIS Group        | 18 |
| Recognizing and Responding to Opportunities and Risks | 20 |

Strategy

|  |    |
|--|----|
| Financial Strategies                   | 22 |
| Initiatives on Sustainability          | 24 |
| Financial and Non-Financial Highlights | 26 |
| Business Structure                     | 28 |
| Growth Strategies by Brand             | 30 |
| POLA                                   | 30 |
| ORBIS                                  | 32 |
| Overseas Brands                        | 34 |
| Brands under Development               | 35 |

Part 2: Activities that underpin value creation

Five non-financial materiality categories

|   |    |
|---|----|
| 1. Quality of Life Improvement through Innovative Technology Services | 36 |
| 2. Regional Revitalization  | 38 |
| 3. Culture, the Arts, Design  | 40 |
| 4. All-Inclusive Human Resources                                      | 42 |
| 5. Environment  | 47 |

|  |    |
|--|----|
| Human Rights   | 52 |
| Dialogue with Stakeholders   | 54 |
| Basic Stance on Corporate Governance                               | 56 |
| Matters Related to the Board of Directors                          | 58 |
| Management Structure   | 60 |
| Fundamental Activities That Fulfill Our Corporate Responsibilities | 65 |

Part 3: Financial data

|   |    |
|---|----|
| Ten-Year Summary of Selected Financial Data | 66 |
| Management's Discussion and Analysis        | 68 |
| Corporate/Stock Information                 | 73 |

Our perception of value/what we hold dear  
To Our Stakeholders



**Satoshi Suzuki**  
Representative Director and Chairman

**Yoshikazu Yokote**  
Representative Director and President

The POLA ORBIS Group formulated VISION 2029, a long-term management plan that will take the Group to 2029, when POLA marks its 100th anniversary. We seek to be a collection of unique businesses that respond to diversifying values of “beauty,” and toward this end, we aim to expand the portfolio toward well-being and the social domain, aiming for sustainable business growth both domestically and overseas in addition to providing value centered on cosmetics.

The current medium-term management plan is the first stage of VISION 2029, and 2023 is the final year of this stage. Indispensable to a successful second stage, which runs from 2024 through 2026, will be rebuilding the foundation to support the growth of existing businesses and realization of a high-revenue-generating portfolio while making rapid progress in global development. To achieve those goals, it was decided that POLA ORBIS HOLDINGS needed to approach both the second and the third (2027–2029) stages of VISION 2029 with a management structure rebuilt for sustainability and primed for more robust reforms and innovation. Under the new management structure, which went into effect in January 2023, Satoshi Suzuki shifted out of his representative director and president role and into that of representative director and chairman and, while retaining a central role in management, transferred decision-making authority to Yoshikazu Yokote, who now holds the position of representative director and president.

The invigorated management structure, along with human resources rich in personality and diversity who underpin Group pursuits and are guided by a mission “to sensitize the world to beauty,” will take the POLA ORBIS Group forward and shape a global corporate group that enriches the lives of people around the world. This perspective has endured since our foundation.

We ask for the continued support of stakeholders as we travel new roads together.

鈴木郷史  
**Satoshi Suzuki**  
Representative Director and Chairman

横手喜一  
**Yoshikazu Yokote**  
Representative Director and President



Our perception of value/what we hold dear

## A Message from the President



横手 喜一

**Yoshikazu Yokote**  
Representative Director and President

People play the leading roles.

I stand behind person-centered management strategies and new value creation to shape a solid future for the POLA ORBIS Group.

### / On appointment as president

#### Toward deepening a person-centered management style, where personal growth becomes the source of organizational growth

My name is Yoshikazu Yokote, recently appointed president of POLA ORBIS HOLDINGS. I feel a great sense of responsibility in taking the helm of this corporate ship and management of the POLA ORBIS Group. But I am also truly looking forward to working with management teams, employees, business partners and all other stakeholders, including shareholders and investors, in growing the Group.

I have always been conscious of and valued three things about the POLA ORBIS Group. One is *bi-ishiki* (esthetic sense), a component of competency criteria unique to the Group. This quality refers to a process of drawing on inherent individuality and strengths, rather

## — VISION 2029 —

### Mission

Sensitize the world to beauty.

### Vision

To maximize the unique character of each brand, and become a global corporate group that enriches the lives of people around the world.

### VISION 2029

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

- In addition to providing value centered on cosmetics, expand the portfolio toward well-being and the social domain, aiming for sustainable business growth both domestically and overseas
- Strengthen existing businesses, further enhance profitability and secure funds for new businesses

than relying on position or rank, to demonstrate leadership qualities that define that particular person. Setting a competency criterion like this is unique from an organizational perspective and serves a key purpose because it is people, ultimately, who enable a brand to evolve and who drive business development forward. If people—that is, employees—do not approach brand creation with motivation, seeking to spur brand loyalty, then the effort will be for naught. In my more than 30 years of experience in the POLA ORBIS Group, my efforts have been supported many times by the person-centered concept of management under which individual initiative is the driving force that shapes an organization. Top management has put its heart and soul into human resources development to draw out that initiative and personality. This fact is ingrained in the corporate DNA. Indeed, it is the foundation of a corporate culture that has always emphasized the importance of human capital and perceptions of value.

The second thing is the Group mission to sensitize the world to beauty. To ensure the longevity of our businesses, we must create new value matched to the times, deliver that value to society and continue to be chosen by customers. The times, society and customers are not static. They are constantly changing. None of us should take the obvious for granted, but rather look at familiar things as if for the first time and pose questions from that perspective. We should also approach our tasks with personal sensitivity and a large amount of curiosity. Awareness, sensitivity and curiosity—these qualities are the biggest drivers in the evolution of the POLA ORBIS Group, and evolution links back to customers, too.

A person-centered management style, as implemented by POLA ORBIS HOLDINGS, is perfectly aligned with the ideas of posing questions and approaching our tasks. People are an asset in any organization, and people grow as individuals while performing their work. This personal development translates into the evolution of the organization, and this kind of corporate atmosphere brings many unique individuals together and creates new networks inside and outside the Group. This cycle and our relationship with society are certainly the key building blocks of the foundation that supports our businesses.

A symbol of this foundation is our direct-selling business model. And this is the third thing about the POLA ORBIS Group that I value. The POLA ORBIS Group began with direct selling. This business model has endured from our foundation in 1929 to the present day, not simply as a way to sell cosmetics but as something much more, thanks to POLA Beauty Directors—our business partners—who utilize direct selling to provide customers with a high-prestige experience and ponder how best to fine-tune their relationship with each customer. When I was president of POLA, I too was able to look closely at the constant efforts of Beauty Directors to apply new ways to attract customers in a changing environment, and so I am keenly aware of the tremendous power these women wield. This is the power that has fueled the Group’s growth for more than 90 years.

My biggest responsibility now is to create places where each and every employee and business partner whose presence and commitment support the Group can play a leading role and thrive, in other words, environments conducive to the successful embrace of new challenges.

The POLA ORBIS Group is working toward becoming a collection of unique businesses that respond to diversifying values of “beauty,” as stated in VISION 2029. This outcome will not be possible on the growth of existing businesses alone. All members of the Group will observe things not experienced before, things not necessarily clear going forward and, with intrinsic motivation, discover buds of business creation, create new value in society and build new relationships to make those buds bloom.

Without this process, it is unlikely that the Group can be the kind of corporate organization we envision. The Group ensures that all employees can be themselves and grow, taking great satisfaction in the freedom to express who they are. I want the Group to continue to be this kind of organization. And for this reason, we will bring in more people with abundant personality and curiosity, an approach that is certain to drive momentum to a higher level.



## / Management onboarding

### Opportunity for management team to share short-, medium- and long-term management issues and desired status, and consider the Group’s future

Those involved in corporate management have the challenge of furthering Groupwide understanding of the policy on building a structure that enables the Group to reach its



management targets. Management onboarding was launched to facilitate this process through a 10-member top management team comprising directors and corporate officers from POLA ORBIS HOLDINGS and executives from flagship operating companies POLA and ORBIS as well as POLA CHEMICAL INDUSTRIES. The goal is team building for a new management structure.

In January 2023, I succeeded Satoshi Suzuki, a member of POLA’s founding family, as president of POLA ORBIS HOLDINGS. Against this backdrop, I realized that board members and corporate officers all bring different experience value and skills to the table. For sustainable Group management, the top management team must demonstrate individuality and strength and apply these qualities to management with an understanding of issues from the same perspective. Specifically, POLA ORBIS HOLDINGS directors and corporate officers regularly gather with the presidents of operating companies, and in a setting different from that of the Board of Directors or the Managerial Meeting, offer candid opinions and discuss management issues, from short term to long term. This format has created an opportunity to ensure that decision makers are on the same page. The primary aim of management onboarding is to align ideas along a single medium- to long-term trajectory to achieve the Group’s future image of itself. The operating environment that envelops the Group today is changing at a bewildering pace—a speed not seen before. Perceptions about domestic and international situations, work styles,

lifestyles and other facets of our world are always shifting. Can we anticipate these shifts and overcome obstacles that appear in our path? What should we prioritize and what should we create? We have to paint a picture of a future that presents value. The primary objective of management onboarding is therefore to foster common awareness to allow us to execute successful responses.

At the kickoff meeting in March 2023, Mr. Suzuki, now representative director and chairman of POLA ORBIS HOLDINGS, shared background from his childhood and eventual management of POLA and then the Company, as a member of the family that founded POLA. He touched on various themes, particularly management policy, as well as the Group’s history and sense of values. But the intention here was not to pass along the history or traditions of past management. It was to better prepare the current management team and reacquaint members with the origins of the POLA ORBIS Group and the process behind its establishment so that, against the backdrop of today’s society and the times, which are completely different from when POLA was founded more than 90 years ago, the management team will have a foundation for exploring the prospects of new business development and determining the provided value we present to customers and society right now. We—the new management team—will take this as an opportunity to consider what the Company and the Group should do from now on with a totally fresh perspective, as if business had just started. It was a valuable look back at what has been accomplished, providing us with a genuine understanding of the past. We will build on this understanding to make management decisions through backcasting that anticipates the future for the next generation. Since April, we 10 members of the top management team have taken a long-term perspective in discussing the image we want the Group to portray.

I would like to maintain this process, building a stronger leadership team by promoting shared awareness and constructive conversations at management onboarding.

/ Update on medium-term management plan

Communication with customers is changing, helping us build good relationships with customers

The medium-term management plan that has been guiding Group activities from 2021 through 2023 is in its final year. Our picture of the future operating environment and the actual conditions prevailing right now are quite different, exemplified by fiscal 2022 results, with net sales slipping 4.9% year on year, to ¥166.3 billion, and operating income dropping 19.3%, to ¥12.5 billion.\* Consequently, an issue of the highest priority in 2023 is to return flagship brands POLA and ORBIS, which underpin domestic operations, to a growth trajectory. Already, POLA and ORBIS felt the tug of recovery in business results in the fourth quarter of fiscal 2022, and both brands will be working to strengthen that development and show full-year success in fiscal 2023. Overseas brands and brands under development are

\*Year-on-year change represents a comparison with the results for 2021 calculated using the same revenue recognition standards as for 2022.



- 1 **Yoshikazu Yokote**  
Representative Director and President
- 2 **Naoki Kume**  
Director and Vice President in charge of finance, legal affairs, administration
- 3 **Koji Ogawa**  
Director in charge of management planning, IT, HR, business development
- 4 **Takuma Kobayashi**  
Director  
Representative Director and President, ORBIS Inc.
- 5 **Miki Oikawa**  
Senior Corporate Officer in charge of Group diversity  
Representative Director and President, POLA INC.
- 6 **Kazuya Kugimaru**  
Senior Corporate Officer  
Representative Director and President, POLA CHEMICAL INDUSTRIES, INC.
- 7 **Noriko Suenobu**  
Corporate Officer in charge of Group Research and Intellectual Property & Regulatory Affairs  
Director and Corporate Officer, POLA CHEMICAL INDUSTRIES, INC.
- 8 **Takahiro Tabata**  
Corporate Officer in charge of Group International Business
- 9 **Naotaka Hashi**  
Corporate Officer in charge of PR, IR, CSR and Sustainability
- 10 **Shinya Chiba**  
Corporate Officer in charge of Group QCD Management



making headway in their struggle to escape the red zone, but the pace of progress really needs to be faster.

In R&D, efforts to create new value are advancing. Researchers have been sent to Singapore to develop *Mirror Skin*, an artificial skin, as announced in our long-term management plan. Expansion of the pipeline of new materials in the anti-aging care field is also on track. And construction of the Technical Development Center (TDC), which will pursue original research into new formulations and develop high-value-added products, is progressing toward the start of operations in 2024.

Meanwhile, to ramp up global development of the Group, in 2023, we began adjusting the overseas operating structure. The new structure should be in place in 2024, with operations grouped by region rather than having independent business structures for each brand. This will speed up decision making and facilitate maximum use of local resources.

Also in 2023, the leadership team I mentioned earlier will be involved in drafting the next medium-term management plan. The key strategies we are considering right now are measures to accelerate the growth trends shown by domestic operations and to restructure the overseas operating structure with the next stage in mind.

Regarding relationships with customers, it is much more important to build relationships where customers themselves are inclined to remain loyal to their chosen brand over the long term rather than the brand trying to close any perceived gap through short-lived promotions. I will be paying particular attention to progress by Group businesses toward creating brands with this kind of strong customer connection.

Over these past three years, pandemic-related restrictions kept people at home and minimized face-to-face contact, a situation that generated unfavorable conditions for the Group's businesses. However, against this backdrop, each brand endeavored to find another way to connect beyond the simple buying and selling of products when in-person contact was impossible or impractical and maximized digital possibilities to stay connected. Once various restrictions are lifted, the results of these efforts will be revealed, and I think we will see more than just a return to the past—that is, the old style of staying connected—and witness instead a continuation of new ways of growing connections and bonding with customers. I am really looking forward to this.

For us to connect with customers this way in real time, we need to prioritize their circumstances and the rhythm of their lives. The significance of one-way communication based on corporate convenience, namely, the release of information about a new product from a certain date or a product launch date, will fade, increasingly replaced with personalized communication such as a customer-specific product recommendation on a given day. I believe this will mark a tremendous development in the relationship between customers and their chosen brands. Our ability to carefully deepen the personal connection between brand and customers is also an inherent strength. Going forward, I am sure that communication between brand and customers will be advanced.

## / Long-term management strategy

### Present new brands, expand presence in beauty-related domains and paint a picture of the Group in the Future

When we get to know our customers—that is, their environment, their lifestyles, the things that concern them or give them joy—we can infer what might make them really happy. New businesses spring from such musings. I don't like to use the word "consumers." Our customers are more than just people who purchase products. They are "individuals" who live in this time and in this environment with us, with our brands, and they are "people" who live in the area. When keen to make these people happier, that employee, that researcher, that executive, whoever, might realize that simply recommending cosmetics isn't the best approach. This awareness should be galvanized into an extremely high level of motivation that leads us to create new businesses.

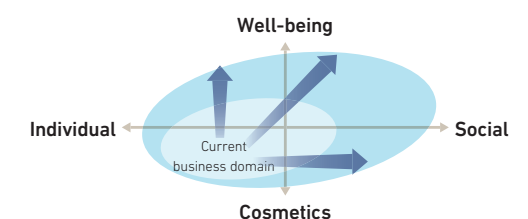
POLA's door-to-door sales employees probably took this approach 80 or 90 years ago. They listened to customers' various concerns, gave advice and built a rapport that went beyond cosmetics. Without a doubt, it was these connections that fostered lifelong loyalty to the POLA brand. This concept of lifelong loyalty has been shaken by changing times, and today, with cosmetics bought through e-commerce channels rather than face-to-face, the relationship between customers and the brand has been relegated to a mere buy-sell association. This is a terrible shame. We must venture into new domains with efforts driven by ideas on potential new products and services that spring to mind when we think of customers—individuals.

To celebrate its 100th anniversary, the POLA ORBIS Group is working to build a business portfolio that will contribute to well-being and social value and seeks to create new brands and expand the Group's presence in beauty-related domains. Our focus on well-being encompasses the environment, society, lifestyles, regions and culture, and people will ultimately understand this. Because it's only when these aspects are organically linked that people will feel truly happy. In other words, the image we have of the Group cannot be achieved on our strength alone. We must collaborate and connect with customers, other companies, regions and communities, and of course consider the environment, as we move forward together to make our vision a reality.

The sustainability of humans, the earth and society supports the sustainability of the POLA ORBIS Group. Guided by my own perceptions, I will demonstrate leadership to drive the Group forward, and with the Company, one step at a time, I will strive to paint a bright future for customers and society as a whole.

#### VISION 2029

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





## TOPICS

## Diversity in the POLA ORBIS Group



The future is not an extension of what has been but rather an uncharted expanse waiting for us to explore it from diverse perspectives and through multifaceted dialogue.

**Miki Oikawa**

Senior Corporate Officer responsible for Group diversity, POLA ORBIS HOLDINGS INC.  
Representative Director and President, POLA INC.

**The POLA ORBIS Group established the Diversity Promotion Committee in January 2022. The committee is chaired by Miki Oikawa, representative director and president of POLA INC., who has been a driving force within the Group and has been instrumental in promoting a forward-thinking approach to diversity and inclusion. She provides her thoughts on activities that POLA is currently pursuing and what the Group's objectives are going forward.**

### / I want employees to believe in their potential and the potential of others, too.

POLA devised an action slogan—"We Care More. Changing the world, with care."—and a vision—"Towards a society with abundant connections that trusts in the potential of individuals and society itself"—to guide efforts toward 2029, when the company celebrates its 100th anniversary. Along with this action slogan and vision, we unveiled a new direction on sustainability, with a particular emphasis on gender equity and empowerment of women. We have developed various measures based on the idea that the realization of gender equity is connected to other aspects of diversity.

Structurally, barriers exist that block women from a more active role in the corporate hierarchy. At POLA, the biggest issue is gender bias, and initiatives designed to expand employees' perspectives on gender have acquired greater importance. A look at a list of candidates for management positions shows surprisingly few women. I felt this reflected two factors: gender bias held by managers who pass over a potential candidate who is female and has young children at home; and a tendency among female employees as well to devalue their own capabilities because they previously experienced gender bias.

To remedy this situation, we have to visualize capabilities, with women themselves as well as those around them recognizing their inherent potential. And then we have to appreciate the contribution that women make in an environment where barriers previously preventing them from playing an active role in the workplace have been knocked down. Giving credit where credit is due is, in my opinion, linked to the skills development of not only women but also of men. I believe in the potential of all employees. I think that doing right by employees encourages individuals to believe in themselves and the abilities of others.

#### External evaluations in 2022

- POLA received the 2022 Tokyo Metropolitan Government Women's Participation Promotion Award Grand Prize in the industrial category.
- At the Forbes JAPAN WOMEN AWARD 2022, Miki Oikawa won the Initiative Award in the individual category and POLA took third place in the general corporate category (101 or more employees but fewer than 1,000) for the ability of top management to achieve results.
- POLA captured a perfect-mark gold certificate in PRIDE Index\* 2022, satisfying all index criteria.

\*Established in 2016 by the non-profit organization "work with Pride," the PRIDE Index is Japan's first index that evaluates workplace initiatives for sexual minorities, including members of the LGBTQ+ community.

### / Embracing a structure that enables everyone to demonstrate potential

The male-to-female ratio of new employees who enter POLA to fill regular positions with the prospect of promotion is 50:50, so you'd think that as these employees advance in their careers, the ratio of men to women in management positions would also be 50:50. But it is not. It is about 70:30. The truth of the matter is that 20% of women with the capabilities needed for management positions might be falling through the cracks. The hidden causes for this, I believe, are issues that prevent women from gaining experience during the 10 to 15 years before they take the promotion exam, issues related to stages of life, including child raising, and outdated allocation of household responsibilities, particularly housework.

To address this situation, we have implemented work-style reform initiatives that support child raising, shorter working hours and remote work as well as programs such as childcare leave for men. Not only that, we also encourage male managers to join their female staff in the PMS (premenstrual syndrome) Study Group. Why? Because the entire team has to think about how best to support women who complain of discomfort once a month. If employees, free from gender stereotypes, can create friendly rivalry in the true meaning of healthy competition and compete with each other to enhance each other's skills, then there will be more opportunities for both men and women to develop their capabilities. Toward this end, POLA has communicated to employees its thoughts on gender and on diversity and inclusion, and the company is working to create an in-house culture that makes it easy for employees to utilize available programs and structures.

### / Employee-led initiatives born through dialogue

About three years ago, I started up the corporate version of a town hall meeting with employees. Our conversations were very valuable, going beyond diversity initiatives to running an organization. I'm not an expert in every field, either, so I always have in mind the idea that the creation of monolithic teams—that is, solid and cohesive—reveals bigger possibilities through group dialogue than I would on my own.

This kind of issue awareness, allowing me to motivate employees to act on their own will, led me to the slogan "be sharp, be united" and culminated in the establishment in 2021 of LGBT+ALLY at POLA as a working group for employees. The working group has a meeting with people external to POLA once a month, and during one such meeting, the issue of LGBTQ+ in regard to personnel systems came up. That prompted a revision at POLA to broaden the definition of a family from a legal perspective to a practical perspective that includes common-law and same-sex partners. This real worldview of a family was then applied by departments and divisions in, for example, basic knowledge training for Beauty Directors and Beauty Coordinators as well as customer service manuals.

I am extremely pleased that these kinds of employee-driven activities have started. POLA sees employees as value creators. I believe the corporate culture has been refreshed by enabling each and every employee, collectively presenting diverse perceptions of value, to fully demonstrate their capabilities and inspire actions aimed at realizing our vision for a better society.

### / Accelerating awareness of diversity and inclusion across the Group

The Diversity Promotion Committee was established in January 2022 as a Groupwide structure to raise diversity throughout the POLA ORBIS Group. As chairperson of this committee, I want to contribute to Group innovation by advancing diversity in the

Group. The committee will be the driving force of activities within the Group that respect individuality and enable all employees to demonstrate their abilities irrespective of gender, nationality, age, health status or any other traits that define a person. The establishment of this committee was the catalyst for activities bringing together all companies under the Group umbrella to create a diversity-welcoming structure that gives shape to the concept of a person-centered management style. Action plans matched to the characteristics of each company are being drafted and implemented.

My goal for 2023 is to realize a form of diversity that epitomizes the qualities of the POLA ORBIS Group, and through the committee, I will confirm progress at each Group company, exchange information and encourage implementation of actions Companywide. Together, we will become more attentive to diversity issues and enhance the effectiveness of approaches to raise diversity awareness. All employees throughout the Group will be the stars in this production, working toward forming a structure that enables everyone to be themselves and show their full potential. Concurrently, I will see that society is mindful of the Group's many case studies, underpinning the position of POLA ORBIS HOLDINGS as a vanguard in gender diversity initiatives that contribute to promoting diversity and inclusion practices throughout society.

#### Goals of the Diversity Promotion Committee

- Achieve a high level of diversity throughout the Group
- Contribute to Group innovation by realizing diversity Groupwide
- Be the driver of activities Groupwide that respect individuality and enable all employees to demonstrate their abilities irrespective of gender, nationality, age, health status or any other traits that define a person
- Make society more aware of diversity by taking a leadership role in diversity and inclusion initiatives, and contribute to realizing diversity and inclusion in society

#### Examples of diversity and inclusion at POLA

- Gender-bias seminar for managers
- Discussions with companies outside the Group
- Gender-bias seminar for all employees
- Discussions on career development of women in rural areas
- Succession plan and mentor program for executive appointments

#### Examples of working groups (WGs) related to diversity and inclusion

- WG to deepen understanding of LGBTQ+ community
- WG to consider personalized work styles, taking a cue from maternity and childcare leave
- WG to consider issues related to PMS
- WG to consider menopause

### Pursuing real discussion about diversity

Discussions by the Board of Directors at POLA ORBIS HOLDINGS more frequently than not start off from a diversity, equity and inclusion perspective. The Company established the Diversity Promotion Committee and, seeing gender equality, the hiring of foreign nationals and people with disabilities, and LGBTQ+ as issues to address, recently set a new KPI related to gender to better leverage the qualities that make the Group unique. I believe active participation of women in the workplace was already high within the POLA ORBIS Group. Of course, setting targets such as the percentage of female managers has great significance, but target setting that identifies the fundamental essentials that link that percentage to creativity, job satisfaction, engagement and other aspects that define the Group are also vital. I will firmly convey this to the Board when discussing the new KPI.

Going forward, I will continue to fulfill my obligation as an outside director with input from a more objective perspective and contribute to further improvement of the Group's corporate value.



**Naomi Ushio**  
Outside Director

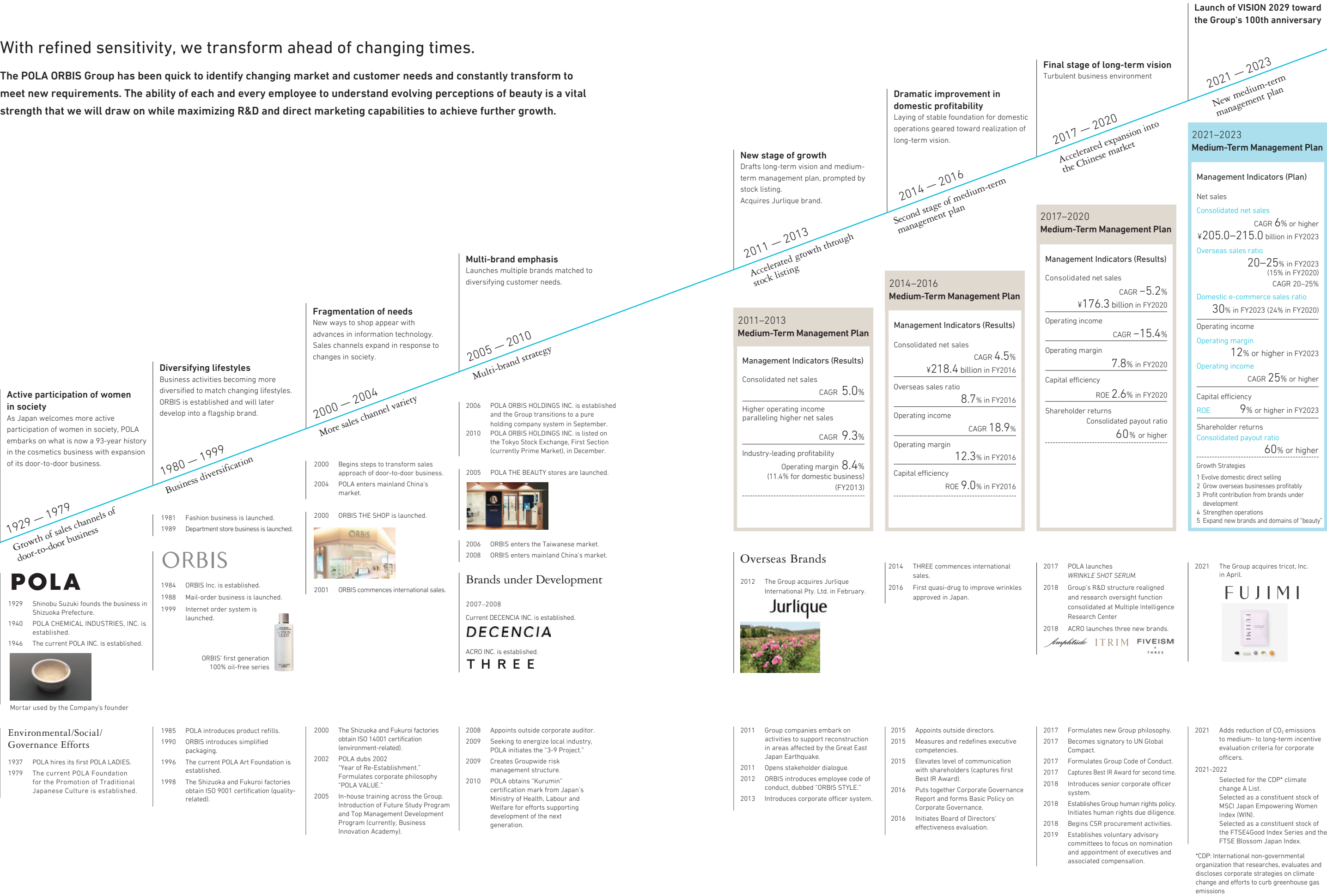


Value creation story

POLA ORBIS Group History

With refined sensitivity, we transform ahead of changing times.

The POLA ORBIS Group has been quick to identify changing market and customer needs and constantly transform to meet new requirements. The ability of each and every employee to understand evolving perceptions of beauty is a vital strength that we will draw on while maximizing R&D and direct marketing capabilities to achieve further growth.



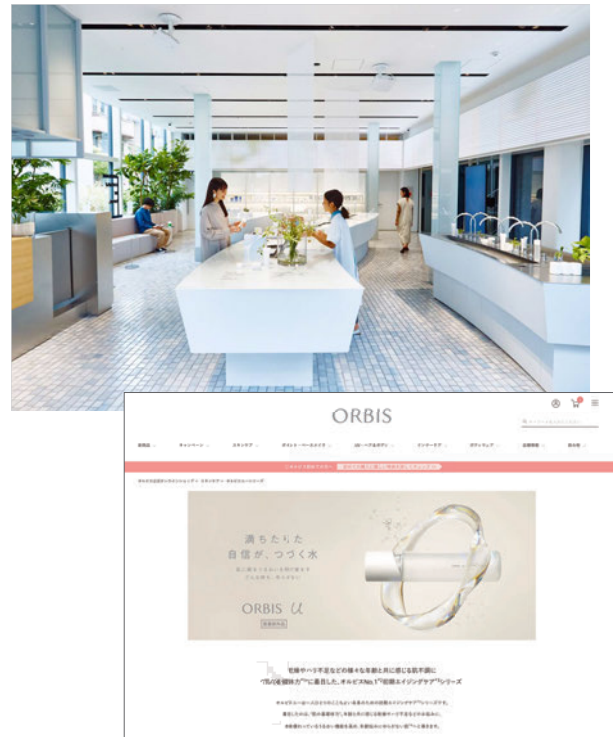
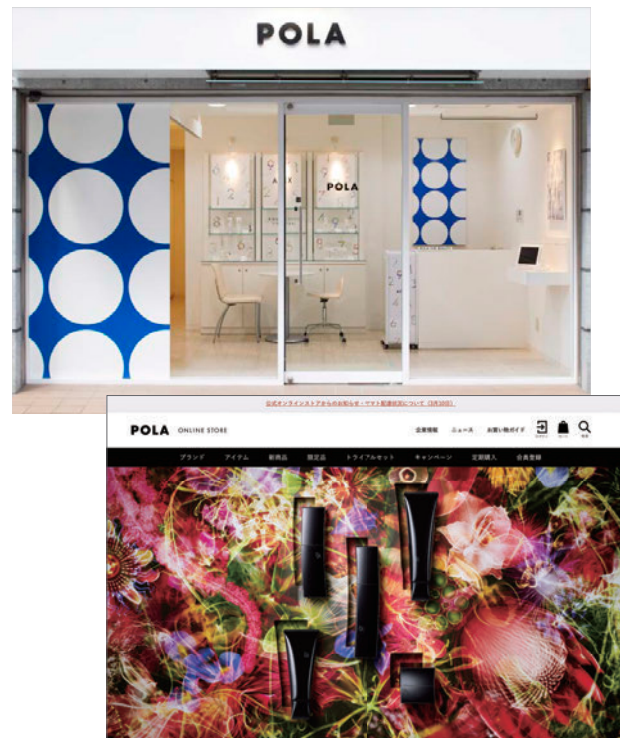
## Value creation story

## Strengths of the POLA ORBIS Group

Direct ties with customers are the pivotal resource of the POLA ORBIS Group.

Efforts are made to pinpoint even the slightest change in customer lifestyles and beauty care needs, including preferences for cosmetics, and then anticipate market conditions and social trends, operations that evolve to meet changing times and consumer preferences.

The spirit of this evolution infuses the Group like DNA—a quality that runs through its generations—all the way back to the Group's establishment.



## Direct Marketing

The Group's most vital business resources are its direct ties to customers. Reflecting on this idea, POLA and ORBIS, our flagship brands, both strive to improve lifetime value by deepening mutual appreciation between the respective brand and its customers, and building long-term relationships with these customers through communication based on sales channels to facilitate direct contacts.

POLA's strength is to provide face-to-face consulting and aesthetic services through its network of about 27,000 Beauty Directors across Japan. During the pandemic, restrictions limited in-person contact with customers and access to services, but digital contact expanded through social media messaging that drew on the strengths and features of each store. In addition, access to online consulting and online workshops actually deepened engagement with customers.

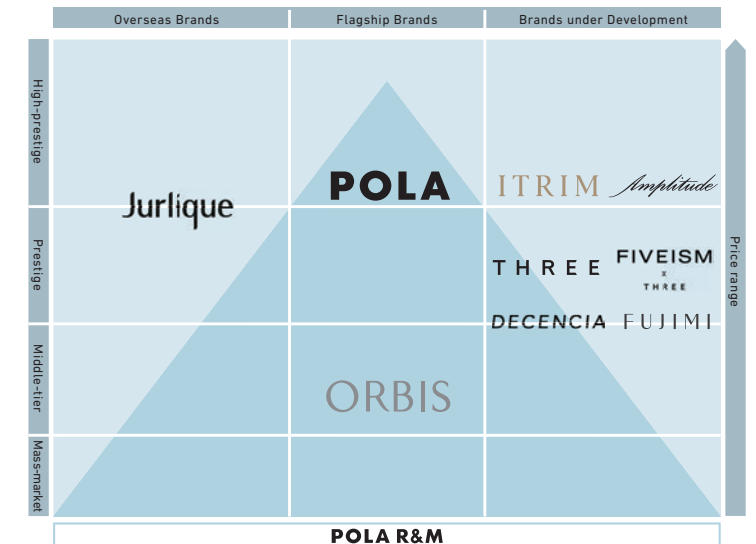
For ORBIS, an app is the primary means of staying in touch with customers and was the key in maintaining one-to-one

communication, which keeps a strong connection between the brand and customers.

Through these direct-selling channels, each company is able to manage information on nearly all its customers in-house, together building a database of about 20.2 million entries on the condition of customers' skin and other useful information such as customer attributes and purchasing trends. This diverse information is analyzed, and pertinent results are used in R&D, product planning and marketing, allowing the companies to build strong, trusting relationships with customers and secure brand loyalty and extremely high repeat purchase rates from an industry perspective. Going forward, the goal remains to enhance capabilities for customer analysis by using POLA's Online Merges with Offline (OMO) model as well as ORBIS's new customer data platform that combines data on customer interests and tastes with purchase and attribute data, underpinning efforts to provide each customer with ideal products and services.

## Multiple Brands

Today, with customer perceptions and lifestyles becoming increasingly diversified, a single-brand approach targeting as many customers as possible dilutes the brand concept and weakens image cohesiveness. As of 2022, to constantly address lifestyles and values that change with the times, the POLA ORBIS Group had built a portfolio—shown on the right—of nine brands, each with its own concept, price range and sales channels. Each brand has its own unique characteristics and drives brand loyalty higher by polishing brand identity through independent management. The goal is to enhance sustainability and economic rationality whether the brand is small or flagship. We believe that the Group's uniqueness can be better demonstrated with a collection of small economic units rather than a large economic block.



(As of December 31, 2022)  
The Amplitude and ITRIM brands will be discontinued in 2023.

## Research and Development Capabilities

The Group's biggest strength from an R&D perspective is the concentration of corporate resources into the anti-aging care area, specifically, products to fight dark spots and wrinkles. The reason for this focus is that we can utilize our R&D capabilities in this area perfectly. We own several patents, materials and ingredients original to the POLA ORBIS Group and not found anywhere else in the world. For example, the Group pioneered the world's first application of hyaluronic acid in cosmetics in the 1980s and brought these products to market. More recently, in 2017, the Group debuted the industry's first quasi-drug to improve wrinkles, and in 2019, launched quasi-drug products featuring a new active ingredient for skin-brightening, the first on the market in some 10 years. The sophistication of R&D capabilities supports POLA ORBIS HOLDINGS' multi-brand strategy. The formation of a stable customer base reflects efforts to cultivate new markets with innovative products and encourage a high repeat purchase rate on the strength of direct marketing.

The R&D structure is built on two facilities: the Multiple Intelligence Research Center (MIRC), which coordinates overall R&D strategies, and the Frontier Research Center (FRC), which handles basic research. We complement this structure with ventures into science and the pursuit of open innovation through

robust alliances with external specialist organizations.

In addition, we will establish the Technical Development Center (TDC) to strengthen research on new dosage forms and development of high-value-added products. These facilities will focus on R&D that translates into products of even higher added value and ensures the quick and constant debut of distinctive products.



B.A. series



WRINKLE SHOT SERUM

## Value Creation Process of the POLA ORBIS Group

The POLA ORBIS Group is working through milestone-marking medium-term and long-term management plans to build the ideal kind of corporate group by 2029, when the Group celebrates its 100th anniversary, and will strive to realize VISION 2029.

## Mission

Sensitize the world to beauty.

## Vision

We will maximize the unique character of each brand, and become a global corporate group that enriches the lives of people around the world.

## Opportunities

## External environment

- Domestic cosmetics market shrank, owing to spread of COVID-19
- Sudden shift toward online purchasing
- Broader definition of beauty
- Consumer behavior pegged to sustainability of society

## Risks

## Group strengths

Multiple brands

R&amp;D capabilities

Direct marketing

## Sustainability policy

| 1.   | 2.   | 3.   | 4.  | 5.  |
|--|--|--|---|---|
| QOL improvement through innovative technology services             | Regional revitalization  | Culture, the arts, design  | All-inclusive human resources   | Environment   |
| Constantly promote innovation and raise customers' quality of life | Grow along with communities by contributing locally and deepening presence | Make life more colorful by stimulating stakeholders' sensitivity to internal and external beauty | Develop human resources with diverse characteristics who respond to changes and create environment in which these people thrive | Use limited resources carefully in pursuing sustainable business activities |

Operating base (corporate governance)

2029

## VISION 2029

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

## Basic strategies

- 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

2023

## Priority strategies

- 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"

## Management indicators

|                                 |  |
|---------------------------------|--|
| Consolidated net sales          | ¥205.0–215.0 billion<br>CAGR 6% or higher  |
| Overseas sales ratio            | 20–25% (15% in fiscal 2020)<br>CAGR 20–25% |
| Domestic e-commerce sales ratio | 30% (24% in fiscal 2020)                   |
| Operating margin                | 12% or higher                              |
| Operating income                | CAGR 25% or higher                         |
| ROE                             | 9% or higher                               |
| Consolidated payout ratio       | 60% or higher                              |

STAGE 3  
2027–2029

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 billion  |
| Consolidated operating margin | 15% or higher  |
| Consolidated net sales        | ¥300.0 billion |
| Overseas sales ratio          | 30–35%         |
| ROE                           | 14% or higher  |

STAGE 2  
2024–2026

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 1  
2021–2023

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

2021–2023 Medium-Term Management Plan  
Performance-linked compensation  
(medium- to long-term incentives) for executives

Number of new businesses created: 10

Reduction in CO<sub>2</sub> emissions: 17%

Improve social value

Financial impact of non-financial indicators

Sustainability and non-financial indicators (see pages 24–25)



## Recognizing and Responding to Opportunities and Risks

**At POLA ORBIS HOLDINGS, we ask outside directors with outstanding knowledge to participate in Board of Directors' meetings from an objective standpoint. At those meetings, they use diverse values and perspectives to discuss long-term management issues.**

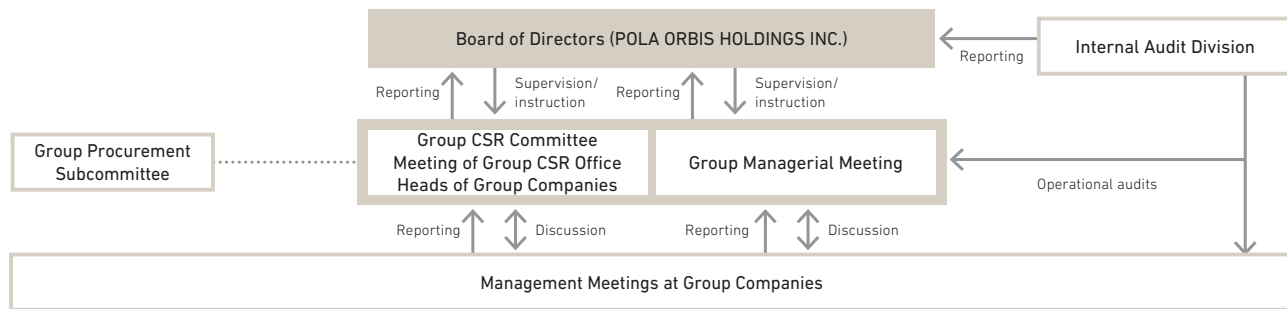
One of the functions of the Board of Directors is to oversee opportunities and risks related to the Group's business continuity. To handle this function, we established the Group Managerial Meeting and the Group CSR Committee directly under the Board of Directors. Each Group company lists up the opportunities and risks associated with its business and addresses them in management meetings at Group companies. Information from those meetings is discussed and monitored monthly at the Group Managerial Meeting and quarterly by the Group CSR Committee, then reported to the Board of Directors.

The Group Managerial Meeting consists of the Company's directors and full-time corporate auditors, as well as presidents and directors of subsidiaries who are appointed as members

by the Board of Directors. Focusing on business management aimed at maximizing opportunities for each Group company, Group Managerial Meeting members discuss solutions to various risks that may materialize and work out details for supervision and instruction that are deployed across all Group companies as shared information.

The Group CSR Committee consists of management from the Company, management from other Group companies and members from outside the Company. The committee aims to prevent problems from arising by identifying risks that may materialize during corporate activities, including strategic and operational risks, and by practicing risk management across the Group.

### Organization



In risk management, we comprehensively, inclusively and strategically identify and list up our risks from a Groupwide perspective. These include business risk, information security risk, compliance-related risk and climate change risk. We then evaluate the listed items once a year and define items deemed highly important as "Group priority risks," for which we take

countermeasures to ensure optimal outcomes. In line with recent trends, we have expanded the scope of risk management beyond the operations of the Group to include the entire supply chain, and we have decided on risk owner divisions and committees to implement action plans for improvement.

### Risks addressed by the Group (2022)

#### Risk formulation process (2022)

We comprehensively identify Groupwide risks and perform risk assessments based on the impact, frequency of occurrence and status of responses to risks, then select risks that should be promptly addressed Groupwide. We also designated the risk associated with upgrading our core system, which has a large impact on the Group, as a priority theme for 2022 and implemented countermeasures based on our action plan. Business risks are handled by the Group Managerial Meeting. Because we had already addressed the risk for infectious disease, we excluded its BCP, despite the potential impact and high frequency of occurrence of infectious diseases.

| Theme  | Item  | Action  |
|--|---|---|
| 1. Risk from digitization of information                           | 1) Information security risk  | ① Avoid risk of personal information leaks throughout the Group   |
|  |   | ② Practice stricter BYOD (bring your own device) management to permit diverse work styles for employees and ensure information security |
|  |   | ③ Comply with revised Act on the Protection of Personal Information   |
|  | 2) SNS flaming risk   | Clarify measures to prevent SNS flaming (prevention and post-incident responses) and avoid damage to reputation                         |
| 2. Risk of operational trouble associated with core system upgrade | Operational risk associated with system upgrade for BPR in accounting | Identify and solve any problems after accounting system upgrades  |
| 3. Risks from climate change                                       | Disaster risk (floods, etc.)  | Confirm employee safety when an emergency warning is issued or during a flood, etc.   |

For business-related opportunities, the POLA ORBIS HOLDINGS Management Planning Division analyzes possible business pursuits from various angles, including those of the social environment, market trends and the target customer's sense of values, at home and abroad, and drafts the investment plans and growth strategies necessary to achieve goals stated in the medium-term management plan. The division monitors market trends and the social environment to facilitate the best

decisions on additional investment during any given fiscal year to successfully capitalize on emerging opportunities and risks.

The Multiple Intelligence Research Center (MIRC) delves into innovative projects with the potential to contribute to Group development over the medium to long term and explores trends and demands related to technology, society and culture in Japan and overseas.

### Key business-related opportunities

| Item  | Details   | Measures   |
|---|---|--|
| Research and development  | Steady announcement of products realized through results of highly original research  | <ul style="list-style-type: none"><li>Develop original research strategies to create new value (dispatch researchers to research base in Singapore)</li><li>Invest in R&amp;D (Technical Development Center (TDC), which will start operations in 2024)</li></ul>  |
| Global economy  | Growth of cosmetics market in mainland China  | <ul style="list-style-type: none"><li>Reorganize overseas organizational structure (change to regionally segmented operations)</li><li>Strengthen store operations and increase store openings in mainland China (POLA) and invest in the Chinese market (ORBIS)</li><li>Expand use of external e-commerce</li></ul> |
| Digital marketing   | Increase of marketing methods using social media  | <ul style="list-style-type: none"><li>Enhance digital consultation format</li><li>Strengthen e-commerce, promote OMO, integrate domestic customer information and advance communication with customers (POLA)</li></ul>  |
| Changing consumer awareness   | Increase of products tailored to personal preferences   | <ul style="list-style-type: none"><li>Enhance personalized response irrespective of gender through APEX, using AI (POLA)</li><li>Use smartphone apps to facilitate digital consultations (ORBIS)</li></ul>   |
|   | Ethical thinking of millennials and Generation Z  | <ul style="list-style-type: none"><li>Cultivate new business domains (expand to social issue areas)</li><li>Create new value through MIRC and FRC</li><li>Launch sustainable products</li></ul>  |
| Decrease in domestic population (low birthrate, graying of society) | <ul style="list-style-type: none"><li>Decrease in job openings, particularly in rural areas and for non-regular employees</li><li>More elderly</li><li>Empowerment of women</li></ul> | <ul style="list-style-type: none"><li>Promote online consulting</li><li>Provide work that business owners can do in rural communities</li><li>Begin new partnerships (incorporation)</li><li>Increase the Beauty Directors' presence in their regions (POLA)</li></ul>   |

### Key business-related risks

| Item  | Details  | Measures   |
|---|--|--|
| Brand value damage and human rights risk                            | Issues related to human rights along supply chains or discounting in C2C market could undermine brand image  | <ul style="list-style-type: none"><li>Emphasize CSR procurement and purchase certified palm oil</li><li>Regular brand audits and monitoring by Internal Audit Division</li></ul>   |
| Securing sales partners (shop owners/managers and Beauty Directors) | POLA might have difficulty securing sales partners due to such factors as a changing labor environment   | <ul style="list-style-type: none"><li>Run online recruitment forums</li><li>Begin partnerships beyond consignment sales contracts</li></ul>  |
| Strategic investment activities                                     | If companies brought into Group through M&A or corporate venture capital activities are not as successful as initially expected, impairment losses or valuation losses are possible        | <ul style="list-style-type: none"><li>Perform accurate due diligence, calculate appropriate stock value and decide investments from Investment Approval Committee thinking</li></ul>   |
| Cosmetics market environment  | Domestic cosmetics market reaching maturity, heralding possible impact on businesses that cannot respond to changes in competitive environment   | <ul style="list-style-type: none"><li>Expand business portfolio beyond realm of cosmetics</li><li>Pursue robust overseas expansion (focus on mainland China and other parts of Asia)</li></ul>   |
| Research and development  | Possibility that results of research will not be as successful as expected   | <ul style="list-style-type: none"><li>Accelerate R&amp;D by establishing TDC and research base in Singapore</li></ul>  |
| Production and quality assurance                                    | Possibility that raw materials cannot be procured or that products meeting customers' requirements for quality cannot be produced  | <ul style="list-style-type: none"><li>Create Group quality control system monitored by newly formed QCD* Committee</li></ul>   |
| Overseas business activities (global economic instability, etc.)    | Possibility that business activities may not proceed as planned due to such circumstances as economic/political instability, labor unrest or occurrence of terrorism/conflict              | <ul style="list-style-type: none"><li>*QCD: Initialism for quality, cost and delivery</li><li>Strengthen external alliances</li><li>Cultivate new business areas based on information gathered by MIRC</li></ul>   |
| Limit on protection of intellectual property rights                 | Possibility that intellectual property is used illegally by an outside party to produce counterfeit items or that member of Group infringes upon intellectual property of an outside party | <ul style="list-style-type: none"><li>Secure patent/trademark rights in activity hubs at home and abroad</li><li>Monitor activities to prevent the Group's rights from being infringed upon and to prevent infringement of outside parties' rights</li></ul>                 |
| Information security  | Possibility that personal information or confidential information will be leaked   | <ul style="list-style-type: none"><li>Establish the Information Security Committee to protect and manage information assets and maintain and improve information security</li><li>Educate all directors and all employees about importance of information security</li></ul> |
| Disasters   | Possibility that supply of finished products will be delayed due to large earthquake or floods severe enough to affect operations at production facilities                                 | <ul style="list-style-type: none"><li>For items deemed key from a business continuity perspective, maintain inventory of products and materials and stay in constant contact with contracted factories</li></ul>   |
| Spread of infectious diseases                                       | Possibility that business results will be impacted by measures to prevent spread of infection such as avoidance of face-to-face contact with customers or temporary store closures         | <ul style="list-style-type: none"><li>Strengthen capability to provide digital marketing</li><li>Enhance e-commerce, promote OMO and embrace DX for in-house operations</li></ul>  |
| Climate change  | Effects of global warming, changing ecosystems and other climate issues that alter customers' product choices and hinder procurement of raw materials                                      | <ul style="list-style-type: none"><li>With involvement of suppliers, reduce CO<sub>2</sub> emissions throughout product life cycle</li><li>Switch to electricity from renewable energy sources</li></ul>   |
| Decrease in domestic population                                     | Situation that leads to business slump or hampers recruitment efforts  | <ul style="list-style-type: none"><li>Expand overseas business activities</li><li>Strengthen e-commerce</li><li>Promote work-style reform and efforts to energize workforce</li></ul>  |

POLA ORBIS HOLDINGS recognizes that opportunities and risks accompanying climate change have a huge impact on business strategies. The Company performs scenario analysis in line with TCFD\* recommendations and discloses the results (see page 49 for details). Risks related to human rights are listed on page 52.

\*TCFD: Initialism for Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board

## Financial Strategies



We will seek to raise capital efficiency by achieving net income growth that exceeds operating income growth while also enhancing return to shareholders through a basic policy targeting a consolidated payout ratio of at least 60%. These are the two sides of higher corporate value.

**Naoki Kume**  
Director and Vice President,  
POLA ORBIS HOLDINGS INC.

### / Message from director in charge of finance

Listed companies have a duty to create capital efficiency that exceeds capital cost and to boost corporate value. Specifically, we see ROE as a key performance indicator and, with a long-term view, are striving to exceed 14% by 2029, as highlighted in VISION 2029. We are implementing strategies from the two perspectives shown below to improve ROE.

1. Increase profit attributable to owners of parent
2. Enhance the efficiency of net assets

#### Growth investment aimed at higher net income, and improved profitability

Higher net income hinges on two factors. One is growth investment, the groundwork for sustainable growth. The other is improved profitability.

Regarding growth investment, over the long term, we aim to create a foundation for stable and enduring growth in the existing cosmetics business while nurturing buds of new growth. Our business portfolio concentrated resources in the cosmetics business, which was underpinned by accumulated R&D capabilities, and we achieved stable growth. But today, with diversifying perceptions of beauty, sustainable business growth requires us to build a more extensive business portfolio, still centered on cosmetics but complemented by contributions to well-being and social value. In the domestic cosmetics business, management indicators for 2029 are targeting net sales above ¥180 billion and stable growth exemplified by CAGR between 2% and 3%. We will realize stable growth by accelerating digital transformation (DX) and Online Merges with Offline, with an emphasis on flagship brands POLA and ORBIS, reshaping our business model and then applying the profits generated as the source of investment for new business pursuits. Meanwhile, in the overseas cosmetics business, we will be working toward management indicators of net sales exceeding ¥100 billion and CAGR above 15% for 2029. POLA will prioritize profitable growth with a branding emphasis, particularly in mainland China, to realize sustainable business growth. In R&D, concerted efforts will be directed toward expanding the new materials pipelines with world-first and industry-first breakthroughs and toward leveraging the results of skin research such as that for *Mirror Skin*, an artificial skin. We will take a robust approach to investment, allocating at least 2% of consolidated net sales to R&D activities. In addition, the Technical Development Center, currently under construction, will be tasked with original, new-formulation research and high-value-added product development. Operations are slated to commence in 2024. In the short term, that is, in 2023,

we will reinforce investment to attract customers to flagship brands POLA and ORBIS, with an emphasis on funds for sales-related activities. Keen to have both brands return to a growth track, we will also seek to increase net sales and build a revenue base for the future.

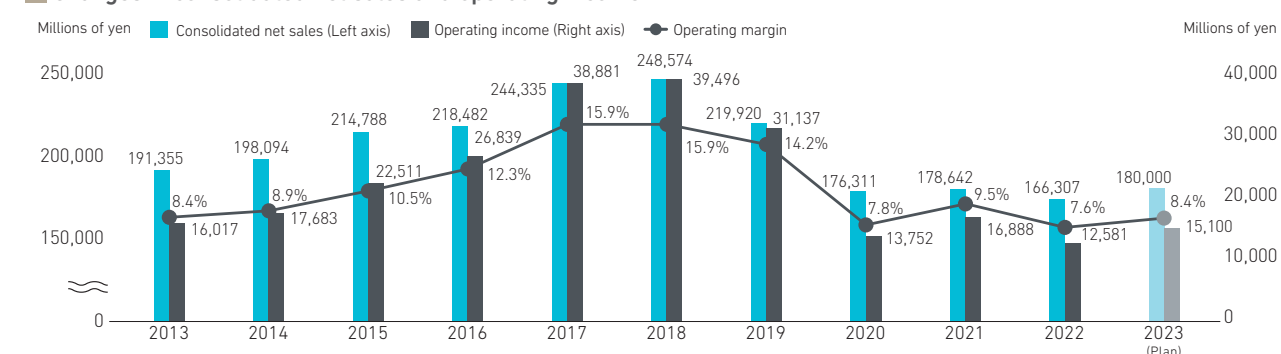
In pursuit of improved profitability, an urgent issue is to remedy the losses that plague unprofitable brands. Even as we expand the brand portfolio across new domains, we have to consider divestment and business continuity, applying a shorter cycle to evaluate KPI status and determine whether a brand should be maintained. Under this policy, we decided to dissolve and liquidate H2O PLUS in 2022. We took a similar step in 2023, discontinuing the Amplitude and ITRIM brands. In the real estate business, we are pursuing the sale of buildings with low profitability. Aiming to improve profitability, we are striving for further restructuring of the brand portfolio. Of note, Jurlique lessened its losses, thanks to a determined commitment to trim fixed costs, shrink expenses and successfully restructure. Improved sales, given a lower break-even point, will help the brand turn a profit. THREE drastically restructured to improve profitability by strategically concentrating its store network, reviewing the number of SKUs (stock-keeping units) and streamlining its head office structure.

Groupwide efforts to streamline operations are being rolled out as well. We are working to merge the IT divisions and the finance and accounting divisions into a Group oversight structure. In 2024, we plan to reorganize overseas operations under a geographical breakdown rather than by brand. We will make drastic organizational changes beyond streamlining, seeking to accelerate business expansion and maximize return on investment. We are aiming for an operating margin above 15% by 2029, complemented by net income growth higher than operating income growth, as improving profitability from overseas operations pushes the effective tax rate down.

#### Enhanced return to shareholders

To increase the efficiency of net assets, we will prioritize return to shareholders in line with our dividend policy, which hinges on a consolidated payout ratio of 60% or higher, and pursue efforts to stably increase dividend distribution through profit growth. The annual dividend for fiscal 2022 was set at ¥52 per share, which translated into a payout ratio of 100.5%. With regard to treasury stock, our policy is to consider buybacks based on such factors as investment strategies, market prices and the liquidity of Company shares. Going forward, we will strive to maximize management resources and raise corporate value over the long term.

#### Changes in consolidated net sales and operating income



Note: Figures for the fiscal year ended December 31, 2016, reflect retroactive application due to changes in accounting standards in Australia.

### / Improve capital efficiency

#### EPS Earnings per share

- Operating income: CAGR 25% or higher
- Realize net income growth higher than operating income growth → Lower effective tax rate by reducing loss in overseas business

#### BPS Book value per share

- Enrich shareholder returns → Consolidated payout ratio of 60% or higher, and stably increase income and dividend distribution
- Growth investments with financial efficiency in mind

#### Return on equity



Note: Figures for the fiscal year ended December 31, 2016, reflect retroactive application due to changes in accounting standards in Australia.

### / Enrich shareholder returns

Our basic policy on dividends is twofold—a payout ratio of at least 60% and a fuller return through profit growth. We expect a decrease in net income attributable to owners of parent in fiscal 2023 but operating income should increase. Consequently, we are planning for an annual dividend of ¥52 per share, the same as in fiscal 2022. This will translate into a payout ratio of 115.0%.

#### Basic policies

- With a policy of a consolidated payout ratio of 60% or higher, aim for stable increase in shareholder returns in line with profit growth
- Purchases of treasury stock shall be considered based on our investment strategies, market prices and the liquidity of the Company's shares

#### Shareholder return policy for fiscal 2023

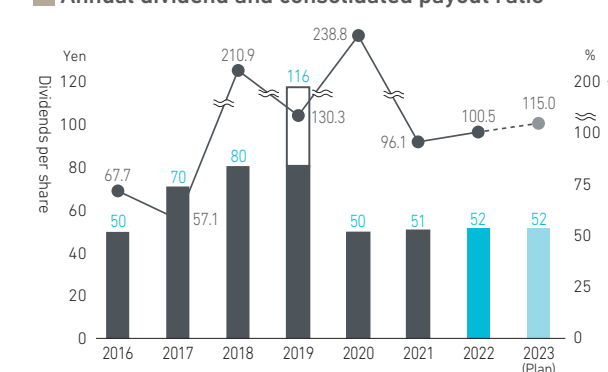
Dividends per share (Forecast)

Annual dividend: **¥52**

Comprising ¥21 interim and ¥31 year-end dividends

Consolidated payout ratio: 115.0%

#### Annual dividend and consolidated payout ratio



Notes: 1. □ Indicates special dividend.  
2. A four-for-one stock split was executed on April 1, 2017. Dividends per share before this stock split have been restated as if the stock split had already occurred.

## Initiatives on Sustainability

### Demonstrate strength and uniqueness, and pursue sustainable business activities while approaching solutions to social issues

Seizing on approaches that contribute to realizing a sustainable society as opportunities that grow into sustainable business activities, POLA ORBIS HOLDINGS identified materiality issues for sustainability applicable Groupwide to balance solutions to social issues with sustainable business growth.

#### Sustainability Statement

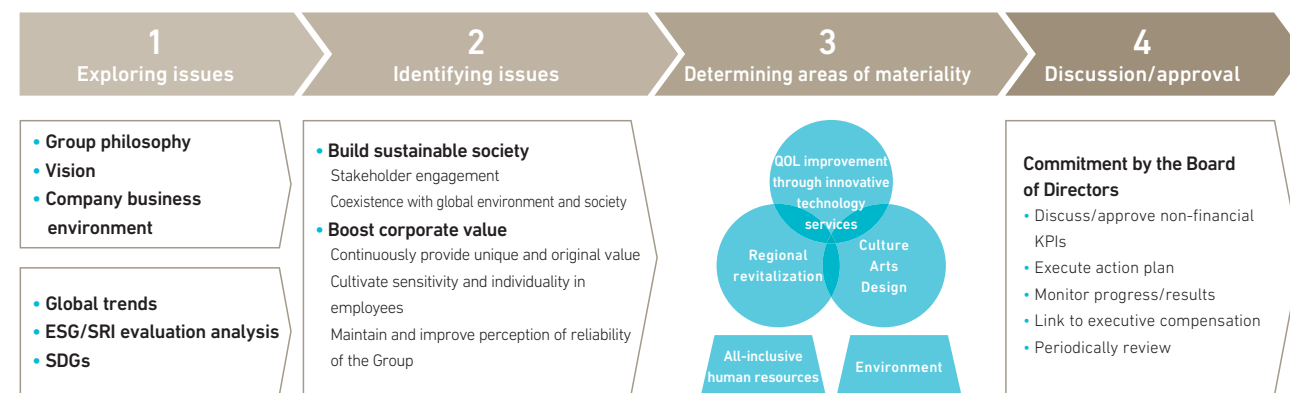
We, the POLA ORBIS Group, offer enriched lives to people all over the world, with our supple minds in which rich sensitivity and individuality is woven.

In order to do so, we hereby declare that we will deal with all our stakeholders and global/social environments in good faith and continue to grow as a company which helps create a sustainable society.

### Sustainability policy formulation process

Utilizing the strengths of the POLA ORBIS Group and thinking that tracks back to the earliest days of our founding, POLA ORBIS HOLDINGS considered how best to convey value to society and identified priority issues—materiality. Each point in areas of materiality is assigned a KPI, and the progress of efforts to achieve these targets is tracked. The Board of Directors has

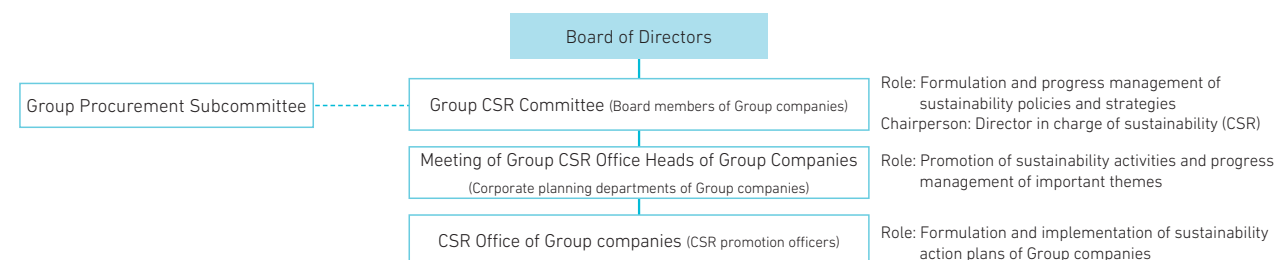
decided to add palm oil responses as an environmental KPI, starting in 2024, to address changing social issues. The degree of success in the “number of new businesses created” and in “reducing CO<sub>2</sub> emissions” is now linked to management targets and the medium- to long-term incentive evaluation criteria of executive compensation.



### Sustainability promotion structure

The POLA ORBIS Group pursues sustainability activities led by the Group CSR Committee under the supervision of the Board of Directors. Specific targets are discussed, and measures are considered with each Group company's ability to achieve

assigned targets in mind. These targets and measures are periodically discussed and monitored by the Group CSR Committee, the status is reported to the Board of Directors and revisions are made as required.



### Five non-financial materiality categories and results/KPIs

| Item   | Explanation   | 2022 actual numbers  | Action plan for 2023  | Target for 2023             |
|--|---|--|---|-----------------------------|
| <b>1. QOL improvement through innovative technology services</b><br> | (1) <b>Number of new businesses created</b>                                     | Develop new services and new fields to meet diversifying needs<br>7 (since 2021)   | 1. New businesses grow from in-house seeds<br>2. Business capture through M&A<br>3. Creation of services and products through external collaboration  | 10 (from 2021 through 2023) |
|  | (2) <b>Job satisfaction and engagement score<sup>*1</sup></b>                   | Create an exciting, comfortable work environment in which employees, fueled by a desire to contribute to corporate success, are able to take the initiative<br>57.6%         | Consider, implement and then monitor action plans designed to spur enthusiasm for work and create comfortable environment   | 75%                         |
|  | (3) <b>Brand recognition and loyalty</b>  | Leverage brand characteristics to improve customer QOL<br>Researched by brand  | Implement customer services that provide tangible awareness of brand concept  | Set targets for each brand  |
|  | (4) <b>Number of research awards won at home and abroad</b>                     | Develop seeds that grow into high-value-added products<br>7 (since 2018)   | Take a positive approach to making presentations at academic conferences and submit papers in Japan and overseas  | 10 (from 2018 through 2023) |
|  | (5) <b>Number of researchers in cutting-edge dermatology research</b>           | People to expand research beyond skin to whole body<br>60 (as of December 31, 2022)  | Hire specialists in such areas as dermatology, formulation and data analysis  | 120                         |
| <b>2. Regional revitalization</b><br>                                | (6) <b>Number of regional entrepreneur owners</b>                               | Shop owners who influence local economic activities<br>425 (as of December 31, 2022)   | Cultivate ownership to strengthen cooperation and connection with community, attract customers and build continuity platform  | 1,200                       |
|  | (7) <b>Number of initiatives contributing to the local economy</b>              | Expand synergy through joint efforts that energize local economic activity<br>31 (as of December 31, 2022)   | Joint events with local governments, NGOs, companies and schools, and community-oriented workshops  | 78                          |
| <b>3. Culture Arts Design</b><br>                                    | (8) <b>Number of new brand experiences created that utilized art</b>            | Develop innovative, trendy products and services<br>28 (2022 only)   | Packaging and stores that foster worldview through art  | 20                          |
|  | (9) <b>Number of participants in liberal arts workshops</b>                     | Cultivate aesthetic sense and personal tastes and give back to society<br>224,179 (since 2018)   | Provide stakeholders with opportunities to experience art   | 550,000                     |
| <b>4. All-inclusive human resources</b><br>                          | (10) <b>Percentage of female executives</b>                                     | Promote diversity through management-level leadership<br>Utilize perspectives close to target segments in business and management activities<br>22.9% (as of March 31, 2023) | Participation in 30% Club<br>Promote activities through the Group Diversity Promotion Committee   | 30–50%                      |
|  | (11) <b>Percentage of female managers</b>                                       | Build organization with diversity<br>47.8%   | Encourage male employees to take child-care leave   | 50% or higher               |
|  | (12) <b>Percentage of candidates to become management executives</b>            | Establish/reinforce pipeline for people with management potential<br>161.9% (as of December 31, 2022)  | Examine strategic personnel measures (Talent Development Committee)   | 200%                        |
|  | (13) <b>Number of people leaving the company for health reasons</b>             | Achieve balance between sickness prevention/treatment and work<br>Undisclosed  | Improve health management skills and provide health advice  | 0                           |
| <b>5. Environment</b><br>  | (14) <b>CO<sub>2</sub> emissions (Scope 1 and 2)</b>                            | Actual emissions under Scope 1, 2<br>Down 43.0% (from 2019)  | Switch electricity contracts to CO <sub>2</sub> reduction menu and renewable energy menu  | Down 42% (from 2019)        |
|  | <b>CO<sub>2</sub> emissions (Scope 3)</b>                                       | Actual emissions under Scope 3<br>Down 48.3% (from 2019)   | Make containers and packaging materials thinner and lighter<br>Consider development of products and services that reduce environmental impacts<br>Make procurement process and transport process more efficient | Down 30% (from 2019)        |
|  | (15) <b>Water consumption</b>   | Scope 1 and 2 per unit of sales<br>Down 1.9% (from 2019)   | Make capital investments and take water-saving measures in factories  | Down 26% (from 2019)        |
|  | (16) <b>Waste</b>   | Scope 1 and 2 per unit of sales<br>Down 51.9% (from 2015)  | Set inventory ratio targets to optimize production and purchasing   | Down 26% (from 2015)        |
|  | (17) <b>Plastic cosmetics containers and packaging consumption<sup>*2</sup></b> | Sustainable design of cosmetics containers and wrapping made of plastic, based on 4R's <sup>*3</sup><br>24%  | Have Group companies consider refills and alternatives in the product planning stage<br>Conduct research into recycling technology  | 100% sustainable design     |

<sup>\*1</sup> Set survey result of Great Place to Work® as indicator

<sup>\*2</sup> Item added for 2022

<sup>\*3</sup> Reduce/Reuse/Replace/Recycle



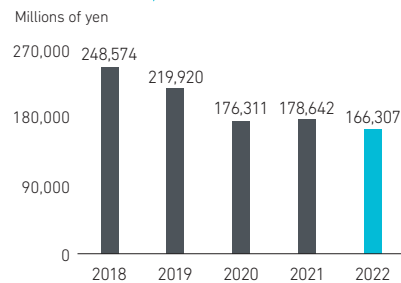
## Strategy

## Financial and Non-Financial Highlights

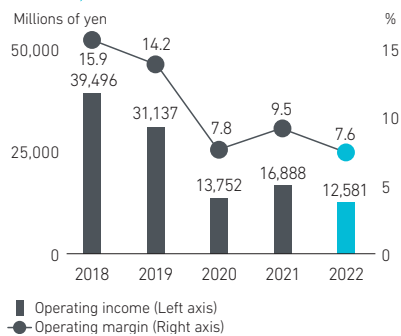
## Financial Capital

## Net sales

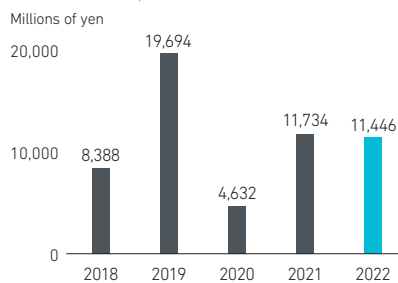
¥166,307 million

Operating income/  
Operating margin

¥12,581 million/7.6%

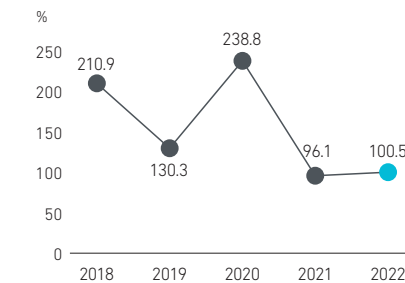
Profit attributable to  
owners of parent

¥11,446 million



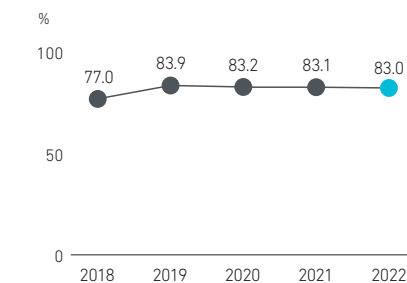
## Payout ratio

100.5%

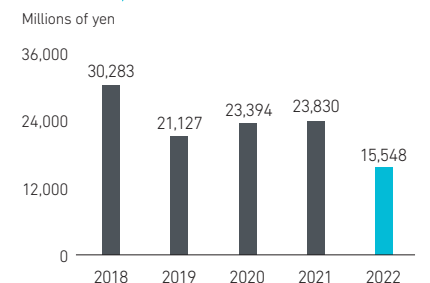


## Equity ratio

83.0%

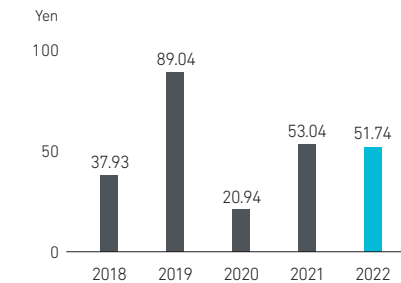
Cash flows from  
operating activities

¥15,548 million



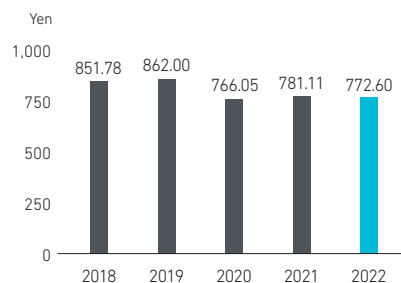
## Net income per share

¥51.74



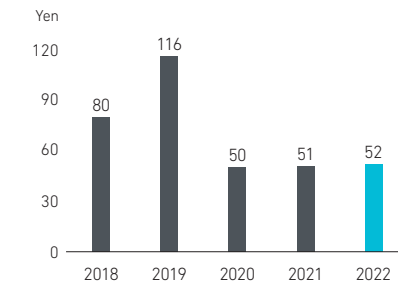
## Net assets per share

¥772.60



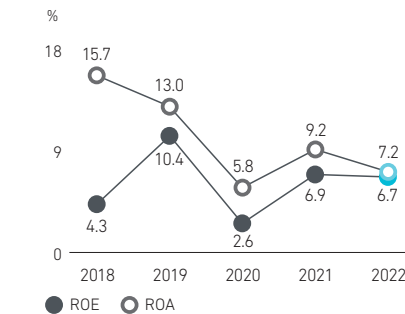
## Cash dividends per share

¥52



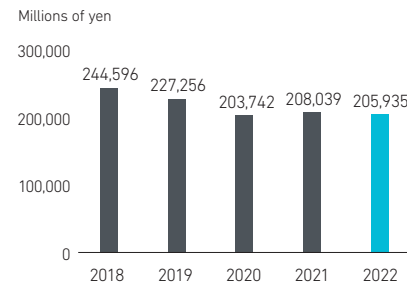
## Return on equity/Return on assets

6.7%/7.2%



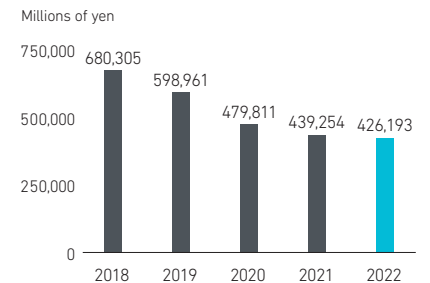
## Total assets

¥205,935 million



## Total market value

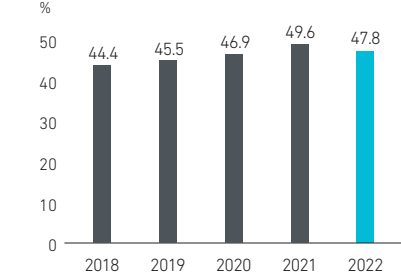
¥426,193 million



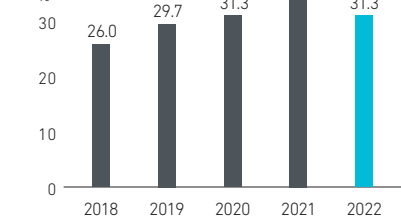
## Non-Financial Capital

Percentage of  
female managers

47.8%

Percentage of executives who  
completed the Business Innovation  
Academy course to the total number  
of executives in the Group

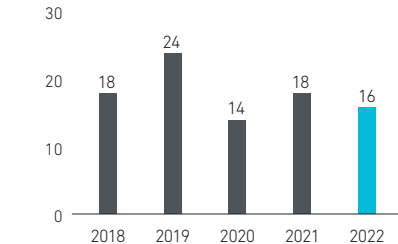
31.3%



Note: Excludes part-time directors and outside directors

Number of papers presented  
at scientific conferences by  
POLA CHEMICAL INDUSTRIES

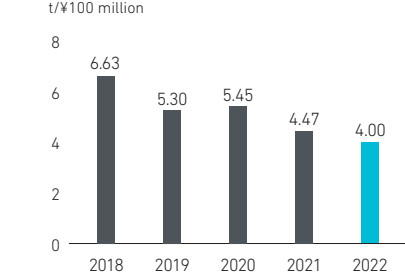
16



Note: Number in 2020 impacted by COVID-19 pandemic as conferences were postponed or canceled

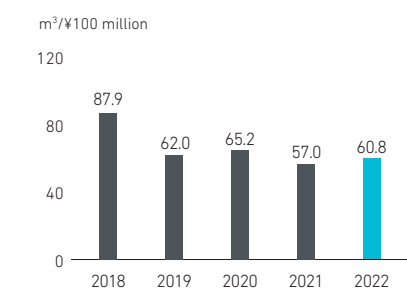
CO<sub>2</sub> emissions  
(Scope 1 and 2)

4.00 t/¥100 million

Notes: 1. On a per unit of sales basis  
2. Dramatic decrease due to sale of pharmaceuticals company under Group umbrella in 2019

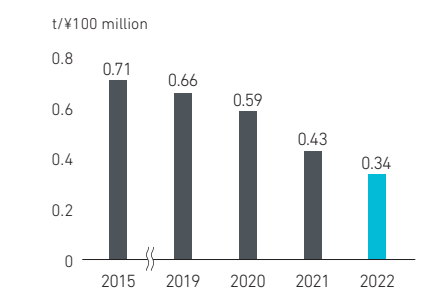
## Water consumption

60.8m³/¥100 million

Notes: 1. On a per unit of sales basis  
2. Dramatic decrease due to sale of pharmaceuticals company under Group umbrella in 2019

## Waste

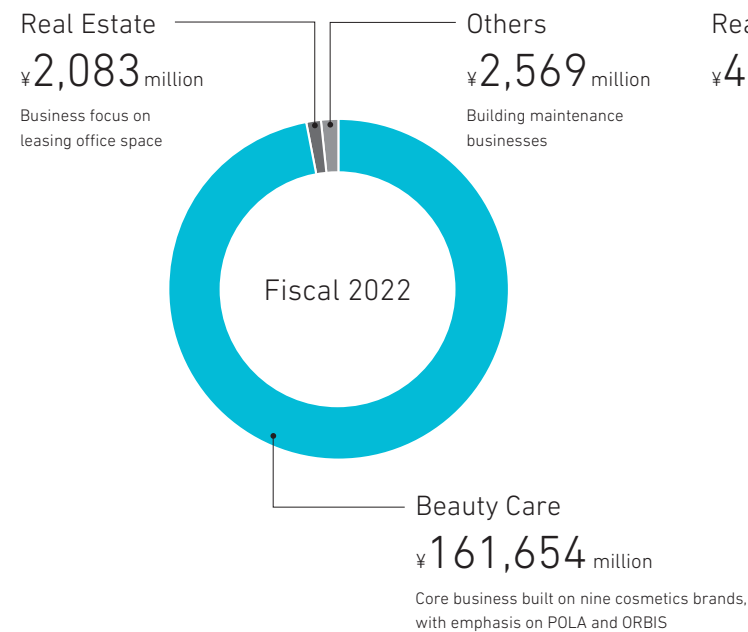
0.34 t/¥100 million



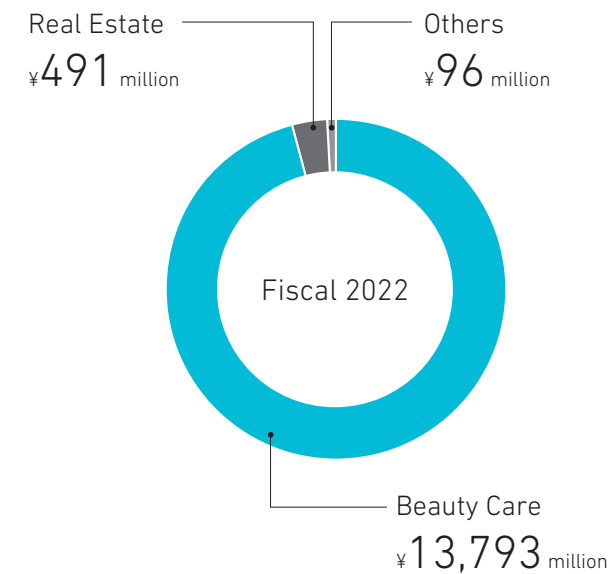
Note: On a per unit of sales basis

## Business Structure

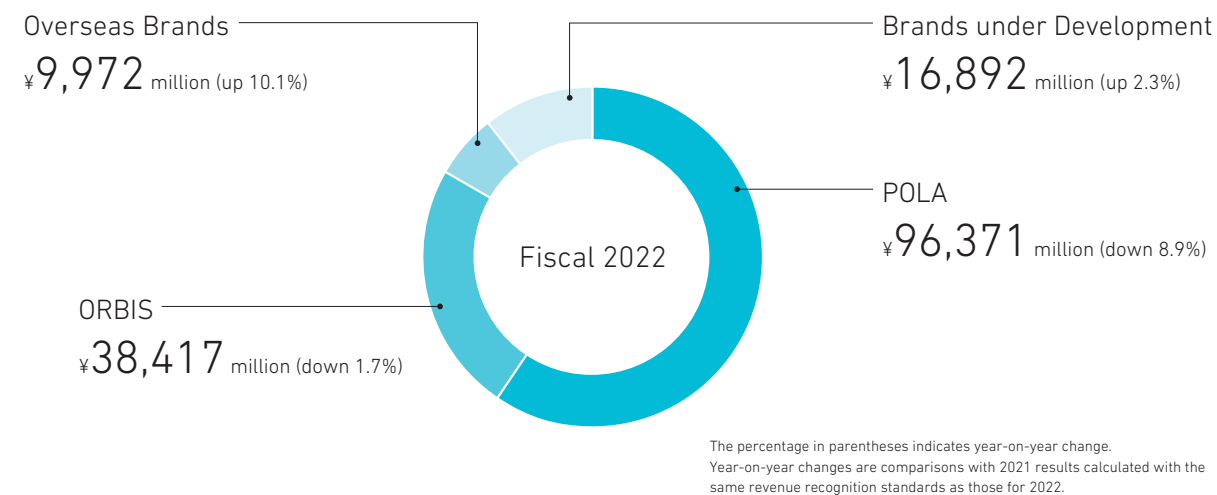
## / Net sales by business segment



## / Operating income by business segment



## / Beauty Care business sales by brand



## ■ Changes in Beauty Care business sales by brand over the past five years (2018–2022)

|                          | 2018    | 2019    | 2020    | 2021    | 2022   |
|--------------------------|---------|---------|---------|---------|--------|
| POLA                     | 150,183 | 135,502 | 102,888 | 105,168 | 96,371 |
| ORBIS                    | 51,051  | 50,726  | 45,415  | 43,389  | 38,417 |
| Overseas Brands          | 12,428  | 9,235   | 7,166   | 8,954   | 9,972  |
| Brands under Development | 17,544  | 19,421  | 16,186  | 16,637  | 16,892 |

## Flagship Brands

## POLA

**Concept**

High-prestige skincare brand specializing in anti-aging and skin-brightening fields

**Sales channels**

Consignment sales (POLA THE BEAUTY, Esthe Inn, conventional door-to-door business), department stores, directly operated retail stores, travel retail and e-commerce

**Market presence**

Japan, mainland China, South Korea, Hong Kong, Macao, Taiwan, Thailand, Singapore, Australia, Vietnam and Malaysia

## ORBIS

**Concept**

Skincare brand that brings out the beauty inherent in each person

**Sales channels**

Mail-order business (Internet and catalog), directly operated retail stores and travel retail

**Market presence**

Japan, mainland China, Taiwan, Singapore, Malaysia and Thailand

## Overseas Brands

## Jurlique

**Concept**

Natural skincare brand utilizing the power of plant ingredients cultivated at a company-owned farm in southern Australia

**Sales channels**

Department stores, directly operated retail stores, travel retail and e-commerce

**Market presence**

Sold in 28 countries and regions, mainly Australia, mainland China and Hong Kong

## Brands under Development

## T H R E E

**Concept**

Skincare and makeup brand featuring naturally derived ingredients extracted from plants

**Sales channels**

Directly operated retail stores, department stores, travel retail, semi-self-select cosmetics stores and e-commerce

**Market presence**

Japan, South Korea, Thailand, Taiwan, Malaysia, Hong Kong, Singapore and mainland China

## Amplitude

**Concept**

High-quality, high-prestige makeup brand originating in Japan

**Sales channels**

Department stores, travel retail and e-commerce

**Market presence**

Japan and South Korea

## ITRIM

**Concept**

Premium skincare brand infused with plant ingredients extracted with meticulous attention to quality

**Sales channels**

Department stores, travel retail and e-commerce

**Market presence**

Japan, South Korea and mainland China

## FIVEISM

x  
T H R E E

**Concept**

Cosmetics brand under concept of gender fluidity

**Sales channels**

Directly operated retail stores, department stores, travel retail and e-commerce

**Market presence**

Japan, mainland China and Thailand

## DECENCIA

**Concept**

Skincare brand for dry, sensitive skin

**Sales channels**

E-commerce and a department store

**Market presence**

Japan and mainland China

## FUJIMI

**Concept**

Personalized beauty care brand

**Sales channels**

E-commerce and a directly operated retail store

**Market presence**

Japan

Amplitude and ITRIM are scheduled to end in 2023.

## Strategies

## Growth Strategies by Brand (Flagship Brands)

POLA

High-prestige skincare brand specializing in anti-aging and skin-brightening fields

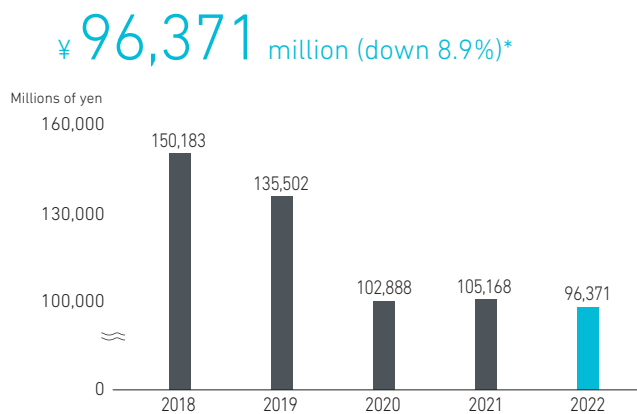


B.A series

White Shot series

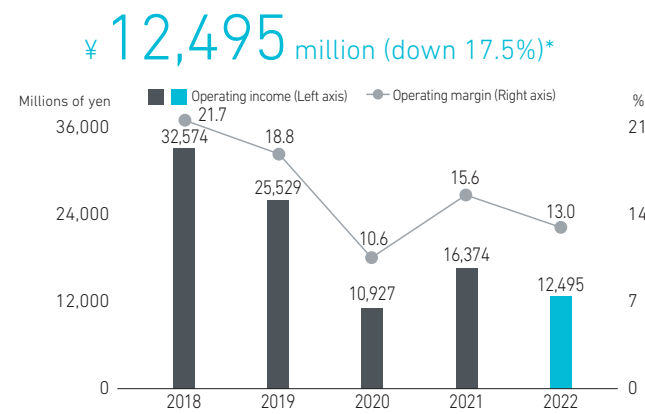
WRINKLE SHOT series

## Net sales



\*Year-on-year change represents a comparison with the results for 2021 calculated using the same revenue recognition standards as for 2022.

## Operating income and operating margin



\*Year-on-year change represents a comparison with the results for 2021 calculated using the same revenue recognition standards as for 2022.

## President's message

In 2022, we worked to improve the profitability of our domestic business, further grow our overseas business and create new value by fusing offline and online operations under our medium-term management plan (2021–2023).

In Japan, our store business was significantly impacted by the COVID-19 pandemic. Nevertheless, we expanded online customer contact points through our official smartphone app. We also deepened online relationships with customers by strengthening communication through social media at all our stores. Meanwhile POLA is working on its unique Online Merges with Offline (OMO) strategy with the aims of strengthening relationships between its customers and its brand and improving lifetime value by providing brand experiences that maximize the characteristics of all sales channels. In the e-commerce channel, we will utilize digital technologies to create new experiences and improve convenience, while in department stores and the consignment sales channel we will strengthen efforts to provide value through customer services, aesthetic experiences and other means that are only possible with face-to-face communication.

## Miki Oikawa

Representative Director and President  
POLA INC.



Overseas, business growth in the Chinese market will continue to be the driver of our business. Accordingly, we will work swiftly to expand customer contact points, both online and offline, to establish a brand presence in that market.

POLA's vision for 2029, the 100th anniversary of its founding, is to move "Towards a society with abundant connections that trusts in the potential of individuals and society itself." The action slogan for achieving the vision is "We Care More. Changing the world, with care." To this end, we will work to raise employee gender awareness, support career education for the next generation and achieve women's empowerment and gender equity. Our aim is to help create a society in which all people can make independent choices and live their lives without giving up on their potential.

## Fiscal 2022 results

To further enhance brand value and build a medium- to long-term customer base, POLA is introducing high-value-added products centered on anti-aging care and skin-brightening. We are also working to attract customers with high retention rates through consulting and aesthetic treatments. On the products front, we renewed our eye cream within the *B.A* series of high-prestige skincare products. This product focuses on people's lifestyles in the "new normal era," evidenced by prolonged use of such items as digital devices. It has won many best cosmetics awards and is very much acclaimed in the high-prestige cosmetics market.

In our domestic business, we faced the issue of declining customer numbers in the consignment sales channel. Since the second half of 2022, however, we have stepped up activities at

physical contact points, a traditional strength of the Company, in every region. Our aesthetic treatments are now on a recovery path, and sales peaked in the fourth quarter of the year.

In our overseas business, we are focusing on the Chinese market and travel retail. In mainland China, we experienced intermittent lockdowns due to COVID-19, which impacted our sales activities. In addition, we restricted shipments to South Korean duty-free stores, reflecting our decision to hold back on distribution to the C2C (customer-to-customer) market. Accordingly, sales from our overseas business declined 21% year on year.

As a result, we posted an 8.9% decline in net sales and a 17.5% decrease in operating income.\*

\*Year-on-year change represents a comparison with the results for 2021 calculated using the same revenue recognition standards as for 2022.

## Key issues pinpointed

- Recover customer numbers in the domestic business to re-establish a foundation for stable growth
- Accelerate overseas business growth focusing on the Chinese market

## Future measures

## Evolve direct sales in Japan

Starting in 2023, we will integrate customer IDs that were previously managed separately for each channel and build a new shared customer base for our domestic business. In this way, we will leverage the characteristics and strengths of each channel to improve the brand experience for customers through cross-channel collaboration.

To gain new customers, we will invest intensively in digital advertising and expand offline events, such as THE MARCHE, a market to increase contact. At the same time, we will step up investments to attract new customers. For existing customers, we will provide value that only real stores can offer, centered on consulting and aesthetic treatments, and develop a membership program for all channels aimed at capturing repeat purchasing. We have positioned 2023 as a year of increased upfront investment to bolster customer numbers and lifetime value, with priority given to increasing net sales.



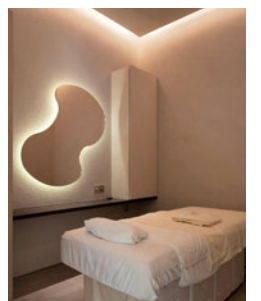
THE MARCHE  
Nationwide events with the theme "everyday + alpha experience"

## Accelerate growth of overseas business

We will continue to prioritize the Chinese market, where we will expand store openings with a focus on stores offering facial



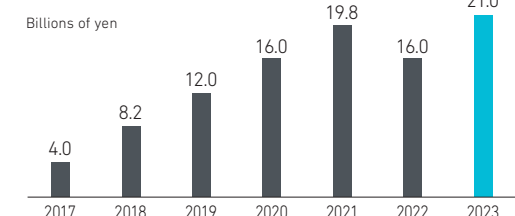
Store offering facial aesthetic services in mainland China



aesthetic services. By providing highly differentiated services, we aim to improve customer retention rates and lifetime value. We will also expand into new countries, particularly in Asia, to enhance our global brand presence and build a new foundation for growth to complement that in mainland China.

In 2023, the POLA ORBIS Group began to reorganize its overseas business operating structure to accelerate global expansion. Specifically, we will speed up decision making by switching from conventional independent business management for each brand to a regional management system. Together with other brands in the Group, we will build a system that can maximize the use of local resources, with the launch earmarked for 2024.

## Overseas net sales





# ORBIS

Skincare brand that brings out  
the beauty inherent in each person

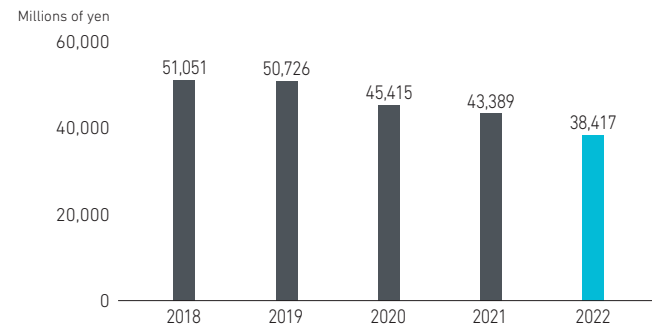


ORBIS U series

WRINKLE BRIGHT series

## Net sales

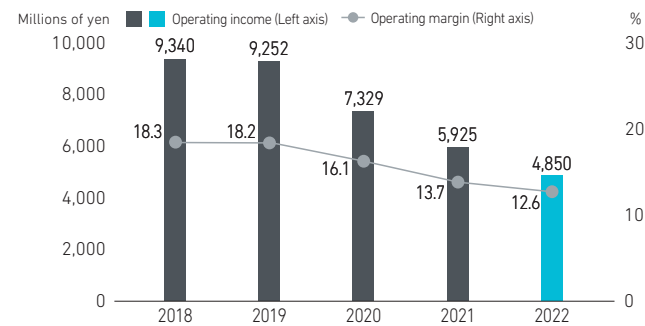
¥ 38,417 million (down 1.7%)\*



\*Year-on-year change represents a comparison with the results for 2021 calculated using the same revenue recognition standards as for 2022.

## Operating income and operating margin

¥ 4,850 million (down 18.7%)\*



\*Year-on-year change represents a comparison with the results for 2021 calculated using the same revenue recognition standards as for 2022.

## President's message

At ORBIS, we emphasize the value of SMART AGING®, whereby each person ages naturally in his or her own way by releasing innate strengths. With a "beauty brand focusing on skincare" as our business domain, we have adopted an anti-aging care approach that "brings out" rather than "affects" the beauty inherent in each person.

In terms of services, we set the ORBIS app as the core of our customer communications and are working to enhance brand experiences for customers by seamlessly connecting multiple channels, including stores and mail order. The app had a solid business foundation of more than 3.16 million registered users as of December 31, 2022. Leveraging our original customer data platform, together with technologies and personalized services, we will provide individual customers the correct answers to their beauty needs. By joining customers on their lifelong journey of exploration, we will further strengthen the way we connect with customers and improve lifetime value.

On the channels front, we are working strategically to

## Takuma Kobayashi

Representative Director and President  
ORBIS Inc.



strengthen our external e-commerce presence in response to recent consumer behavior, symbolized by the growing proliferation of e-commerce platforms. Sales via external channels have remained high, growing at around 50% year on year in 2022.

In recent years, the number of customers has declined as we changed our marketing emphasis from price appeal to lifetime value. However, we are building a highly profitable customer base thanks to efforts to suppress point program costs and discounts, and shift to high-value-added merchandise. In the fourth quarter of 2022, we succeeded in halting the decline in the number of customers and are now on track for a performance recovery.

In 2023, we will step up investments to increase the number of customers and prioritize sales growth with the aim of returning to a growth trajectory.

## Fiscal 2022 results

Committed to building a highly profitable business, ORBIS is working to enhance its presence and customer loyalty by creating brand differentiation. In Japan, we are working to expand our skincare customer base with highly differentiated products. In August 2022, we launched a renewed lineup of *ORBIS U*, the first anti-aging care series that symbolizes our brand, and in October, we introduced *WRINKLE BRIGHT SERUM* for improving wrinkles and brightening skin complexion. In terms of services, we use AI to analyze content and offer a manned chat service to provide consulting that, despite being digital, has the human touch of a beauty advisor in a store setting. In these ways, we are accelerating efforts to improve lifetime value for our customers.

In 2022, we made good progress in attracting core target customers in the skincare business and securing new customers with the potential to become repeat customers. However, the number of customers fell below the previous year's level, with net sales declining 1.7% year on year. Operating income was down 18.7% due to a decrease in gross profit resulting from the revenue decline, as well as the impact of a decision to quickly withdraw from a new business into which we had made upfront investments.\*

\*Year-on-year change represents a comparison with the results for 2021 calculated using the same revenue recognition standards as for 2022.

## Key issues pinpointed

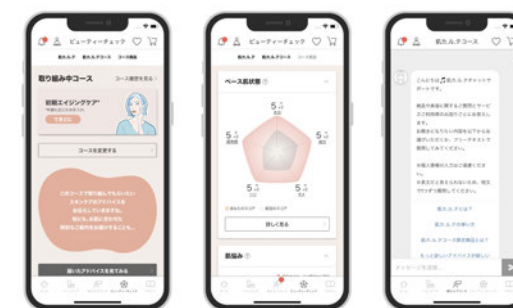
- Increase number of customers and improve lifetime value of domestic business to foster high-quality growth and evolution into a highly profitable business
- Expand target markets

## Future measures

### Evolve our proprietary customer data platform and return to growth trajectory

Leveraging the ORBIS app, we have forged close personal relationships with our customers while building on the solid customer relationship management (CRM) foundation we have developed since our establishment. Through the ORBIS app, we provide skin analysis, psychological tests, news article content and other services. At present, we are integrating the results of these analyses with interest and taste data, such as the preferred content of news articles, and purchase and attribute data, to build a unique customer data platform that provides more advanced analysis of customer information.

From 2023, this approach will help us expand the frequency of customer contact with our brand beyond product purchases, thus deepening one-to-one communication and increasing lifetime value for customers. We will continue converting technological advances into user benefits to constantly increase customer value.



ORBIS app

### Strategically expand target markets

Our plan is to strategically expand our target markets to achieve further business growth. In February 2023, we launched *ORBIS AMBER*, a new skincare series targeting people in their 50s and 60s, a market that is expected to expand. Going forward, we will leverage the iconic *ORBIS U* series of our first anti-aging products and the fully developed *ORBIS U* series, as well as the newly launched *ORBIS AMBER* series, to expand our marketing segments and evolve ORBIS into a lifelong brand that remains close to customers.



## Strategies

## Growth Strategies by Brand (Overseas Brands)

## Jurlique

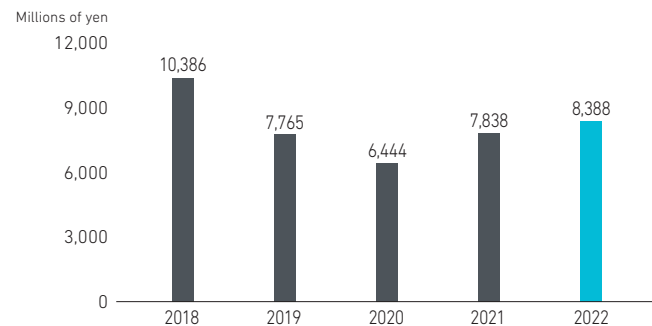
Natural skincare brand utilizing the power of ingredient plants cultivated at a company-owned farm in southern Australia



Company-owned farm in Adelaide, Australia

## Net sales

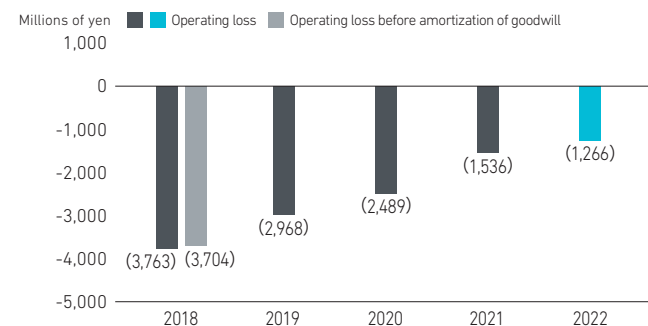
¥ 8,388 million (up 5.6%)\*



\*Year-on-year change represents a comparison with the results for 2021 calculated using the same revenue recognition standards as for 2022.

## Operating loss

¥ 1,266 million (—)



## Fiscal 2022 results and future measures

Jurlique is working to grow its business in Asia, particularly mainland China, and in its home country of Australia, and to restore profitability as soon as possible. On the products side, we launched *Rare Rose Face Oil*, which contains ingredients from our original rose "Jurlique," and are strengthening our branding of Jurlique as a holistic and conscious beauty brand centered on our star skincare products. By region, sales in the Chinese market increased year on year thanks to successful live online streaming and social media promotions, despite the impact of lockdowns caused by COVID-19. For the year, Jurlique achieved a 5.6% rise in net sales and reduced its operating loss compared with that of the previous year.\*

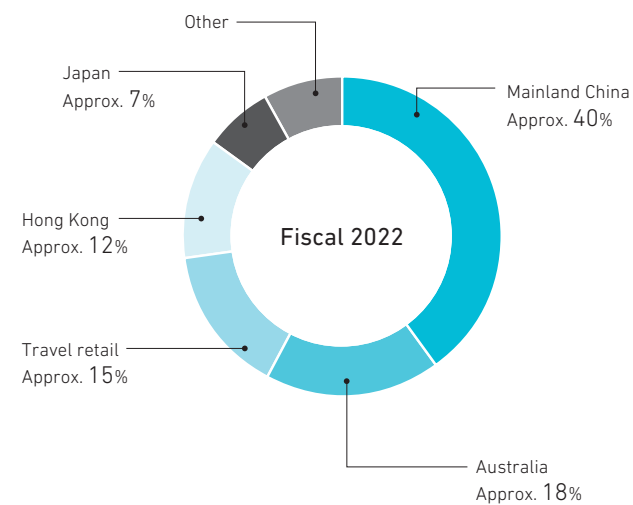
In 2023, we will accelerate business growth in the Chinese market, particularly through online sales, and achieve business recovery in Australia and Hong Kong now that the COVID-19 pandemic has subsided. In terms of products, we will strive to attract and retain new customers with our holistic approach centered on facial skincare products. Seeking to turn to profitability, we will target growth of net sales and further implement structural reforms to improve our break-even point. We aim to turn to profitability in 2024.

\*Year-on-year change represents a comparison with the results for 2021 calculated using the same revenue recognition standards as for 2022.

## Key issues pinpointed

- Top priority of shifting from loss reduction to profitability

## Net sales breakdown by region



## Strategies

## Growth Strategies by Brand (Brands under Development)

## THREE



## FIVEISM



## Amplitude



## DECENCIA



## ITRIM



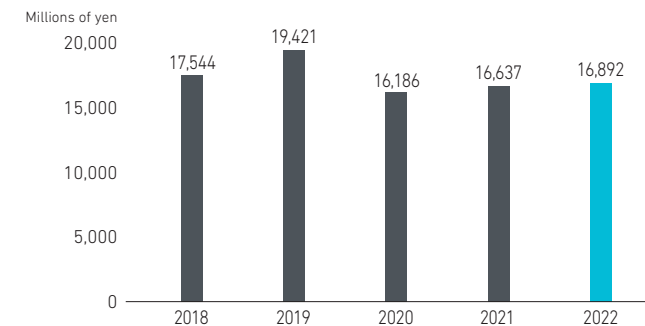
## FUJIMI



The Amplitude and ITRIM brands will be discontinued in 2023.

## Net sales

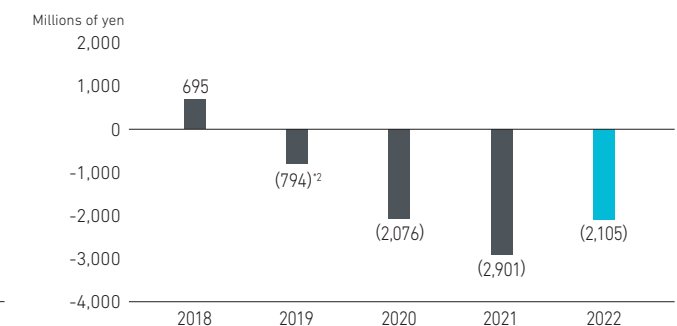
¥ 16,892 million (up 2.3%)\*<sup>1</sup>



\*<sup>1</sup> Year-on-year change represents a comparison with the results for 2021 calculated using the same revenue recognition standards as for 2022.

## Operating loss

¥ 2,105 million (—)



\*<sup>2</sup> Due to launch of new brands

## Fiscal 2022 results and future measures

## ACRO

ACRO's corporate philosophy is "to create the beauty of the era through a well-honed sense of style." Under this philosophy, we are using the THREE brand to roll out lifestyle merchandise that is not limited to cosmetics.

Net sales of THREE declined 13.7% year on year due to the suspension of its e-commerce site and refraining from promotions, in addition to restrictions on face-to-face customer services stemming from COVID-19. On the other hand, the operating loss contracted thanks to various structural reforms, including a review of our sales channels and the streamlining of expenses. Meanwhile, we are making good progress in expanding new customer contacts aimed at renewing the brand's growth with initiatives that include strengthening sales via external e-commerce platforms and entering the local Chinese market.\*<sup>3</sup>

On the basis of the need to reform the Group's brand portfolio and improve profitability, we decided on March 6, 2023, to discontinue the Amplitude and ITRIM brands.

## DECENCIA

DECENCIA is a line of anti-aging care cosmetics and skin-brightening products that can be used with peace of mind by

people with sensitive skin. In 2022, we launched a new DECENCIA series to promote recognition of DECENCIA as a prestige brand in the sensitive-skin market. During the year, we narrowed our focus to attracting new customers through a strategic shift to marketing with a greater emphasis on communicating brand value. As a result, net sales declined 13.5% and operating income fell 16.7%. In 2023, we will continue our focus on building brand equity of DECENCIA as a prestige brand while strengthening CRM to increase customer retention and lifetime value.\*<sup>3</sup>

## FUJIMI

FUJIMI, which became a subsidiary in April 2021, is a pioneer in personalized beauty care brands. Under this brand, we sell personalized supplements, face masks and proteins based on the results of our proprietary analysis. In 2023, we will launch a skincare series as a new product line to expand net sales. We will also rigorously control costs with the aim of turning to profitability\*<sup>4</sup> in 2023.

\*<sup>3</sup> Year-on-year change represents a comparison with the results for 2021 calculated using the same revenue recognition standards as for 2022.

\*<sup>4</sup> Before amortization of acquired intangible assets

## 1 Five non-financial materiality categories

### Quality of Life Improvement through Innovative Technology Services



## Innovative technology services enrich customers' lives

The POLA ORBIS Group's research and development contribute to enhanced quality of life because the targets of research and development are not only the skin but the entire body and because results are quickly turned into technology for use in products and services.

### Working toward non-financial KPIs

#### Background to materiality measures

- The POLA ORBIS Group has collected resources to tackle wrinkles and dark spots—two of the biggest skincare concerns—and filled its R&D reservoir with original ingredients, patents and materials found nowhere else in the world. Research goes beyond the skin to complete body care.
- A varied, multi-brand approach is applied to research activities to help improve quality of life for targeted customer groups, each characterized by different lifestyles and different needs.

### Non-financial KPIs and results of major activities in 2022

|  | Explanation   | 2022 results                    | Major activities in 2022  |
|--|---|---------------------------------|---|
| ① Number of new businesses created                           | Develop new services and new fields to meet diversifying needs  | 7<br>(since 2021)               | Frozen foods for beautiful skin (BIDISH), regional renaissance project, learning business, Bihada-ken tours   |
| ② Job satisfaction and engagement score                      | Create an exciting, comfortable work environment in which employees, fueled by a desire to contribute to corporate success, are able to take the initiative | 57.6%                           | Consider, implement and then monitor action plans designed to spur enthusiasm for work and create comfortable environment   |
| ③ Brand recognition and loyalty                              | Leverage brand characteristics to improve customer QOL  | Researched by brand             | <b>DECENCIA</b><br>Reviewed content and creative appeal of advertising and official websites<br><b>tricot</b><br>Pursued rebranding of FUJIMI brand   |
| ④ Number of research awards won at home and abroad           | Develop seeds that grow into high-value-added products  | 7<br>(since 2018)               | <b>POLA CHEMICAL INDUSTRIES</b><br>Did not win any awards but published papers in <i>Cell Reports</i> , an internationally respected academic journal. Made two oral presentations and two poster presentations at 32nd International Federation of Societies of Cosmetic Chemists (IFSCC) Congress |
| ⑤ Number of researchers in cutting-edge dermatology research | People to expand research beyond skin to whole body   | 60<br>(as of December 31, 2022) | <b>POLA CHEMICAL INDUSTRIES</b><br>Hired new graduates and midcareer specialists in such areas as dermatology, formulation and data analysis  |

#### Non-financial KPI Item ①

### / New businesses that go beyond boundaries of cosmetics and contribute to social value

We made the number of new businesses created a target for realizing VISION 2029 and turning the Group into a collection of unique businesses that respond to diversifying values of "beauty." In 2022, four projects—frozen foods for beautiful skin (BIDISH), a regional renaissance project, a learning business and Bihada-ken tours—have moved toward starting business operations. These projects originated from the Multiple Intelligence Research Center (MIRC), the Group R&D base, from corporate venture capital activities and from ideas collected through the in-house venture program.



Frozen foods for beautiful skin (BIDISH)

#### Non-financial KPI Item ④

### / Research structures to generate new value

The POLA ORBIS Group's basic research activities are undertaken by MIRC and the Frontier Research Center (FRC). MIRC gathers information from around the world and poses new questions, while FRC looks for answers to those questions through

leading-edge technology and research. The two centers, which collaborate and work with global research organizations, also explore moonshot research and other pursuits, striving to realize new value creation beyond the boundaries of cosmetics.

### / Investment in intellectual property

POLA ORBIS HOLDINGS sees intellectual property and intangible assets—including patents, trademarks and other intellectual rights, technologies, brands, designs and know-how—as vital management resources. To maintain and reinforce these intangible assets, the Company will actively invest at least 2% of consolidated net sales into R&D, promote global development of the cosmetics business through enhanced research and technology strategies, reshape and enrich the brand portfolio, create new value and expand business domains. The Company links management strategies and business strategies to research strategies and protects R&D results, the naming used for each brand and other

intangible aspects according to intellectual property rights, such as patent rights, design rights and trademark rights. POLA ORBIS HOLDINGS encourages the use of acquired intellectual property rights within the POLA ORBIS Group but also takes a robust approach to additional applications, such as in joint activities with other companies. Intellectual property rights of the Group are centrally managed by the POLA ORBIS HOLDINGS Group Research and Pharmaceutical Center to maximize the value of intellectual property. In addition, we conduct anti-infringement checks on the products and services of each Group company to minimize the risk of disputes, thereby preventing damage to brand value.

#### 2022 Research Results: Example 1

POLA CHEMICAL INDUSTRIES is pursuing research into the correlation between dark spots and neurons in the skin in a joint effort with the Ikeuchi Lab at the University of Tokyo's Institute of Industrial Science. Research results describing the influence of neurons on dark spots were published in an academic journal for

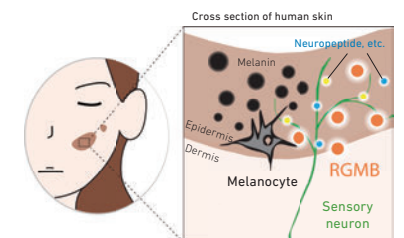
dermatologists, and then, in 2022, after successfully ascertaining the underlying mechanism, the team wrote a paper published in *Cell Reports*, a sister magazine of *Cell*, the internationally respected scientific journal.

#### Title of paper

"Human sensory neurons modulate melanocytes through secretion of RGMB"

#### Summary

This study revealed increased neuron-melanocyte contact deep within a dark spot and showed that sensory neurons secrete a protein called RGMB, which activates melanocytes and induces pigmentation (melanin production). The results from this study will contribute to a better understanding of the mechanism that causes dark spots and other localized pigmentation in the skin and underpin development of treatments to fade dark spots.



#### 2022 Research Results: Example 2

POLA CHEMICAL INDUSTRIES announced the results of joint work with Tokyo Medical Center—part of the National Hospital Organization—and the National Center for Child Health and

Development in the poster category at the 32nd IFSCC Congress in 2022. The results clarified the occurrence of fiber rebuilding in subcutaneous tissue.

#### Title of presentation

"Identifying a gene orchestrating skin regeneration via tissue rebuilding ~Inspiration from aesthetic treatments~"

#### Summary

Despite the fact that aesthetic treatments often cause some damage to the skin, such procedures do deliver definite improvements. For example, a procedure where adipose-derived stem cells are injected subcutaneously revealed the occurrence of fiber rebuilding, where old fibers accumulated in the subcutaneous area rebuild into new fibers, reducing the appearance of wrinkles, sagging and other aging skin-related concerns. However, the underlying details of this mechanism are not yet clear.

With that procedure in mind, the research team ascertained that the key factor in fiber rebuilding was TSG-6, a multi-functional protein released by adipose-derived stem cells. The discovery of TSG-6 opens the door to possible alternative products and services for aesthetic treatments that rebuild fiber structures. In addition, this discovery of fiber rebuilding bodes well for a broad range of applications, including procedures to improve the appearance of scars, which has been a challenge to date, and aesthetic treatment aftercare.



## Enriching the lives of local people

The POLA ORBIS Group is always grateful to the communities in which it does business and aims to grow together with them.

### Working toward non-financial KPIs

#### Background to materiality measures

- The POLA ORBIS Group has provided job opportunities to women since 1937, when working women were a rarity, and has supported female entrepreneurs in rural areas. As of December 31, 2022, POLA had a network of about 27,000 Beauty Directors, who deepen communication with customers through consulting but go beyond making skin beautiful to truly get to know customers and help them live comfortable lives.
- Other brands in the portfolio also collaborate with regions to contribute to active communities.

### Non-financial KPIs and results of major activities in 2022

|   | Explanation  | 2022 results                     | Major activities in 2022  |
|---|--|----------------------------------|---|
| ⑥ Number of regional entrepreneur owners                  | Shop owners who influence local economic activities                        | 425<br>(as of December 31, 2022) | <b>POLA</b><br>Japan: Developed organizations (scale of ¥5 million in monthly sales) with an influential presence in the region<br>Mainland China: Opened 16 shops  |
| ⑦ Number of initiatives contributing to the local economy | Expand synergy through joint efforts that energize local economic activity | 31<br>(as of December 31, 2022)  | <b>POLA</b><br>• Total beauty business organized SDGs Conference<br>• Launched new project “From Loss to Beauty”<br>• Rolled out THE MARCHE, a market-style event, nationwide<br><b>ORBIS</b><br>Sponsored Tohoku social entrepreneur development program<br><b>POLA CHEMICAL INDUSTRIES</b><br>Interacted with community at factory (clean-up campaigns, flower-bed planting, etc.)<br><b>ACRO</b><br>Applied new natural ingredients in revamp of <i>Balancing</i> line |

#### Non-financial KPI Item ⑥

### / POLA produces female entrepreneurs who face social issues head-on and add sparkle to the community

POLA is strengthening activities across Japan under the slogan “We Care More. Changing the world, with care.” toward realizing “a society with abundant connections that trusts in the potential of individuals and society itself” by 2029, when the company will celebrate its 100th anniversary. “We Care More.” comprises three kinds of care—caring for people, caring for society and caring for the planet—and is linked to the concept of SDGs. In 2022, POLA rolled out a market-style event—THE MARCHE—nationwide. Built on the theme “everyday + alpha,” each market event featured content matched to the region and venue, with partner stores invited to set up booths where visitors could try out products and treatments as well purchase items. In other pursuits, employees and shops in areas across the country cocreated content regionally and promoted various SDG-oriented activities. POLA organized the SDGs Conference again in 2022 to allow initiatives to be shared. The conference attracted 45 entries from all over Japan. The screening process began with written submissions,

then video, and on the day of the actual gathering, five groups made their presentations. The top prize went to the presentation “Save women from period poverty! Efforts in the Shizuoka zone to raise the quality of life for women.”

Regional revitalization is essential for POLA to conduct sustainable business activities. By working together with the local community to address social issues pertinent to that area, the company creates opportunities to meet people whom the previous one-to-one sales format excluded and thus greatly expand the circle of communication.



THE MARCHE

#### To realize a society in which women live active lives

I was shocked to learn that some young women have a hard time getting ahold of feminine hygiene products due to economic circumstances. With the idea “What could I do through POLA for women whose ability to demonstrate strengths today or realize potential tomorrow is blocked?” I reached out to business partner shop owners, who willingly agreed to join forces with me. When customers made a purchase and put the item in their own bag, we set aside the amount the shop would have paid for a paper bag. The money we collected was donated to fight period poverty. In conjunction with this program, POLA reached out to the Shizuoka Prefecture Gender Equality Center (Azalea) to open a Period Poverty Counter for Shizuoka Prefecture. In addition, one of the customers who supported our campaign teaches at a high school in the city of Shizuoka, and a class was run there for 120 students on the theme “women’s bodies and the importance of health and resources.” I hope that POLA will continue to contribute to realizing a society in which women can live active lives.



Naoko Konagaya  
Shizuoka Zone, POLA INC.

#### Non-financial KPI Item ⑦

### / Generating new value from unused resources

POLA launched a new project, “From Loss to Beauty.” The idea is that some resources that would be lost are transformed into new value connected to beauty that will enable POLA to support resource utilization, regional revitalization and primary industry. From a corporate perspective, POLA will benefit by connecting with people sharing new ideas and experiences with the local population, and generating new possibilities for growth. The project’s first activity is a joint effort with Shimane Prefecture and Shimane University to use grapevine clippings—the lateral shoots that have no value—from Shinku, an original grape variety that Shimane Prefecture spent 10 years cultivating. The project team developed a hand serum, *Hand Confiture*, infused with extract from the shoots to give hands glowing, silky-smooth skin. The product debuted in January 2023. The journey toward bringing *Hand Confiture* to market involved Shimane Prefecture

providing the untapped resources, Shimane University analyzing the efficacy of the Shinku grapevine extract and POLA developing a product incorporating the extract. Looking to the future, POLA relishes the challenge of creating fresh and beautiful value in many areas across Japan.



Discussion with grower



Hand Confiture

### / Began developing ingredients in cooperation with local producers

In October 2022, ACRO began developing ingredients through regional cooperation. The goal is to create high-quality herbal ingredients originating in Japan by pursuing R&D that utilizes local resources and special features. Working with the town of Genkai and the city of Karatsu in Saga Prefecture, ACRO formed a partnership with the Genkai Research Institute of Medicinal Plants (Medicinal Plant Garden) and others, and began trial cultivation of herbs focusing on the climate and soil of the area. In cooperation with Kumamoto Prefecture, ACRO formed a partnership with Kumamoto Keiwa Co., Ltd., an herb tea manufacturer and marketer handling herbs and wildflowers from around the world but with an emphasis on herbs grown in the Minami-Aso area. With Kumamoto Keiwa, ACRO will develop ingredients for use in cosmetics. Through regional cooperation,

ACRO will utilize the natural geography and resources specific to various areas in Japan to promote development of ingredients and products that embody the holistic care concept of the THREE brand.



At signing ceremony with representatives of Minami-Aso municipal hall and Kumamoto Keiwa Co., Ltd.

## Five non-financial materiality categories

### 3 Culture, the Arts, Design



## Adding color to people's lives through culture and the arts

The POLA ORBIS Group has long supported cultural and artistic activities that foster people's inner beauty. We identify culture, the arts and design as important elements of our business development.

### Working toward non-financial KPIs

#### Background to materiality measures

- To generate innovation in the VUCA (volatility, uncertainty, complexity, ambiguity) era, employees must acquire a heightened sensitivity and sharpen their ability to pinpoint issues and communicate. These qualities are indispensable.
- By collaborating with highly perceptive artists, we endeavor to provide content that stimulates the sensitivity of our customers.

### Non-financial KPIs and results of major activities in 2022

|  | Explanation  | 2022 results            | Major activities in 2022   |
|--|--|-------------------------|--|
| <b>8</b> Number of new brand experiences created that utilized art | Develop innovative, trendy products and services                       | 28<br>(2022 only)       | <b>POLA</b><br>Proposals to make life more comfortable through artist/designer x B.A brand collaboration<br><b>Jurtique</b><br>Collaborated with artists on designs for packaging  |
| <b>9</b> Number of participants in liberal arts workshops          | Cultivate aesthetic sense and personal tastes and give back to society | 224,179<br>(since 2018) | <b>Group companies</b><br>Ran art workshops for employees at Groupwide training sessions<br><b>POLA ORBIS HOLDINGS</b><br>Art gallery operation<br><b>P.O. REAL ESTATE</b><br>Ran workshops for residents of rental condominiums |

### Non-financial KPI Item 8

#### Product designs earned high marks on world stage

The POLA ORBIS Group conveys a message of creative work with a sense of the times and presents value beyond the ingredients and performance of portfolio products. POLA's *B.A Makeup* and *Kenbi Sansen* each earned a Red Dot Award for packaging design in the brands and communication category at Red Dot Award: Brands & Communication Design 2022. ORBIS captured a gold iF Design Award 2022—the highest prize—for *ORBIS CLEANSING CREAM*, a POLA ORBIS Group first. This product earned high marks for its simple and reduced style as well as for environmental consideration (refillable containers). A look at iF Design rankings over the five years from 2018 through 2022 shows ORBIS designs hitting the No. 2 mark and POLA reaching No. 3 in the beauty category. Skincare Lounge by ORBIS, which took a Good Design Award in 2021, is a specialized "experience facility" where the company presents

the brand message "Simply you. Simply beautiful." down to the tiniest detail, from the interior layout to service design.



ORBIS CLEANSING CREAM



B.A Makeup

### Non-financial KPI Item 9

#### Operate gallery to provide a deeply relaxing time with high-quality art

The POLA Museum Annex features a wide variety of displays, including the POLA collection and other contemporary art. With these displays, which are free of charge, we aim to convey the POLA ORBIS Group's unique value to stakeholders in Japan and overseas.

In June and November 2022, the gallery showcased exhibitions in support of Ukraine. "Prayers for Tomorrow," a solo event of works by Morihiro Hosokawa, opened in June, with paintings exhibited and sold. Also, a donation box was on-site. Proceeds raised from this exhibition were given to the United Nations High Commissioner for Refugees. A charity auction, an annual event since 2020, took place in November with the theme "Spring," with 20 artists connected to the gallery who supported the charity idea by gifting one piece of their work. This was a silent auction, and bidding was done online. In conjunction with this event, the gallery conducted raffles of line

drawings and also sold an official catalog. Proceeds from the auction and from the sale of the drawings and catalog reached about ¥21 million, all of which was donated to the Japan Committee for UNICEF's Ukraine Emergency Fundraiser to help children in Ukraine. Going forward, the POLA Museum Annex will strive to stimulate visitors' sensitivity to the world around them and provide a place and time to enrich their souls.



Receiving letter of appreciation (left: Naotaka Hashi, Corporate Officer and General Manager, Corporate Communications, POLA ORBIS HOLDINGS; right: Ken Hayami, Executive Director, Japan Committee for UNICEF)

#### Other activities related to support for culture and the arts

We support culture and the arts from the perspective that it is only with inner beauty and a spiritual richness that true beauty can be realized.

#### Support for preserving, passing on and promoting traditional culture and cosmetics culture

The POLA Research Institute of Beauty & Culture, established in 1976, organized an exhibition titled "Ukiyo-e ni miru Edo bijin no yosooi" (Fashion and Make-up of Edo Beauties Seen in *Ukiyo-e* Prints) at the Niigata Prefectural Museum of History. The institute received a request from the Japan Foundation in New Delhi to give a lecture on the history of cosmetics culture in Japan for an online course at the center. For "Poison," an exhibition at the National Museum of Nature and Science, the institute provided tools used to apply *oshiroi*, the white foundation powder typical of a geisha's makeup, as well as *ukiyo-e* for display. In addition, the institute distributed a research report on beauty trends in the "with-COVID-19 era" and age and aging awareness.

The POLA Foundation of Japanese Culture, which has the support of the POLA ORBIS Group, preserves, passes on and promotes traditional crafts techniques, traditional performing arts, folk entertainment and other expressions of traditional Japanese intangible culture. The foundation creates archives and, in 2022, produced its 50th documentary film, titled "From Mansaku Nomura to Mansai and Yuki." This film, which depicts the passion of people

who keep performing arts from past ages relevant in the present and ensure their future, earned high praise at home and abroad.

#### Support for the POLA Art Foundation

The POLA Museum of Art, run by the POLA Art Foundation, has contributed to culture for more than 20 years with a concept connecting Hakone's natural beauty and works of art. Recently, the museum expanded its focus from impressionist art to contemporary art. The exhibition "Roni Horn: When You See Your Reflection in Water, Do You Recognize the Water in You?" which ran until March 2022, was the first large-scale exhibition of a contemporary artist at the museum.

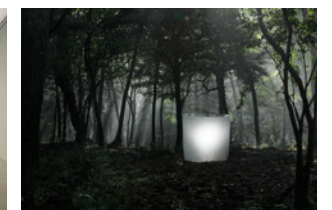
Representative of American contemporary art, Roni Horn's works resonated with a new visitor segment—persons under 40—with pieces echoing nature and her consistent production approach. The artist came to Japan, and the exhibition saw considerable media coverage and drew attention across other formats, including social media. After the exhibition, *Air Burial (Hakone)*, a masterpiece, became a permanent installation on the nature trail in the woods surrounding the museum. This cast-glass work has won favorable reviews.



Left: "Ukiyo-e ni miru Edo bijin no yosooi" (Fashion and Make-up of Edo Beauties Seen in *Ukiyo-e* Prints)  
Right: "From Mansaku Nomura to Mansai and Yuki"



"Roni Horn: When You See Your Reflection in Water, Do You Recognize the Water in You?"



*Air Burial (Hakone)* 2017–2018





## Developing human resources who set the course for the Group's diverse brands

The POLA ORBIS Group oversees a portfolio of brands, each with its own concept, sales channels and market appeal. Going forward, business pursuits and brands will likely become increasingly diversified in tandem with the changing environment. Against this backdrop, it is people—with insight into the future and the ability to discover new businesses and raise the profile of diverse brands—who will be indispensable to further growth of the Group. Toward realization of VISION 2029, which sees the Group as “a collection of unique businesses that respond to diversifying values of ‘beauty,’” we are striving to cultivate human resources with leadership qualities and abundant personality.

### Working toward non-financial KPIs

#### Background to materiality measures

- Recognized risk of insufficient human resources to manage Group operations over medium to long term due to business portfolio expansion and now working to develop management personnel.
- Must create environment where employees can thrive in their assigned duties, in good health, maximize sensitivity and capitalize on potential for career advancement. In particular, as a corporate group with significant number of female customers and female employees, priority must be given to issue of women's empowerment.

### Non-financial KPIs and results of major activities in 2022

|  | Explanation  | 2022 results                        | Major activities in 2022   |
|--|--|-------------------------------------|--|
| <b>10 Percentage of female executives</b>                          | <ul style="list-style-type: none"> <li>Promote diversity through management-level leadership</li> <li>Utilize perspectives close to target segments in business and management activities</li> </ul> | 22.9%<br>(as of March 31, 2023)     | Talent Development Committee was instrumental in selecting and fostering a diverse candidate group that included women   |
| <b>11 Percentage of female managers</b>                            | <ul style="list-style-type: none"> <li>Build organization with diversity</li> </ul>  | 47.8%                               | Diversity Promotion Committee drafted action plans matched to characteristics of each Group company<br><b>POLA</b><br>Conducted gender-bias seminar and encouraged male employees to take child-care leave |
| <b>12 Percentage of candidates to become management executives</b> | Establish/reinforce pipeline for people with management potential  | 161.9%<br>(as of December 31, 2022) | Continued to promote next-generation leader skills development program   |
| <b>13 Number of people leaving the company for health reasons</b>  | Achieve balance between sickness prevention/treatment and work   | Undisclosed                         | Improved health management skills and provided health advice<br><b>POLA</b><br>Living with cancer program  |

#### Non-financial KPI item 10 11

### Initiatives in diversity

In January 2022, POLA ORBIS HOLDINGS established the Diversity Promotion Committee, chaired by Miki Oikawa, representative director and president of POLA INC., assigned a KPI to diversity efforts and decided the direction of activities to achieve that KPI. Toward realization of a diversity-based organization epitomizing a person-centered management style, the committee was tasked with drafting action plans matched to the characteristics of each Group company and overseeing their implementation. Lateral cooperation across the Group will be strengthened and, through activities that generate synergies, the Group will accelerate its embrace of diversity and inclusion. Looking toward 2029 and our 100th anniversary, we defined the Group's future image as “a collection of unique businesses that respond to diversifying values of ‘beauty.’” Management is very much aware that achieving this desired image requires the capability of securing and cultivating diversity-rich human resources.

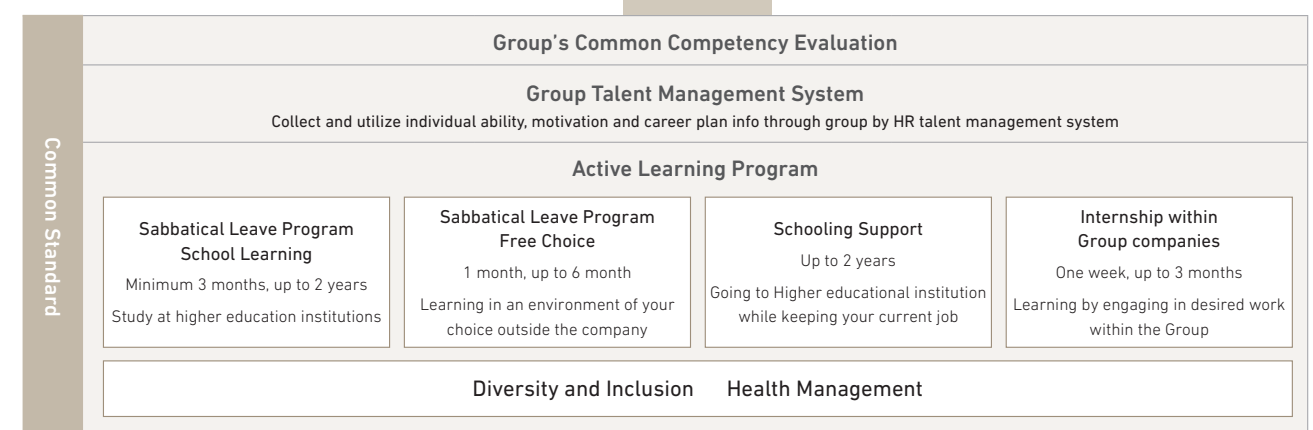
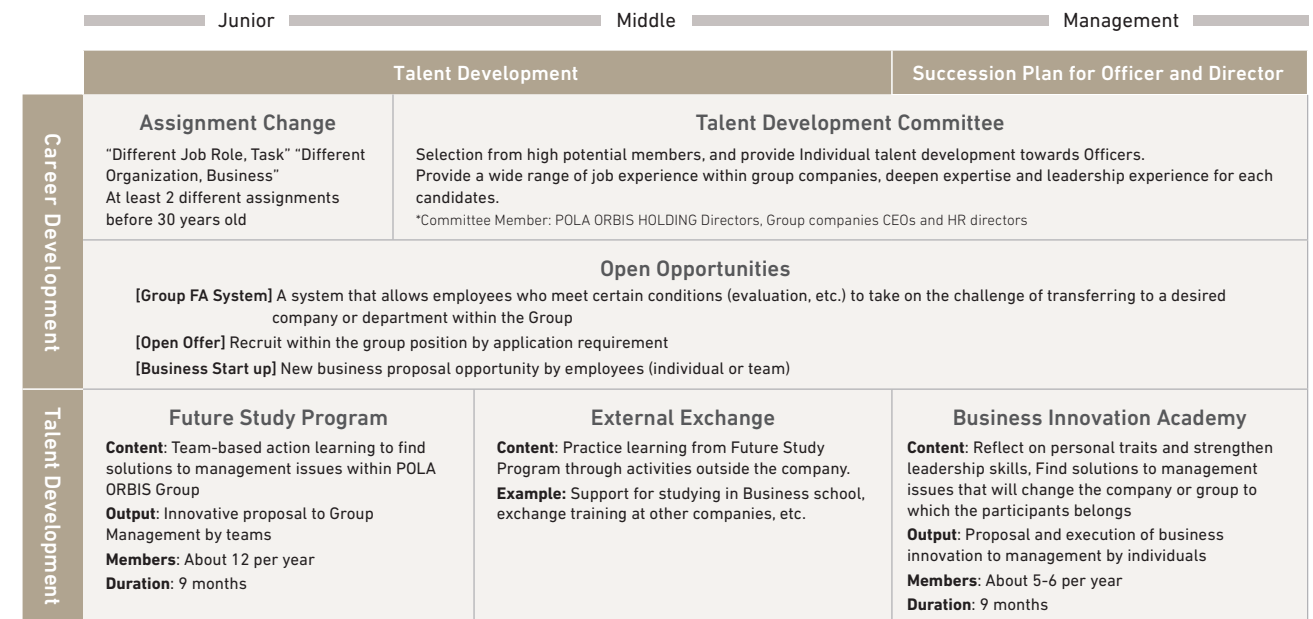
POLA pushed ahead with specific measures that drove the Group's progress. Internally, the company encouraged male employees to take advantage of child-care leave and conducted gender-bias seminars. Employee benefits related to infertility treatments and egg freezing were also enhanced. Externally, the

company took an active position on several fronts, conveying a message of women's empowerment and offering career counseling for the next generation. POLA earned high marks for such efforts, substantiated by the 2022 Tokyo Metropolitan Government Women's Participation Promotion Award Grand Prize in the industrial category. In addition, for the LGBTQ+ community within the company, POLA broadened the definition of a family, which had been based on a legal perspective. The introduction of a practical approach instead of the legal perspective to the human resources system and employee benefits means that a family now includes common-law partners and same-sex partners. Measures such as the creation of a helpline for sexual minorities and support for employees to continue working while undergoing gender-affirming surgery or hormone treatments have earned praise, substantiated by a gold certificate in PRIDE Index 2022, which evaluates LGBTQ+ efforts in the workplace. POLA won a gold Gan-Ally-Bu Award 2022 as well, marking the fourth straight year that the company has been recognized by Gan Ally Bu, a private-sector project to address the issue of cancer and employment, for enabling employees with cancer to continue working while undergoing medical treatment.

## Achieving active participation of diverse human resources of the Group

To cultivate human resources who see the Group as a whole from a big-picture perspective, we provide opportunities that enable individuals to go beyond organizational walls and embrace challenges on their own to develop their skills and shape their careers. In addition to programs designed to develop next-generation leaders, such as the Future Study Program and the Business Innovation Academy, which have participation from across the Group, we offer a Group free-agent system that gives employees who

satisfy certain requirements the chance to transfer to a company or division of choice within the Group as well as an in-house venture program that invites employees to propose ideas for new businesses. We seek to create an environment that promotes having goals and being motivated. Enthusiasm for the job and a pleasant work environment are two sides of the same coin, and diversity and inclusion and health management must be components of the support foundation to keep human resources actively engaged.







Non-financial KPI item 12

Structure for effective development of human resources for management positions

The POLA ORBIS Group is building a human resources development system to constantly cultivate the skills of people assigned to run operations. Within the Group, opportunities for shaping careers are offered according to rank—young people, middle management and administrative management—and programs are in place to enhance capabilities. For people in middle-management and administrative-management positions, a structure has been set up to promote effective development of human resources for executive-management positions. Under this format, candidates with the right qualifications for key positions are identified, individual training plans are drawn up and progress is monitored. Set up in 2019, the Talent Development Committee selects

candidates from throughout the POLA ORBIS Group who meet criteria for key positions that have management responsibility. The committee then clarifies individual aptitude, performance and any skills in need of refinement and drafts a training program designed to enable the individual to acquire the necessary experience. Progress is monitored. In 2022, the selection pool was expanded to include more young people and a higher percentage of women. The committee confirmed the filling of positions and the status of each talent-related training program, and discussed the findings. Individual skill-development plans were drafted and activities were undertaken to increase the effectiveness of experience-building programs.

Employee competency revised

Under VISION 2029, POLA ORBIS HOLDINGS aims to expand the Group’s business portfolio beyond the cosmetics realm to the domains of well-being and society, thereby ensuring sustainable business growth. Toward this end, in 2022, the director competency model was revised, and in 2023, the model was redefined for

employees as well. Competency criteria were identified, based on performance characteristics demonstrated by past high performers and using as the starting point a long-term perspective of how the Group should be in the future and which reforms are needed to arrive there, and subsequently criteria were set.

Keywords: “social significance,” “sensitivity to changes, acceptance of changes and active evolution,” “embrace complex situations,” “actions based on intrinsic motivation”  
Continued importance: “*bi-ishiki* (≈esthetic sense),” “diversity,” “individuality,” “individual starting point”

| Cluster   | Characteristic  | Definition  |
|---|---|---|
| A Person-Centered Management<br>Put mindset and thinking hinging on “individual” into practice                        | Pursuit of social significance                                      | Looks at community and wider society and earns trust from all around  |
|   | <i>Bi-ishiki</i> (≈Esthetic sense)                                  | Values personal viewpoints and sensitivities unique to self and expresses own views                           |
|   | Respect for diverse individuals and ability to draw on their skills | Respects different opinions and viewpoints and draws on them for inspiration                                  |
| SHINKA (Evolution)<br>Sensitivity to changes in society and active evolution  | Vision creation   | Defines division or team direction and envisions desired end-point status                                     |
|   | Business context awareness  | Watches for emerging market and social trends with forward-looking perspective                                |
|   | Leverages an extensive external network                             | Builds broad network inside and outside company and utilizes connections                                      |
|   | Conceptual thinking   | Views things comprehensively to describe concepts and stories   |
|   | Analytical thinking   | Arranges complicated information in easy-to-understand format and delves into topics                          |
| Value Creation<br>Put corporate value creation driven by challenging spirit and cocreation capabilities into practice | Cultivate climate of development                                    | Cultivates climate where people learn from each other, develops and fosters growth in others                  |
|   | Challenge-embracing, action-oriented                                | Holds fast to own ideas and repeats—and lets others repeat—process of trial and error without fear of failure |
|   | Passion for results   | Responds to change and seeks results with intrinsic motivation  |

Next-generation leader skills development programs

There are two programs to develop the skills of next-generation leaders: the Future Study Program, for young employees, and the Business Innovation Academy, for administrative management. The structure of these programs was initially set up in 2005 with the debut of the Future Study Program, and the curriculum has constantly evolved since then to the present. These programs have graduated more than 300 people, many of whom went on to executive appointments.

1. Future Study Program

Designed for young employees in their 20s and 30s, the program is, in principle, open to anyone who wants to participate. Young employees with a can-do attitude work in teams to envision the Group’s future, identify issues that require attention and devise potential solutions to present to management. In 2022, we enhanced the program that focuses on the mindset needed to identify issues requiring attention—which reveal buds for change—and behavior development. People active in different fields, such as artists, architects, social entrepreneurs and marketers, were invited as special guests to give lectures, providing opportunities to learn about thinking external to the program participants’ own companies and about the ability to influence others positively. In addition, seeking to foster awareness in next-generation leaders, participants in the Future Study Program joined administrative management in the Business Innovation Academy for combined sessions. For participants in both programs, this was an eye-opening opportunity. The program has had 18 graduating classes since 2005. Proposals offered by participants over the years have been linked to activities driving the growth of the POLA ORBIS Group, including the development of a brand of men’s cosmetics, as well as being catalysts for timely human resources strategies, such as the Group free-agent system and the open-offer system.

2. Business Innovation Academy

This program for administrative management in their 30s and 40s is limited to a few elite individuals, typically five people annually. A broad invitation is extended to employees aware of issues facing the Group. The curriculum is designed to create leaders with the talent to drive change forward at their respective companies while bringing others and the organization into the process. Specifically, participants identify fundamental issues of concern within their own company or pertinent to the Group, then formulate a strategy to address these issues through repeated discussions within the participant group as well as with management of the company where issues exist. They uncover issues within the organization that should have been addressed long ago and issues needing drastic action due to the changing business landscape, then present suggestions to management on reforms to address such issues. In addition, the program reveals personal value perceptions and leadership issues through such approaches as dialogue with guest speakers, art workshops at the POLA Museum of Art in Hakone and discussions with management. Launched in 2007, the program has been held 16 times, and 78 people—excluding participants who have retired—have completed the curriculum. Of these participants, 21 have been appointed to executive positions at companies under the Group umbrella.



2022 Business Innovation Academy

Provide learning opportunities that spur intrinsic motivation

A Groupwide program built on each person’s intrinsic motivation was introduced to support the desire for self-development and learning. Support for independent study covers four courses, two with long-term attendance to acquire diverse perspectives through high-level, specialized culture education. The program is noteworthy in that employees will not lose vacation days for learning in an environment outside the company, and salaries will continue to be paid because the time spent on education is for self-development that will ultimately benefit the company.

In addition, tuition support, with an upper limit, will be provided if attendance is required, regardless of whether employees work while going to classes. Other programs include courses that employees take outside the company for a short time and internships within the Group. Conditions and screening apply depending on the course.

By supporting employees with a strong desire to learn and upgrade their skills, the POLA ORBIS Group will achieve sustainable improvement in Groupwide corporate value.



Non-financial KPI item 13

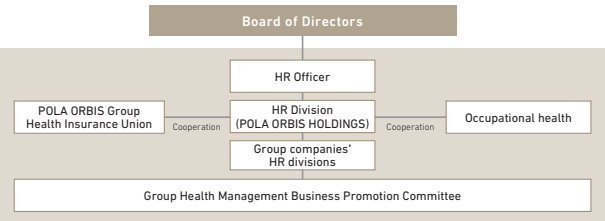
Health management

In 2017, the Group drafted the POLA ORBIS Group Health Management Declaration to continue the Group as an organization brimming with human resources who possess rich individuality and deep sensitivity, and use health management to realize the Group philosophy. The physical and mental health of employees is a management priority, driven by coordinated efforts by companies, occupational health professionals and health insurance associations to ensure the well-being of Group employees and their families.

For six straight years since 2018, the Company has earned certification as an outstanding organization in the large enterprise category under the Certified Health and Productivity Management Outstanding Organization Recognition Program.

Health management system

POLA ORBIS HOLDINGS set up the Health & Productivity Management Promotion Team, under the supervision of the Board of Directors, to connect with occupational insurance and health insurance associations and the human resources departments of Group companies while promoting health management activities across the Group. In addition, the Group Health Management Business Promotion Committee, with participation mainly from managers and directors responsible for human resources within the Group, occupational health staff and employee representatives,



is tasked with planning, considering, evaluating and improving initiatives related to health and productivity management.

The Group Health Management Center, which functions as an occupational health organization, performs many administrative functions. For example, the center coordinates health information on employees Groupwide, deals with risk management from a health perspective (including assessing risk from health-check results, making recommendations to seek medical attention and offering health guidance and counseling), helps employees, including those taking leave due to a mental health issue or returning to work after receiving care, and supports overworked employees.

Develop support measures to improve quality of life for female employees

Women account for a large percentage of employees Groupwide, and POLA ORBIS HOLDINGS knows that eliminating or at least reducing presenteeism—which erodes productivity—caused by female-specific health issues and promoting programs that enrich career options for women are vital to the future of the Group. Toward this end, the Group Health Management Center recruits gynecologists, maintains a consultation portal easily accessible by email and offers various awareness programs designed to improve health literacy. Also, since 2022, female employees have had access to LunaLuna Office, a femtech service that helps working women navigate health problems related to menstruation, menopause and other female-specific issues.

In addition, at POLA, Club Amazonas, an informal networking group run by employees, holds activities on its own, including online lunchtime seminars on female-specific health issues such as “mind and body in menopause.”



Presenting life career choices for adult women

I was approaching 50, confused by physical changes I could never before have imagined and had reached an age when I held positions of responsibility both socially and professionally. When I felt my physical and mental balance crumbling, I reached out to colleagues who had similar worries and similar experiences. Talking with these women helped me cope. This was the inspiration for Club Amazonas.

The group’s theme, which came about through discussions with members, is “What kind of life am I going to live from 50?” Adult women, having developed varied lifestyles, are mothers and wives but also children. They are supervisors and employees. They have positions of responsibility and expectations to meet daily, so they endure mental and physical discomfort to do their best to meet their obligations. For these adult women, I want this project to provide awareness of technologies and solutions that put a positive slant on worries and present various life career choices for women.

Club Amazonas

A voluntary social group run by POLA employees (17 members as of February 2023). Project presenting and supporting various life career choices for women of adult age.



**Chie Baba**  
Club Amazonas informal networking group core member  
POLA INC.



Five non-financial materiality categories

Environment



Care for the global environment around us and pursue sustainable business activities

The POLA ORBIS Group has positioned climate change-related risks and opportunities as a key management theme in its business strategy. To disclose information in accordance with TCFD recommendations, we are phasing in measures for governance, strategy, risk management, and indicators and targets for the 2029 SBT 1.5°C scenario certification target and the 2050 net-zero target. Climate change is a direct cause of biodiversity loss and, in addition to reducing the Group’s CO<sub>2</sub>, water, waste and plastics emissions, we are working to protect the environment. The Group is identifying issues and taking measures through the entire supply chain with particular focus on palm oil and plastic materials, which are used extensively in cosmetics ingredients and packaging materials.

Working toward non-financial KPIs

Background to materiality measures

- Natural resources and energy are indispensable to our business activities. They are also in limited supply, and we must be conscious of the environment in pursuing business activities, promote measures for recycling and save resources.

Non-financial KPIs and results of major activities in 2022

|   | Explanation  | 2022 results   | Major activities in 2022   |
|---|--|--|--|
| 14 CO <sub>2</sub> emissions (Scope 1, 2, 3)              | Aiming for net zero emissions by 2050                                      | Down 43.0% (compared with 2019)<br>Down 48.3% (compared with 2019) | • Obtained certification for SBT 1.5°C by 2029; formulated low-carbon transition plan for net-zero emissions by 2050<br>• Increased solar power generation at production bases and switched to renewable energy at major offices, factories and laboratories<br>• Considered reduction of CO <sub>2</sub> emissions, taking into account the entire product life cycle |
| 15 Water consumption                                      | Aiming to conserve water resources and reduce water risks and water stress | Down 1.9% (compared with 2019)                                     | Water-saving initiatives at factories, change to environmentally conscious equipment, use of rainwater, reforestation and thinning   |
| 16 Waste  | Aiming for sustainable production as a responsible manufacturer            | Down 51.9% (compared with 2015)                                    | Reduced industrial waste at Group companies  |
| 17 Plastic cosmetics containers and packaging consumption | Aiming for resource recycling to conserve limited resources                | 24%  | Surveyed actual plastics consumption; studied and implemented 4R’s-compliant products; studied remanufacturing; studied resource-recycling model   |

Non-financial KPI item 14

Addressing climate change challenges

To align the timescale with our medium- to long-term strategy, and since climate-related risk has the potential to exert impacts for an extended time, the POLA ORBIS Group defined the year 2023 as the short term, in line with our medium-term management plan, the year 2029, the year of our 100th anniversary as the medium term, and the year 2050, the government’s target year for achieving carbon neutrality, as the long term.

The CO<sub>2</sub> emissions reduction targets for 2023 and 2029 have been formulated in line with SBTi\*. Recognizing the importance of limiting the temperature rise to 1.5°C, an even harder target than that for 2°C, and the impact on our business, we have obtained certification for the SBT 1.5°C target for reducing CO<sub>2</sub> emissions,

a goal that is also set in the Group’s non-financial KPIs (medium term). In addition, we are aiming for net zero emissions in our long-term goals of 2050. Our approach is set forth in the Group’s low-carbon transition plan.

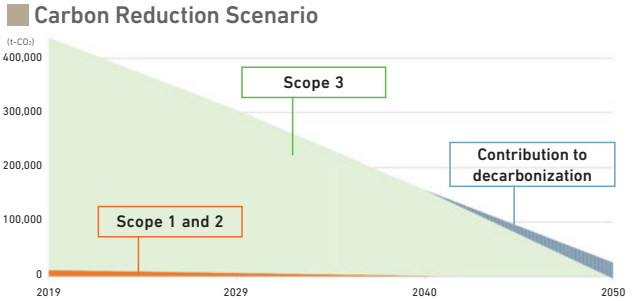
The POLA ORBIS Group Low Carbon Transition Plan leverages existing systems for addressing climate change to manage and oversee the achievement of the following targets.

\*SBTi: An international initiative to promote the establishment of science-based greenhouse gas emission reduction targets for companies with the aim of achieving the goals of the Paris Agreement. Jointly operated by the CDP, an international NGO for the disclosure of environmental information; the WWF (World Wide Fund for Nature); WRI (World Resources Institute) and UNGC (United Nations Global Compact)



- Aim to achieve net-zero CO<sub>2</sub> emissions (Scope 1 and 2) that are owned or controlled by the POLA ORBIS Group by 2040
- Aim to achieve net-zero CO<sub>2</sub> emissions (Scope 3) from business activities throughout the product life cycle by 2050

The Group has already begun to consider various initiatives to realize the above indicators. The following are the main initiatives we are currently implementing or considering.



Scope 1 and 2

- Install the latest equipment with low CO<sub>2</sub> emissions and convert from fuel to LNG with low CO<sub>2</sub> emission coefficients
- In addition to existing private power generation facilities, further expand the use of renewable energy to support scalability (such as by expanding solar power generation systems and considering the introduction of corporate PPA)
- Switch to a menu of electricity derived from renewable energy sources (with switch already completed at major production and research bases and offices)
- Establish Technical Development Center (TDC, a new research and development facility)
- Consider introducing internal carbon pricing

Scope 3

- Reduce CO<sub>2</sub> emissions throughout the supply chain by implementing a carbon footprint (classifying this into procurement, manufacturing, transportation, use and disposal/recycling, and working with various stakeholders in each area to promote reduction)
- Link to the POLA ORBIS Group Plastic Policy, reducing use of resources and replacing them with eco-friendly raw materials
- Contribution to low carbon

| Scope 1 and 2 | CO <sub>2</sub> emission volume target | CO <sub>2</sub> emission volume reduction ratio target | Baseline year (2019) result | 2022 result               |
|---------------|--|--|-----------------------------|---------------------------|
| 2023          | 9,677 t-CO <sub>2</sub>                | 17%  | 11,659 t-CO <sub>2</sub>    | 6,645 t-CO <sub>2</sub>   |
| 2029          | 6,762 t-CO <sub>2</sub>                | 42%  |                             |                           |
| Scope 3       | CO <sub>2</sub> emission volume target | CO <sub>2</sub> emission volume reduction ratio target | Baseline year (2019) result | 2022 result               |
| 2029          | 492,776 t-CO <sub>2</sub>              | 30%  | 703,966 t-CO <sub>2</sub>   | 220,203 t-CO <sub>2</sub> |

Our target is to reduce total CO<sub>2</sub> emissions (Scope 1, 2 and 3) by 4,484 t-CO<sub>2</sub> over the three-year period 2021–2023.

\*In June 2022, we reviewed the calculation method of Scope 3 for SBT certification.

Reducing CO<sub>2</sub> emissions

CO<sub>2</sub> emissions (in-house direct emissions)

In 2022, following efforts at our major factories and bases in Japan, the Group completed the switch to CO<sub>2</sub>-free electricity derived from 100% renewable energy at the Yokohama R&D Center, POLA CHEMICAL INDUSTRIES and 34 POLA offices across Japan. This change has reduced CO<sub>2</sub> emissions 43% for the Group as a whole. With these reductions, the Group is on track to achieve net-zero emissions by 2050.

Biodiversity

The POLA ORBIS Group recognizes loss of biodiversity as a significant risk in its business, especially in the procurement of natural ingredients. We educate all our employees about the importance of biodiversity to ensure that in the course of our business activities they will think of the need to allow other living

CO<sub>2</sub> emissions (emissions over the life cycle)

In 2022, with the cooperation of customers, the Group conducted a concept testing survey of products that appeal to environmental values. To visualize the environmental impact, we calculated the CO<sub>2</sub> emissions for the entire life cycle of the carbon footprint and disclosed the environmental value externally.

organisms to coexist. Because biodiversity is closely related to climate change and pollution throughout the product life cycle, we not only make improvements within our organization but also provide CSR procurement guidelines to our business partners and ask them to consider biodiversity.

TCFD support

The POLA ORBIS Group disclosed information in March 2022 in line with TCFD recommendations. As a result of a risk assessment, we identified transition risks and physical risks, selecting the 32 risks and 25 opportunities that had high business impacts. We defined the 2°C scenario as a “society focused on sustainability” and the 4°C scenario as a “society requiring disaster responses” and then analyzed these scenarios to calculate the potential financial impact. Regarding the POLA ORBIS Group’s vision and actions to achieve it, we have used a seven-force analysis, a duplication of

five-force analysis that adds government (regulation), investors and society to the five competitive forces. We then put our findings into specific strategies. Specific countermeasures are: (1) response to tighter GHG (greenhouse gas) emission regulations; (2) response to the introduction of regulations on plastic; (3) response to risks and opportunities arising from changes in demand associated with climate change and (4) response to the risk of damage due to abnormal weather events.

Key climate change risks and opportunities

| Category      | Sub-category        | Type                | Details of risks and opportunities  | Metric                        | Degree of financial impact | Duration of impact      | Applicable scenario |
|---------------|---------------------|---------------------|---|-------------------------------|----------------------------|-------------------------|---------------------|
| Risks         | Transition risks    | Policy and Legal    | Risks of higher costs due to tighter GHG emission regulations or the introduction of carbon pricing   | Higher costs                  | Medium                     | Short, medium, and long | 2°C                 |
|               |                     |                     | Risk of higher costs for the research and development of alternative materials due to the introduction of regulations on plastic, and higher manufacturing costs due to rising raw material prices  | Higher costs                  | Medium                     | Short, medium, and long | 2°C                 |
|               |                     |                     | Risk of higher costs due to the introduction of regulations on water usage  | Higher costs                  | Small                      | Medium and long         | 2°C                 |
|               | Technology          | Market              | Risk of decreased sales due to startups specializing in the reduction of environmental impacts, etc. or new market players in China or emerging economies   | Decreased sales               | Medium                     | Medium and long         | 2°C/4°C             |
|               |                     |                     | Risk of being unable to recoup investment in technology or research and development to address environmental concerns   | Assets                        | Medium                     | Long                    | 4°C                 |
|               |                     |                     | Risk of decreased sales due to inability to adapt to shift in customer demand towards ecofriendly products  | Decreased sales               | Medium                     | Medium and long         | 2°C/4°C             |
|               | Reputation          | Reputation          | Risk of damage to reputation as a result of slow response to climate change or inadequate communication with society  | Decreased sales               | Small                      | Short, medium, and long | 2°C                 |
|               |                     |                     |   |                               |                            |                         |                     |
|               | Physical risks      | Acute               | Resulting from damage to supply chains (own plants, suppliers, logistics infrastructure, etc.) from worsening extreme weather events<br>• Risk of decreased sales due to supply disruptions<br>• Risk of incurring higher procurement costs and recovery costs  | Decreased sales, Higher costs | Medium                     | Medium and long         | 2°C/4°C             |
|               |                     | Chronic             | Risk of higher costs due to rising raw materials price as a result of environmental changes accompanying climate change   | Higher costs                  | Small to medium            | Medium and long         | 2°C/4°C             |
| Opportunities | Resource efficiency | Resource efficiency | Opportunity for cost reductions achieved through the establishment of a recycling-based model using direct marketing  | Cost reductions               | Medium                     | Short, medium, and long | 2°C                 |
|               |                     |                     | Opportunity for cost reductions achieved through energy conservation, improvement of efficiency and DX in logistics processes, and the utilization of direct marketing methods  | Cost reductions               | Medium                     | Medium and long         | 2°C/4°C             |
|               | Energy sources      | Energy sources      | Opportunity for cost reductions achieved through the use of renewable energy and promotion of energy conservation at own facilities   | Cost reductions               | Small                      | Short and medium        | 2°C/4°C             |
|               |                     |                     | Opportunity for increased sales as a result of the development and sale of products to address growing skin concerns under the impact of climate change (growing demand for UV skincare and wrinkle-fighting products associated with increased ultraviolet radiation and growing demand for products to combat aging caused by dryness and skin roughness) | Increased sales               | Medium                     | Medium and long         | 2°C/4°C             |
|               | Market              | Market              | Opportunity for new demand arising from changes in consumer preferences under the impact of climate change  | Increased sales               | Medium                     | Short, medium, and long | 2°C/4°C             |
|               |                     |                     | Opportunity for increased sales due to growing global demand (emerging markets and regions where relevance of our products grows due to climate change)   | Increased sales               | Medium                     | Medium and long         | 2°C/4°C             |
|               | Resilience          | Resilience          | Opportunity to strengthen research and development capabilities in response to climate change and implement climate measures such as new product development, business expansion as a lifestyle brand and the creation of our own unique recycling model  | Equity                        | Medium                     | Medium and long         | 2°C/4°C             |

Overview of countermeasures

|  | Impact on business   | Existing initiatives   | Future actions  |
|--|--|--|---|
| <b>Countermeasures (1)<br/>Response to tighter GHG emissions regulations</b>   | ▼ Increase in carbon tax costs<br>▼ Higher direct energy costs including taxation on fuel and rising electricity rates<br>▼ Higher costs due to measures to reduce CO <sub>2</sub> emissions (capital investment, etc.)  | • Procurement of power derived from renewable energy and J-credits<br>• Introduction of solar power generation and its consumption<br>• Conservation of resources focusing on Fukuroi Factory, our domestic production site<br>• Linkage of CO <sub>2</sub> emission reduction targets to executives' compensation   | • Expansion of existing initiatives<br>• Reduction of CO <sub>2</sub> emissions throughout value chain (product design, decarbonization of logistics, support for suppliers' CO <sub>2</sub> reductions, reduction of volume of waste in product life cycle, etc.)  |
| <b>Countermeasures (2)<br/>Response to the introduction of regulations on plastic</b>  | ▼ Increase in alternative materials research and development expenses<br>▼ Increase in packaging costs<br>▼ Risk of damage to reputation   | • Reduction in plastics use through refillable containers<br>• Molding of containers made from recycled plastic and biomass plastic<br>• Implementation of container collection  | • Unique sustainable manufacturing with recycling at every stage from procurement through to collection and reuse<br>• Review of design of cosmetics containers and packaging based on 4R's<br>• Exploration of alternative materials   |
| <b>Countermeasures (3)<br/>Response to risks and opportunities arising from changes in demand associated with climate change</b> | ▼ Increase in procurement costs through procurement of raw materials with traceability and sustainable materials<br>▼ Decrease in sales due to change in demand such as weakening appeal of moisturizing skin care products due to rising temperatures<br>△ Expansion of sales due to the development and sale of products to address skin problems aggravated by climate change and environmental impacts<br>△ Increase in sales in emerging markets and in regions where relevance of our products grows due to climate change | • Response to need for sustainable palm oil<br>Acquisition of RSPO supply chain certification at Fukuroi Factory<br>• Research and development on the themes of sustainability and environment, led by MIRC (Multiple Intelligence Research Center)<br>• Establishment of sustainability business units for core brands POLA and ORBIS to step up implementation of sustainability initiatives | • Development of low-carbon eco-friendly products (raw materials, production processes, etc.)<br>• Establishment of ecosystem for the collection of resources and reuse of CO <sub>2</sub><br>• Development and sale of products that tap into demand arising from climate change<br>• Development of structure for strengthening marketing globally and tapping into growing demand for adaptation to climate change |
| <b>Countermeasures (4)<br/>Response to the risk of damage due to abnormal weather events</b>                                     | ▼ Increased costs as a result of damage to our factories, etc., or those of suppliers as a result of disaster<br>▼ Decreased sales due to holdups in the supply of products as a result of damage to factories affected by disaster or disruption to logistics   | • Formulation of basic BCP<br>• BCP measures: preparation during normal times and emergency drills (logistics network redundancy, diversification of raw material suppliers, ensuring BCP inventories of priority product items)   | • Sophistication of BCP measures (production network redundancy, ensuring alternative suppliers for raw materials, etc.)<br>• Implementation of additional specific measures at each site according to disaster risk  |





## / Selected for Climate Change A List, highest rating from CDP, for second consecutive year

POLA ORBIS HOLDINGS' climate change initiatives and information disclosure practices have earned the Company a reputation as a progressive organization with excellent corporate sustainability. CDP\*, an international NGO, named POLA ORBIS HOLDINGS to its highest rating, the Climate Change A List, for the second consecutive year.

\*CDP: International non-governmental organization that studies, evaluates and discloses strategies taken by companies to address climate change and measures related to greenhouse gas emissions

Behind the selection of POLA ORBIS HOLDINGS for this prestigious list is recognition of the Company's climate change strategies, initiatives and a high level of disclosure on the processes and results achieved through these measures.



## / Initiatives aimed at low-energy emulsion production and recycling POLA CHEMICAL INDUSTRIES developed new technology for recycling cosmetics emulsions

Mixing water and oil to make emulsions such as lotions and creams emits CO<sub>2</sub> in the heating process. Emulsions are difficult to separate and recover, meaning that unused products had to be destroyed. In response, POLA CHEMICAL INDUSTRIES pursued the development of recycling technology aimed at reducing both (1) CO<sub>2</sub> emissions during manufacturing and (2) emulsion waste. As a result, we found that our in-house-developed emulsifier M-Polymer can be emulsified at room temperature, and emulsification and separation can be controlled according to concentration. This approach eliminates the need for a heating process during production, thereby reducing CO<sub>2</sub>

emissions. In addition, the emulsion can be separated and components such as oils and M-polymers can be recovered. We also confirmed that the recycled ingredients are the same quality as new ones. The results were presented at the poster section of the 32nd IFSCC (International Federation of Societies of Cosmetic Chemists) Congress in London, UK, in September 2022. The Company is currently studying practical applications.



At the 32nd IFSCC

### Non-financial KPI item 15

## / Water resources

For cosmetics, especially skincare items, good-quality water is a vital ingredient. Water is also used for cleaning and cooling in the production process. We have set a water reduction target in our non-financial KPIs and are working toward a 26% reduction by 2029 (compared to the usage in 2019).

The Group has one production base in Japan (the Fukuroi Factory) and one in Australia (the Adelaide Factory). The main water resources used are groundwater and the public water supply. Water risks are analyzed and assessed by using the Water Risk Filter (WRF), developed by the World Wide Fund for

Nature (WWF) and others. While it was clear that the Fukuroi Factory is an area with extremely low water stress, we installed water-saving equipment and improved our cleaning and cooling methods to further protect the environment. On the other hand, we have reaffirmed that the Adelaide Factory is an area that faces water stress such as drought, and we are continuing our efforts to use rainwater and install dams. We also ask our suppliers to monitor their water usage. Going forward, the Company will deepen our analysis of water risks and promote activities to achieve reduction targets.

### Non-financial KPI item 16

## / Disposal (management of chemical substances and prevention of pollution)

The POLA ORBIS Group complies with national and regional laws, agreements and voluntary standards in the use and management of chemical substances. By fully understanding and managing the risks of chemical substances, we strive to prevent disasters and accidents, maintain a safe and healthy work environment, preserve the environment and reduce our impact on the ecosystem.

In managing chemical substances, the Company uses Safety Data Sheets (SDS) to provide appropriate information to employees and ensure proper handling. We thoroughly monitor, manage, report and reduce chemical substances emitted from our offices. In addition, we provide CSR procurement guidelines to our business partners and ask them to thoroughly manage chemical substances.

### Non-financial KPI item 17

## / Plastic circulation

The POLA ORBIS Group has set a goal of achieving 100% sustainable design based on the 4R's\* for plastic cosmetics containers and packaging by 2029, in accordance with our own POLA ORBIS Group Plastic Policy.

We are reviewing container development standards, using recycled plastics, container collection and recycling models.

\*4R's: Reduce (reduce the amount), Reuse (use repeatedly), Replace (replace with other materials), Recycle (recycle resources and keep using them)

## / Initiatives based on the POLA ORBIS Group Plastic Policy

### Container development criteria applied to the life cycle

Reduce Reuse Replace Recycle

Jurlique International has changed up to 94% of the containers and packaging in its *RARE ROSE* series\* to the use of renewable materials. The company has set five criteria for product design: (1) resource saving, (2) design simplicity, (3) recyclability, (4) prioritizing local suppliers and (5) recycling and prioritizing renewable materials. It aims to reduce its environmental

impact throughout the life cycle, switching to renewable materials for all product containers and packaging materials by 2024.



Rare Rose series

\*In Japan, it is sold as the Jurlique Rose Collection.

### Responding with refillables

Reduce Reuse

POLA has been offering refillable containers for cosmetics in the high-price range since 1985. ORBIS has been selling products in refillable containers since 1991. As the Group is mainly engaged in direct selling, the sales rate of refillables is high. We will continue to promote this approach.

### Using biomass plastic

Replace

POLA and ORBIS are switching to biomass plastic, a material derived from plants, for some products.



POLA B.A. EYE ZONE CREAM



ORBIS A series

### Initiatives for container collection

Recycle

POLA ORBIS HOLDINGS, in collaboration with Shiseido Company, Limited, has launched BeauRing, a recycling project of plastic cosmetics containers. Since April 2023, we have collected used plastic cosmetics containers in a trial experiment at 10 locations in Yokohama, including POLA counters at department stores and POLA THE BEAUTY stores. This initiative enables us to demonstrate the recycling model as a resource. We will continue working with our customers to build "a society with abundant connections."



In-store collection box  
BeauRing BOX

### Using recycled plastics

Recycle

POLA uses 100% recycled materials as the basic raw materials for the containers of the four-product *Shower Break* amenities series. This has enabled a roughly 63% reduction in CO<sub>2</sub> emissions compared with the level emitted previously using PET plastic derived from crude oil.

In addition, POLA has adopted the recycling pallet of Gifu Plastic Industry Co., Ltd., which upcycles plastic waste at risk of ending up in the sea. The plastic is reused to produce shipping materials for the transportation and storage of products. We aim to have all pallets be recycled pallets by 2027.



POLA Shower Break

Human Rights



In support of the Guiding Principles on Business and Human Rights, the POLA ORBIS Group formulated the POLA ORBIS Group Human Rights Policy in 2018. The Group promotes initiatives to respect human rights with emphasis not only on measures to prevent violation of human rights in the Group’s own business activities but also on efforts to remedy situations should any negative impact on human rights arise in Group business activities or in the activities of business partners. Further emphasis is placed on women’s empowerment, which is intricately connected to the Group’s business pursuits and to the creation of value with communities.

Regarding priority human rights issues, POLA ORBIS HOLDINGS relies on a structure hinging on CSR promotion officers (CSR committee members) at each Group company who, under the

direction of the Group CSR Committee, connect with appropriate departments and working groups, pinpoint issues and implement responses.

POLA ORBIS HOLDINGS provides human rights-related education and training, through e-learning, once a year for all employees (in Japan and overseas) under the Group umbrella and keeps everyone informed of the Group’s policy on human rights and on any issues of note. When transactions with business partners commence or when business partners are involved in purchasing meetings or asked to fill out certain documents, such as the Company’s CSR procurement questionnaire, the Company makes the Group’s CSR Procurement Guidelines known and works to get business partners agreeable to the concepts on human rights that the Company has embraced.

**POLA ORBIS Group Human Rights Policy**  
<https://www.po-holdings.co.jp/en/csr/social/right/>

Identifying human rights issues

As a first step, POLA ORBIS HOLDINGS sorted through issues related to human rights, following the Human Rights Due Diligence Regulations, established for application Groupwide.

The Company zeroed in on employment and the work environment, safeguarding personal information and privacy, protecting human rights connected to products and services, protecting the human rights of suppliers and business partners, protecting human rights connected to the process of selling products (including advertising/promotion) and protecting human rights connected to the process of product disposal.

In addition to these issues, POLA ORBIS HOLDINGS utilized the Human Rights Guidance Tool, designed by the United Nations Environment Programme Finance Initiative (UNEP FI), to consider the potential for human rights violations across all stakeholder groups. Human rights risks to region and society identified as issues requiring close watch are the possible impact of products on the health and safety of consumers, the exploitation of natural resources (leading to water stress and negative impacts

on maintenance of land resources), the ability to contribute to a sustainable society (the need for a circular model), efforts to ensure sound business dealings (preventing bribery) and providing suitable information to children. In all categories, POLA ORBIS HOLDINGS considers impacts from a value-chain perspective covering procurement\*, R&D, manufacturing, logistics, advertising/promotion, sales, use and disposal.

The Company conducted assessments to identify material human rights issues for the Group based on the degree of impact caused by such issues, the frequency of occurrence and the status of countermeasures. As a result, even though all categories carry some risk of human rights violation, three are priority issues: for risk associated with business partners, the emphasis is on pinpointing issues in the supply chain; for risk associated with customers, the focus is on managing personal information; and for risk associated with employees, the key theme is cultivating a suitable work environment.

\*Procurement covers human rights issues at business partners.

Human rights issues specific to business activities of POLA ORBIS Group and deemed priorities

| Priority issues                                  | Rights holders   | Efforts to identify issues  | Efforts to reduce impacts   |
|--|--|---|---|
| Pinpoint human rights issues in the supply chain | Business partner employees and citizens of the community | <ul style="list-style-type: none"><li>• CSR questionnaire for business partners</li><li>• Traceability survey initiated</li><li>• Virtual tours of palm oil plantations</li></ul> | <ul style="list-style-type: none"><li>• Update CSR Procurement Guidelines and make them known</li><li>• Purchase RSPO-certified palm oil</li><li>• Obtain RSPO supply chain certification</li><li>• Maintain Business Partner Hotline</li></ul> |
| Manage personal information                      | Customers  | <ul style="list-style-type: none"><li>• Understand security status of e-commerce sites</li></ul>  | <ul style="list-style-type: none"><li>• Set up Information Security Committee</li><li>• Strengthen security of e-commerce sites</li><li>• Be thorough in management and administration of personal information</li></ul>                        |
| Cultivate suitable work environment              | Employees  | <ul style="list-style-type: none"><li>• Conduct compliance and fact-finding surveys</li></ul>   | <ul style="list-style-type: none"><li>• Control working hours and optimize operations</li><li>• Hold training on issue of harassment</li><li>• Internal reporting system</li></ul>  |

POLA ORBIS HOLDINGS is preparing to implement traceability surveys to pinpoint human rights issues along the Group’s supply chains.

Palm oil

Raw materials derived from palm oil are used in cosmetics, and POLA ORBIS HOLDINGS recognizes that the associated supply chains carry potential environmental and social risks. Therefore, the Company, on behalf of the POLA ORBIS Group, signed on to the Roundtable on Sustainable Palm Oil (RSPO), and the Fukuroi Factory has acquired RSPO supply chain certification. In addition, POLA ORBIS HOLDINGS backs a policy of purchasing

RSPO-certified palm oil and having a roadmap toward reaching completely sustainable palm oil procurement. Going forward, reaching completely sustainable palm oil procurement will be set as a non-financial KPI target to ensure the roadmap is leading toward the desired destination, with regular monitoring of progress by the Group CSR Committee and updates to POLA ORBIS HOLDINGS’ Board of Directors.

Initiatives with supply chains

It is acknowledged within the POLA ORBIS Group that the potential for risks—environmental destruction and human rights issues—exists in the upstream supply chain of cosmetics, and POLA ORBIS HOLDINGS considers measures to confirm traceability right through to farms that produce the raw materials used in portfolio cosmetics and also takes steps to evaluate and control supply chain risks.

First, primary suppliers are asked for their understanding and cooperation regarding POLA ORBIS Group CSR Procurement Guidelines and given a CSR questionnaire to fill out. The questionnaire content is original, based on domestic and global best practice. In addition, on-site audits of factories run by particular key suppliers are conducted to confirm the implementation of environmental management programs, including those for CO<sub>2</sub>, water and waste, biodiversity initiatives and the absence of human rights risks, such as forced labor, child labor and work safety issues.

In 2018, POLA ORBIS HOLDINGS was among participating companies at the Stakeholder Engagement Program in Malaysia, sponsored by Caux Round Table Japan, and took part in a dialogue with experts including people in charge of the Roundtable on Sustainable Palm Oil (RSPO) and small-scale farmers who grow oil palms. This event allowed attendees to

grasp issues such as the potential for threats to human rights and the environment in palm oil-producing areas, prompting POLA ORBIS HOLDINGS to join RSPO in 2019.

POLA ORBIS HOLDINGS was selected as a Supplier Engagement Leader—the top rating—for the second straight year in the Supplier Engagement Rating, conducted by CDP.

Also, through dialogue with NGO and NPO representatives, the POLA ORBIS Group gathers information on corporate risks relating to environmental destruction and human rights violations. In 2023, the Group became a member of Sedex\*. Jurlique International, a member of the POLA ORBIS Group, also belongs to Sedex, having joined on its own. Membership in Sedex facilitates evaluation of supplier risks.



\*Sedex: A membership NPO that seeks to actively promote responsible business practices in global supply chains. It provides a world-encompassing self-assessment questionnaire and auditing scheme, and enables the sharing of survey and audit results among members over an online platform.

Dialogue with Stakeholders

POLA ORBIS HOLDINGS takes a robust approach to dialogue with all stakeholders. Opinions obtained this way are studied within the Group and reflected in corporate management practices.

| Stakeholders   | Key dialogue opportunities   | Outcome from dialogue   |
|--|--|---|
| Customers  | <ul style="list-style-type: none"><li>Comments from customers by phone and website</li><li>Customer satisfaction surveys</li><li>Sales data analysis</li></ul>   | Establish framework for quickly sharing customer comments all way up corporate ladder to realize improvements. POLA changed design of serum containers to format that facilitates use to last drop. POLA Customer Service Office captured three-star rating—highest level—for second straight year in 2022 HDI Benchmark, evaluation survey conducted by HDI-Japan. |
| Business partners<br>(Suppliers)                     | <ul style="list-style-type: none"><li>Procurement policy information meetings</li><li>Quality audits</li><li>CSR procurement questionnaire/audit</li></ul>   | Work with suppliers to build strong supply chain. Promote communication, including procurement policy information meetings, to ensure stable procurement and build good relationships with suppliers. POLA ORBIS HOLDINGS selected as Supplier Engagement Leader—top rating—in CDP Supplier Engagement Rating evaluation for two consecutive years since 2021.      |
| Business partners<br>(POLA Beauty Directors)         | <ul style="list-style-type: none"><li>Level-specific training (philosophy, products, techniques)</li><li>Leaders' business meetings</li><li>Interviews with Grand Owners</li></ul>                     | Support potential of women through POLA-related work. Promote close opinion exchange with Beauty Directors. Beauty Directors and POLA head office have been working together to implement activities related to SDGs and revitalization of local communities.   |
| Employees  | <ul style="list-style-type: none"><li>Employee satisfaction survey</li><li>Groupwide programs</li><li>Employee forums and training at each company</li><li>In-house intranet</li></ul>                 | Employees demonstrating individuality and playing active roles create springboard for sustainable growth. Opportunities provided. Invited ideas from employees for new businesses and received more than 100 suggestions. Long-term plans, management direction and messages from president and directors distributed over intranet as needed.                      |
| Shareholders/investors                               | <ul style="list-style-type: none"><li>General meetings of shareholders</li><li>Conference presentations</li><li>Institutional investors' meetings</li><li>Briefings for individual investors</li></ul> | Promote engagement with domestic and overseas institutional investors by top management, from president down, including management at each business, and apply comments from capital markets to business management. Working on higher level of fair disclosure, including scripts and rebroadcasts of conference presentations and post-meeting Q&A releases.      |
| Local communities/<br>non-governmental organizations | <ul style="list-style-type: none"><li>Joint activities/cooperation with local governments</li><li>NGO/NPO dialogues</li><li>Cultural and artistic activities</li></ul>                                 | Collaborating with local governments and NPOs to address community-specific issues. Earnestly responding to requests from NGOs and other groups.  |



FTSE4Good



FTSE Blossom  
Japan



2022  
Sampo Sustainability Index

2023 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

THE INCLUSION OF POLA ORBIS HOLDINGS INC. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF POLA ORBIS HOLDINGS INC. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



Dialogue with stakeholders: Example

Stakeholder Dialogue (held on November 17, 2022)

To confirm that the corporate activities of the POLA ORBIS Group meet the expectations and demands of society, POLA ORBIS HOLDINGS has created opportunities since 2011 for management to engage stakeholders in constructive dialogue.

In 2022, Taku Satoh, a graphic designer, was the invited guest, joining directors from POLA ORBIS HOLDINGS in a dialogue on the theme of requirements for sustainable product design. We invited a student studying sociology in London to the dialogue and heard the opinions of Generation Z members living in Europe.



Participants

Guests

Taku Satoh

Chairman and Representative Director, TSDO Inc.

Profile

Graduated from the Department of Design of Tokyo University of the Arts and its Graduate School. Work includes packaging design for Lotte XYLITOL Gum and Meiji Oishii Gyunyu. Activities focus on posters and other branding materials, product and facility branding, and corporate identity programs. Provides art direction on NHK Educational TV for *Design Ah!* and *Design Ah! neo* as general director, serves as director and facility manager of 21\_21 Design Sight and plans and holds many exhibitions.

(Facilitator)

Hiroko Ozawa

Head, ESG/Responsible Investment Research Center, Japan Shareholder Services Ltd.

POLA ORBIS HOLDINGS

Satoshi Suzuki

Representative Director and Chairman

Yoshikazu Yokote

Representative Director and President

Koji Ogawa

Director (responsible for management planning, IT, HR and business development)

Takuma Kobayashi

Director  
Representative Director and President, ORBIS Inc.

Miki Oikawa

Senior Corporate Officer (responsible for Group diversity)  
Representative Director and President, POLA INC.

Noriko Suenobu

Corporate Officer (responsible for Group Research and Intellectual Property & Regulatory Affairs)  
Director and Corporate Officer, POLA CHEMICAL INDUSTRIES, INC.

Mr. Satoh

- If we take a big picture of social issues, we can be overwhelmed by the number of problems, and because it's all so vague, we have to go at it in small bits. You can't have perfect conditions overnight, so you have to keep trying to adjust the trajectory of your arrow to hit the mark. To respond to changes fueled by diversifying perceptions of value, you have to identify each aspect you're aiming for and proactively approach the work at hand.
- Most people know hardly anything about the processes that go into bringing something—a product—to the stage it has when it is right in front of them. I pursue activities such as the Design Anatomy Project from the perspective of using design as a way to kickstart carbon footprint awareness among average consumers.

Consumers (Generation Z)

- Members of Generation Z are not going to support companies that praise the virtues of SDGs but then sell disposable products. They can see whether there is consistency in environmental or social initiatives that promote a company or a brand and actual business activities. And they can tell whether management is being transparent about what the company does.
- Companies might have the power to change basic consumer perceptions. For example, hamburgers are made from beef. That's the general perception in Japan today. But when you look at Europe, you see that livestock farming is already plagued by environmental issues, and different diets, such as the vegan lifestyle, are more widely accepted and respected. So there are cases where hamburgers are made from ingredients other than beef, which is par for the course in Europe.

POLA ORBIS HOLDINGS

- Corporate transparency will be an increasingly vital factor guiding consumers in product selection who question currently existing perceptions while watching how a brand responds. This amounts to impressive observations.
- We have to know how containers, packaging and ingredients—all components of cosmetics products—are procured and what issues might arise during procurement that have a negative impact on society. We have to set materiality (priority issues) fine-tuned to the Company. These steps must be taken at the management level. Associated initiatives must be driven by factors of originality, personality and fun. Also, we want to actively collaborate with other companies on what one company cannot achieve alone.
- The accelerating need to understand our carbon footprint—to trace the kind of supply chain and identify the products made and then delivered through this supply chain—really hit home. I realized the importance of establishing sustainable research and technology reforms to provide product transparency conscious of human rights and environmental issues.

Examples of comments applied to business

Implemented in 2019—"Promote measures to handle climate change risk"

- ➡ Set long-term reduction target for CO<sub>2</sub> emissions and set reduction of CO<sub>2</sub> emissions as medium- to long-term incentive evaluation criteria for directors

Implemented in 2020—"Should pursue organizational and team psychological safety to realize corporate philosophy"

- ➡ Set job satisfaction and engagement score as non-financial KPI from 2022

Implemented in 2021—"Cycle through loop of experience and behavior data, utilizing a digital platform"

- ➡ In November 2022, ORBIS began "hada ka.r.te," an app-based service using AI to analyze the condition of a customer's skin and tailor a skincare routine to that individual's needs.



Basic Stance on Corporate Governance

Board of Directors 19

The Board of Directors discusses important matters related to business management, including the formulation of medium- to long-term strategies for the Group, possible risks and optimum allocation of resources, and makes decisions on these matters. The board is composed of eight directors (three of whom are independent outside directors) and meets at least once a month. In 2022, it met 19 times, with an average attendance rate of 98.0% for directors.

The Board of Directors comprises directors who think flexibly and have the education and knowledge to apply diverse perspectives, as well as extensive experience and expertise for the Company's corporate management activities. In addition, the Company believes that from evaluations by Director Competency Model (see page 62), which was redefined in January 2022, maintaining a proper balance of knowledge, experience, capabilities and personalities among the directors is a priority. The Company appoints as outside directors those who have independence, those able to properly engage with and advise the Board of Directors' meeting and those able to reflect in the Company's management practices the expertise and insights acquired in corporate management in fields different from those of the Company.

Nomination Advisory Committee (voluntary) 6

The role of the Nomination Advisory Committee is to ensure objectivity, transparency and effectiveness in decision-making processes, including the nomination of Company director candidates, appointment of corporate officers and nomination of representative directors at subsidiaries, by discussing and recommending individuals based on requests from the Board of Directors regarding personnel essential from a management perspective. Outside directors make up the majority of the committee members. The committee chair is an outside director appointed by the Board of Directors.

Nomination, appointment and dismissal of directors

Director candidates are nominated from persons who have the ability to contribute to the Group's sustained growth and medium- to long-term increases in its corporate value, who fully understand the Group's management policies and strategies, and who possess such properties as multifaceted points of view, flexible thinking on reforms and specialization, with consideration for balance among such factors as knowledge, experience, abilities and diversity of the Board of Directors as a whole, based on an evaluation by Director Competency Model. To ensure objectivity and transparency in the appointment and dismissal process, decisions are made by the Board of Directors and submitted to the General Meeting of Shareholders, based on deliberations and reports by the Nomination Advisory Committee.

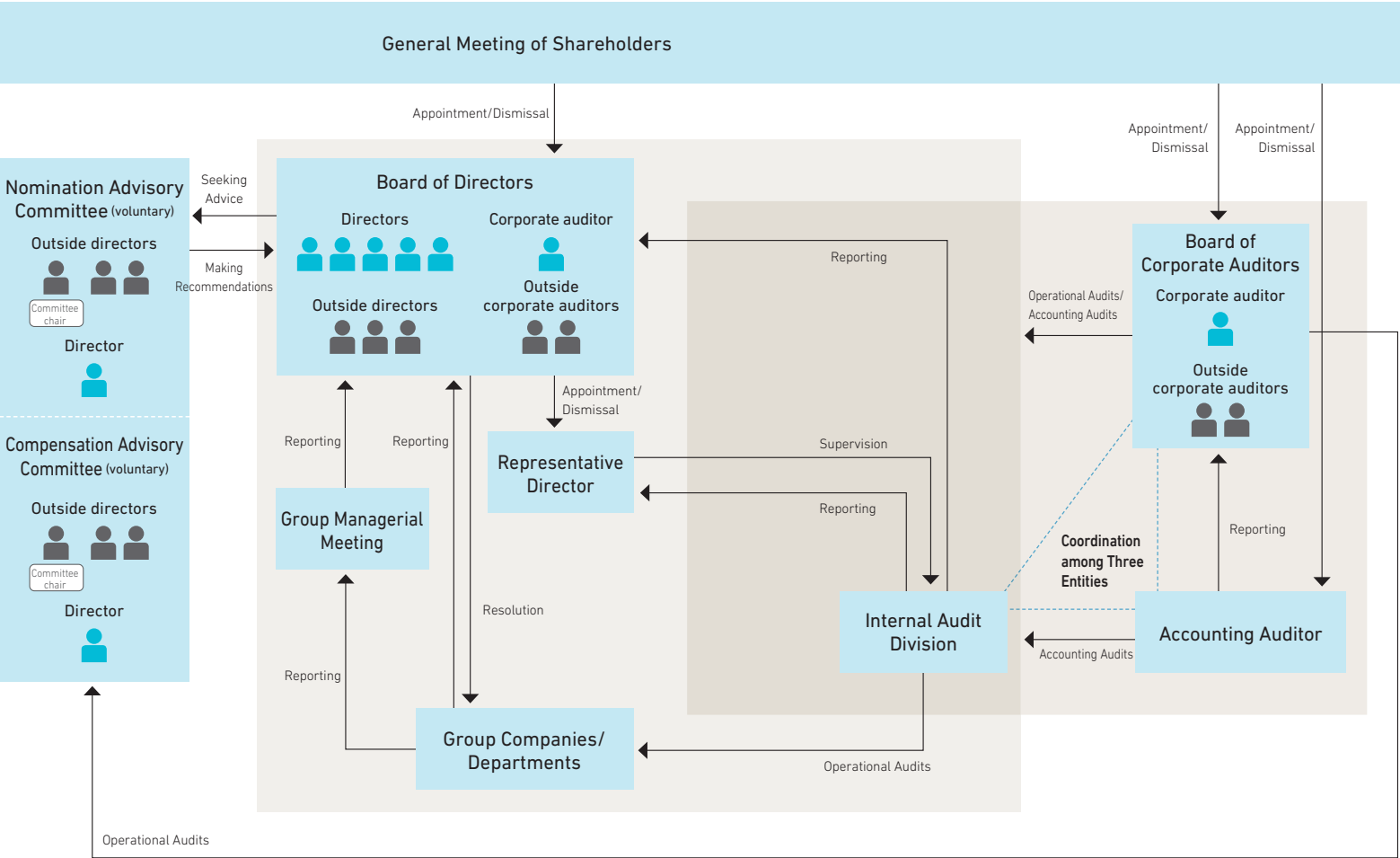
Appointment and dismissal of representative director and president

The appointment and dismissal of the representative director and president are considered the most important decisions of the Nomination Advisory Committee. Decisions on the appointment and dismissal of the representative director and president are made by the Board of Directors, based on sufficient deliberations and reporting by the Nomination Advisory Committee regarding whether the appointee possesses a suitable temperament, abilities, deportment and other properties as the Group's chief executive officer.

Compensation Advisory Committee (voluntary) 6

The role of the Compensation Advisory Committee is to ensure objectivity, transparency and effectiveness in decision-making processes regarding the system design of the compensation program for Company executives, compensation for Company directors and compensation for representative directors at subsidiaries of the Company, by discussing and recommending compensation based on requests from the Board of Directors. Outside directors make up the majority of the committee members. The committee chair is an outside director appointed by the Board of Directors.

Corporate governance structure (as of March 28, 2023)



Comments from the chairperson of the Nomination Advisory Committee

Although the change of representative director and president was decided in fiscal 2022, the Nomination Advisory Committee had been deliberating on candidates for a long time. We reviewed the talent requirements for representative director and president, selected multiple candidates and held numerous interviews with candidates and committee members. In addition, on the basis of the Group's proprietary Director Competency, which emphasizes "a person-centered approach," "evolution" and "transformation," we had external experts conduct multiple assessments. After carefully evaluating candidates for overall temperament, management capabilities, management experience and deportment in corporate ethics, etc., we decided to nominate Mr. Yoshikazu Yokote as the candidate for the new president.



Kazuyoshi Komiya  
Chairperson of the Nomination Advisory Committee  
Outside Director

Structural overview (as of March 28, 2023)

|   |  |
|---|--|
| Functional Structure  | Company with a Board of Corporate Auditors |
| Number of directors/Term of office  | 8 directors/2 years                        |
| Number of outside directors   | 3 directors                                |
| Number of corporate auditors/Term of office   | 3 corporate auditors/4 years               |
| Number of outside corporate auditors  | 2 outside corporate auditors               |
| Number of outside directors and outside corporate auditors designated as independent outside officers | 5 directors and corporate auditors         |

Steps in governance

|      |  |
|------|--|
| 2006 | Shifted to holding company structure   |
| 2008 | Added outside corporate auditors to structure  |
| 2010 | Listed on First Section of the Tokyo Stock Exchange  |
| 2013 | Introduced corporate officer system  |
| 2015 | Added outside directors to structure   |
| 2016 | Established Basic Policy on Corporate Governance<br>Initiated Board of Directors' effectiveness evaluation |
| 2017 | Formulated new Group philosophy (Mission, Vision, Way)<br>Established Group Code of Conduct                |
| 2018 | Introduced senior corporate officer system   |
| 2019 | Established Nomination Advisory Committee (voluntary) and Compensation Advisory Committee (voluntary)      |
| 2022 | Transitioned to the Prime Market of the Tokyo Stock Exchange   |

Board of Corporate Auditors 17

The Company is a company with a Board of Corporate Auditors. The corporate auditors attend general meetings of shareholders, Board of Directors' meetings, Group Managerial Meetings and other important events. They gather reports from directors, employees and accounting auditors, and supervise the execution of duties by directors. The board, composed of one full-time corporate auditor and two outside corporate auditors, is held at least once a month. The Company appoints outside corporate auditors who possess a high level of knowledge in various areas, including finance, accounting, law and internal control.

Internal Audit Division 12

The Internal Audit Division strives to carry out highly effective internal audits from an independent and objective standpoint to contribute to strengthening the governance systems of the Company and Group companies.

Specifically, through on-the-spot audits of each company and each department, the division assesses not only deficiencies in procedures but also whether companies or departments are fully prepared for matters (risks) that may occur in relation to business. Moreover, the division focuses on the extraction of structural issues inherent in business processes and the improvement of proposals rooted in underlying causes. By identifying issues related to internal control, it aims to provide management with information on important issues such as subsidiary governance systems and fraud prevention. In addition, the division strives to carry out audits efficiently by coordinating with the audits performed by corporate auditors and accounting auditors.

Group Managerial Meeting 20

The Group Managerial Meeting is composed of directors and full-time corporate auditors, as well as senior corporate officers and corporate officers of the Company, and directors and corporate officers of subsidiaries appointed by the Company's Board of Directors. It receives reports from all companies about important matters of the Company and its subsidiaries and discusses the content.

Policy on strategic shareholding

|   |
|---|
| POLA ORBIS HOLDINGS holds listed shares under the following conditions:   |
| (1) The Company will not seek strategic shareholding as a mere stable shareholder.  |
| (2) The Company will selectively hold listed shares only if the Board of Directors sees the shareholding as reasonable and suitable from a business perspective, such as maintaining or strengthening business alliances and business transactions. |
| (3) The Board of Directors will receive status reports regularly for each strategic shareholding, verify that each shareholding is still reasonable and appropriate, and disclose its conclusions.  |

Executive training

Through continuous improvement of skills, the directors and core management are subject to self-evaluations and external evaluations of Director Competency for the purpose of fulfilling their responsibilities. When necessary, executive coaching programs and discussions with members of the Nomination Advisory Committee are used to provide them with opportunities to improve their understanding and acceptance of their roles, responsibilities and commitments.

Efforts are made to help newly appointed executives understand their roles and responsibilities with explanations of their expected roles and legal responsibilities upon appointment.

For newly appointed outside directors and outside corporate auditors, in addition to their expected roles, matters explained to them upon appointment include the Group's management strategies and management plans, the state of management and business environments of individual Group companies, and other management issues. These are made clear by the executives responsible and the Management Planning Division, in order to promote understanding of the topics.

Matters Related to the Board of Directors

Evaluation results of Board of Directors’ effectiveness

Through an evaluation of the Board of Directors’ effectiveness implemented in 2021, these issues were brought to management’s attention and recognized as requiring action. Steps taken in 2022 to address these issues are described below.

| Item   | Steps taken   |
|--|---|
| ❶ Developing the cosmetics business globally and restructuring each brand and brand portfolio                    | After discussing and deliberating the Group’s overseas structure, the Board of Directors decided to integrate the overseas businesses of each Group company and has fully put in place an implementation system for transitioning to the new structure. In addition, we have finished integrating the travel retail businesses of each Group company. Meanwhile, although the income plans for each brand, including Jurlique, were not achieved, losses of unprofitable brands improved. |
| ❷ Creating new business and new value  | We explored and invested in alliances to create new value, including CVC investment and domestic and overseas LP investment. For developing new domains, we began to seriously consider entering the aesthetic medicine business. In research and development, we are steadily “sowing the seeds” for creating new businesses and new value, including making efforts to develop new dosage forms on schedule.  |
| ❸ Responding to the revised Corporate Governance Code (environmental and sustainability issues across the Group) | We conducted scenario analysis of the impact of climate change risks and profit opportunities on the Company’s business activities, profits, etc., based on TCFD recommendations, and published the findings in our integrated report, on our website, etc. In addition, the Board of Directors decided on a sustainability plan aligned to the SDGs and non-financial KPIs linked to the medium-term management plan. This information has been released to the public.                  |

1. Basic policy on evaluation

The significance behind evaluating the effectiveness of the Board of Directors is, we believe, to raise management quality and corporate value even higher by identifying issues at the Board of Directors and appropriately dealing with such issues to solve them.

With this in mind, we have pursued an approach that takes the evaluation process beyond self-evaluation by members of the Board of Directors to include an overall view based on evaluation and analysis of the directors’ effectiveness from objective perspectives. The basic policy is for the board itself to apply the results gained through evaluation.

2. Evaluation method and process

Facilitated by outside expert

In accordance with this policy, since fiscal 2017, for evaluating a board of directors’ effectiveness, we have turned to skilled third-party organizations to perform evaluation and provide analysis. In fiscal 2022, an interview was conducted with the chairman of the board, a questionnaire for all directors and corporate auditors was created, responses were gathered and a report was made based on the questionnaire’s results. Introducing into the evaluation process third-party organizations, which have nothing to gain from the Board of Directors, ensures anonymity, elicits frank comments and preserves objectivity in evaluation results.

POLA ORBIS HOLDINGS’ original approach

To complement third-party evaluation, we took the original approach of utilizing evaluations by employees who have completed in-house programs, such as top management development training, and some of these employees are selected to attend management meetings and Board of Directors’ meetings as observers and interview board members.

This approach not only lends an employee perspective to evaluations but also provides a valuable opportunity to develop people with management potential.

Evaluation results from all sources were compiled into a report by an external organization and passed on to the Board of Directors. The Board of Directors then analyzed and verified the content, worked toward a shared understanding of inherent strengths and issues requiring attention and implemented concrete action plans aimed at addressing such issues.

3. Summary of analysis and evaluation results

The following are evaluation results and the outcome of discussions at the Board of Directors’ meeting.

Points rated highly

The following points were recognized as demonstrating the high effectiveness of the Board of Directors. The board will strive to maintain and improve these points.

- ❶ Putting in place an environment to develop future management and the next management team
- ❷ Fostering a mind-set for expanding business into domains other than cosmetics
- ❸ Making the most of governance functions stemming from the diversity of the Board of Directors

Points brought to attention and recognized as requiring action

The following points were recognized as having room for improvement. In the future, the implementation and progress of efforts to resolve these issues will be monitored, verified and adjusted as necessary to increase their effectiveness.

- ❶ Strengthening verification of the multi-brand strategy and business portfolio
- ❷ Clarifying the role of the holding company and demonstrating leadership (involvement in subsidiaries)
- ❸ Building a consensus on the Board of Directors’ operations and roles (management boards, monitoring boards, etc.)

/ Key activity status of outside directors

Mr. Komiya, Ms. Ushio and Ms. Yamamoto are independent directors required to be designated by the Tokyo Stock Exchange, Inc.

| Name   | Key activity status   |
|--|---|
| <b>Kazuyoshi Komiya</b><br><br>Attendance at meetings of the Board of Directors<br><b>89%</b><br>17 of 19 meetings | Mr. Komiya views the overall management of the Group from a position independent of that of the Board of Directors and management. Moreover, after grasping essential issues and risks, he proactively offers advice and recommendations that contribute to enhancing the Group’s corporate value. Using his abundant knowledge and experience in corporate management, he actively makes recommendations on the Company’s overall management that prove correct.<br><br>Furthermore, in the decision-making process for director and top management nominations, he serves as the chairperson of the voluntary Nomination Advisory Committee and, through appropriate personnel evaluations and allocations, demonstrates his extensive and outstanding knowledge about our human resources strategy, development plans and the appointment and dismissal of the representative director and president.<br><br>He played an important role in enhancing the supervision of subsidiaries by being responsible for improving the Company’s subsidiary-monitoring functions and participating in the management meetings and Board of Directors’ meetings of major subsidiaries. In independent outside executives’ meetings, which are attended only by outside executives, he provided frank comments from objective perspectives about issues that the Group must address over the medium to long term. By deepening communication among outside executives, he worked to stimulate the discussions of the Board of Directors.                                   |
| <b>Naomi Ushio</b><br><br>Attendance at meetings of the Board of Directors<br><b>95%</b><br>18 of 19 meetings      | Ms. Ushio views the overall management of the Group from a position independent of that of the Board of Directors and management. After grasping essential issues and risks, she proactively offers advice and recommendations that contribute to enhancing the Group’s corporate value. Moreover, as an expert on information communication and human resources development, she actively provides recommendations regarding our human resources development, the promotion of diversity, etc.<br><br>In addition, in the decision-making process for compensation for directors and top management, she serves as the chairperson of the voluntary Compensation Advisory Committee and supervises directors and top management through appropriate evaluations of business execution.<br><br>She played an important role in enhancing the supervision of subsidiaries by being responsible for improving the Company’s subsidiary-monitoring functions and participating in the management meetings and Board of Directors’ meetings of major subsidiaries. In independent outside executives’ meetings, which are attended only by outside executives, she provides frank comments from objective perspectives about issues that the Group must address over the medium to long term. By deepening communication among outside executives, she worked to stimulate the discussions of the Board of Directors.   |
| <b>Hikaru Yamamoto</b><br><br>Attendance at meetings of the Board of Directors<br><b>100%</b><br>19 of 19 meetings | Ms. Yamamoto views the overall management of the Group from a position independent of that of the Board of Directors and management, offering advice and recommendations after grasping essential issues and risks. Moreover, using her extensive knowledge as a digital marketing expert, she proactively provides recommendations that contribute to enhancing the Group’s corporate value.<br><br>In addition, in the decision-making processes for nominations and compensation for directors and top management, she serves as a member of the voluntary Nomination Advisory Committee and Compensation Advisory Committee and supervises directors and top management with appropriate evaluations of personnel and business execution.<br><br>She played an important role in enhancing the supervision of subsidiaries by being responsible for improving the Company’s subsidiary-monitoring functions and participating in the management meetings and Board of Directors’ meetings of major subsidiaries. She has also been appointed as an advisor to a subsidiary, ORBIS Inc., and actively participates in initiatives aimed at employees, such as holding lecture meetings on marketing topics. In independent outside executives’ meetings, which are attended only by outside executives, she provides frank comments from objective perspectives about issues that the Group must address over the medium to long term. By deepening communication among outside executives, she worked to stimulate the discussions of the Board of Directors. |

/ Independent outside executives’ meeting (held on April 6, 2023)

We regularly hold meetings attended only by independent outside executives. In fiscal 2022, we resolved that Mr. Satoshi Suzuki, from the founding family, would assume the office of representative director and chairman, and Mr. Yoshikazu Yokote would assume the office of representative director and president. In response to this change, the Group exchanged views on how it should pursue sustainable growth.

- The Nomination Advisory Committee functioned appropriately regarding personnel essential from a management perspective. Mr. Yokote assumed the office through a decision-making process that fully ensured objectivity, transparency and effectiveness.
- We highly appreciate Mr. Yokote’s strong ability in management strategy, his abundant management experience and his business management capabilities with regard to global expansion. We look forward to seeing him demonstrate his skills in the Company’s overseas expansion.
- As an owner of the Company, Mr. Suzuki has long-term thinking and macro thinking from a broad perspective. While Mr. Yokote does not need to follow preexisting patterns, reform should nonetheless go further than merely addressing the current situation. Strong skills are needed to communicate how to change things.
- Although the Company has developed human resources who excel in business execution, the number of personnel with the qualities of professional managers is low. The Company should develop management personnel who possess both leadership skills and a bold spirit.
- Although progress has been made in selecting and appointing young employees, the Company should actively promote the appointment of people from outside the Company (including non-Japanese) and integrate new culture from outside into homogeneous groups. Educating employees about diversity and inclusion is also vital for retaining human resources.
- I would like to question whether management has a sense of urgency. If they do recognize a specific urgency, they should take measures and produce results, even though that may be challenging.





## Management Structure (As of April 1, 2023)

### Satoshi Suzuki

#### Representative Director and Chairman

According to his director competency evaluation, Mr. Suzuki has an exceptional ability to act decisively and decipher the social significance of the business, its current state and future direction, and to largely shift the entire Group in that direction.



**Apr 1979** Joined Honda R&D Co., Ltd.  
**May 1986** Joined POLA Cosmetics, Inc. (currently POLA INC.)  
General Manager, General Coordination Office, POLA Cosmetics, Inc.  
**Feb 1996** Director, POLA Cosmetics, Inc.  
Director, POLA CHEMICAL INDUSTRIES, INC.  
**Jun 1996** Representative Director and President, POLA CHEMICAL INDUSTRIES INC.  
**Jan 2000** Representative Director and President, POLA Cosmetics, Inc. (currently POLA INC.)  
**Sep 2006** Representative Director and President, POLA ORBIS HOLDINGS INC.  
**Apr 2010** Representative Director and Chairman, POLA INC.  
**Jan 2016** Chairman, POLA INC. (current)  
**Jan 2023** Representative Director and Chairman, POLA ORBIS HOLDINGS INC. (current)

### Naoki Kume

#### Director and Vice President

According to his director competency evaluation, Mr. Kume has a distinctive ability to think and act flexibly while making management decisions such as portfolio reform with an accurate grasp of social changes and viewing a wide range of fields without clinging to existing domains.



**Apr 1984** Joined POLA Cosmetics, Inc. (currently POLA INC.)  
**Oct 2004** General Manager, Accounting Division, POLA Cosmetics, Inc.  
**Apr 2005** Corporate Officer and General Manager, Group Organization Strategy Division, POLA Cosmetics, Inc.  
**Jan 2007** Director, POLA Cosmetics, Inc.  
Corporate Officer, General Manager of Management Planning and Group Organization Strategy, POLA ORBIS HOLDINGS INC.  
**Jan 2008** Director, General Manager of Management Planning and Group Organization Strategy, POLA ORBIS HOLDINGS INC.  
**Jul 2011** Director, H2O PLUS HOLDINGS, LLC (currently H2O PLUS HOLDINGS, INC.)  
**Feb 2012** Director, Jurlique International Pty. Ltd.  
**Jan 2014** Director and Vice President, POLA ORBIS HOLDINGS INC. (current)  
**Mar 2018** Director and Vice President, General Manager of International Business Management, POLA ORBIS HOLDINGS INC.

### Takuma Kobayashi

#### Director

According to his director competency evaluation, Mr. Kobayashi excels at visualizing future scenarios and acting to instill them within the organization. His strengths include the ability to make decisions flexibly and the will to achieve breakthroughs for generating results. He has a broad network of personal contacts and a distinctive ability to act in a timely manner, using his innovative perspective and creative thinking, focusing on speed.



**Oct 2002** Joined POLA Cosmetics, Inc. (currently POLA INC.)  
**Apr 2009** General Manager, Marketing Division, decencia Inc. (currently DECENCIA INC.)  
**Nov 2009** Director, decencia Inc.  
**Feb 2010** Representative Director and President, decencia Inc.  
**Jan 2017** Director, ORBIS Inc.  
Director, DECENCIA INC.  
**Jan 2018** Representative Director and President, ORBIS Inc. (current)  
Senior Corporate Officer, POLA ORBIS HOLDINGS INC.  
**Jan 2020** Director, H2O PLUS HOLDINGS, INC.  
**Mar 2020** Director, POLA ORBIS HOLDINGS INC. (current)  
**Jan 2022** Director, tricot, Inc. (current)

### Naomi Ushio

#### Outside Director

Outside

Independent



**Apr 1983** Joined Fuji Television Network, Inc.  
**Feb 1989** Resigned from Fuji Television Network, Inc.  
**Apr 1998** Lecturer, Meiji University Educational Foundation  
**Apr 2003** Associate Professor ("Jokyojo"), Meiji University Educational Foundation  
**Apr 2007** Associate Professor ("Junkyojo"), Meiji University Educational Foundation  
**Apr 2009** Professor, School of Information and Communication, Meiji University Educational Foundation (current)  
**Aug 2009** Expert Member, Liaison Conference for the Promotion of Gender Equality, Cabinet Office  
**Jun 2011** Outside Audit & Supervisory Board Member, Seven Bank, Ltd.  
**Jun 2014** Outside Corporate Auditor, JX Holdings, Inc. (currently ENEOS Holdings, Inc.)  
**Apr 2016** Vice President, Meiji University Educational Foundation  
**Mar 2018** Outside Director, POLA ORBIS HOLDINGS INC. (current)  
**Feb 2019** Member of 10th Central Council on Education, Ministry of Education, Culture, Sports, Science and Technology  
**Jun 2019** Outside Corporate Auditor, The Shizuoka Bank Ltd.  
**Jun 2020** Outside Corporate Auditor, Hagoromo Foods Corporation (current)  
**Jun 2021** Outside Director, The Dai-ichi Life Insurance Company, Limited (current)  
**Oct 2022** Outside Director, Shizuoka Financial Group, Inc. (current)

### Yoshikazu Yokote

#### Representative Director and President

According to his director competency evaluation, Mr. Yokote always acts with a keen awareness of the social mission of the corporation, where, unbound by conventional frameworks, he leads reforms and seizes opportunities before others, even in adverse situations, by drawing on his ability to make breakthroughs and remain perseverant, backed by a sense of the mission.



**Apr 1990** Joined POLA Cosmetics, Inc. (currently POLA INC.)  
**Aug 2006** Representative Director and President, FUTURE LABO INC.  
**Jul 2011** Chairman, Managing Director, POLA CHINA BEAUTY CO. LTD. (POLA Shenyang)  
**Jan 2015** Corporate Officer, General Manager, Product Planning Division, POLA INC.  
**Jan 2016** Representative Director and President, POLA INC.  
**Mar 2016** Director, POLA ORBIS HOLDINGS INC.  
**Jan 2020** Director, General Manager of International Business Management, POLA ORBIS HOLDINGS INC.  
**Jan 2021** CEO, POLA ORBIS Travel Retail Limited  
**Jan 2023** Representative Director and President, POLA ORBIS HOLDINGS INC. (current)

### Koji Ogawa

#### Director

According to his director competency evaluation, Mr. Ogawa excels by possessing an open mindset unbound by precedents and thinking strategically to create corporate value. He has a distinctive ability to seize opportunities by making timely decisions and acting to steadily produce results by motivating individuals in various ways to take on challenges while allowing the organization to feel secure.



**Apr 1991** Joined POLA Cosmetics, Inc. (currently POLA INC.)  
**Jan 2009** Saitama Area Manager, POLA Cosmetics, Inc.  
**Jan 2012** General Manager, PR & IR, POLA ORBIS HOLDINGS INC.  
**Jan 2014** General Manager, Corporate Communications, POLA ORBIS HOLDINGS INC.  
**Jan 2015** General Manager, Legal & Administration, POLA ORBIS HOLDINGS INC.  
**Jan 2017** Corporate Officer, POLA ORBIS HOLDINGS INC.  
Director, ORLANE JAPON INC.  
**Jan 2018** Director, ORBIS Inc.  
**Jan 2021** Director, Jurlique International Pty. Ltd. (current)  
**Mar 2022** Director, POLA ORBIS HOLDINGS INC. (current)  
**Jan 2023** Director, POLA INC. (current)

### Kazuyoshi Komiya

#### Outside Director

Outside

Independent



**Apr 1981** Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)  
**Nov 1991** Resigned from The Bank of Tokyo, Ltd.  
**Dec 1991** Joined Okamoto Associates, Inc.  
**Mar 1994** Resigned from Okamoto Associates, Inc.  
**Apr 1994** Joined Nippon Fukushi Service K.K. (currently SAINT-CARE HOLDING CORPORATION)  
**Jan 1996** Resigned from Nippon Fukushi Service K.K.  
Representative Director, President, Komiya Consultants, Inc.  
**Jun 1997** Outside Corporate Auditor, Sankei Giken Kogyo Co., Ltd. (current)  
**Jun 2002** Outside Director, WAQ CORPORATION (current)  
**Mar 2003** Outside Director, CAS Capital, Inc. (current)  
**Mar 2005** Outside Corporate Auditor, Sankei Giken Holdings Co., Ltd. (current)  
**Jun 2011** Outside Corporate Auditor, APOLLO MEDICAL HOLDINGS Co., Ltd.  
**May 2012** Outside Director, Kindware Corporation  
**Oct 2014** Visiting professor, Nagoya University (current)  
**Mar 2015** Outside Director, POLA ORBIS HOLDINGS INC. (current)  
**Apr 2015** Representative Director, Head Office, Komiya Consultants, Inc. (current)  
**Apr 2017** Representative Director, Chairman, Komiya Consultants, Inc.  
**Apr 2020** Representative Director, Komiya Consultants, Inc. (current)

### Hikaru Yamamoto

#### Outside Director

Outside

Independent



**Apr 2004** Assistant Professor, Graduate School of Economics, the University of Tokyo  
**Apr 2005** Lecturer, Faculty of Economics, Seikei University  
**Apr 2008** Associate Professor, Faculty of Economics, Seikei University  
**Apr 2014** Associate Professor, Graduate School of Business Administration, Keio University  
**Dec 2015** Outside Director, MTI Ltd. (current)  
**Mar 2020** Outside Director, POLA ORBIS HOLDINGS INC. (current)  
**Apr 2023** Professor, Faculty of Business and Commerce, Keio University (current)

Note: Director competency assessment undertaken with assistance from Korn Ferry Japan

### Hideki Komoto

#### Corporate Auditor



**Apr 1983** Joined POLA Cosmetics, Inc. (currently POLA INC.)  
**Jan 2008** General Manager, Accounting Division, POLA INC.  
**Jan 2012** General Manager, Finance Division, POLA ORBIS HOLDINGS INC.  
**Jan 2017** Corporate Officer, POLA INC.  
**Mar 2019** Corporate Auditor, POLA ORBIS HOLDINGS INC. (current)

### Motohiko Nakamura

#### Outside Corporate Auditor

Outside

Independent



**Oct 1990** Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)  
**Aug 1994** Registered as a certified public accountant  
**Jul 2003** Resigned from Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)  
**Aug 2003** Opened Certified Public Accountant Nakamura Office  
**Oct 2003** Registered as a tax accountant  
**Jul 2007** Partner, Mai Tax Accountant Corporation (current)  
**Oct 2008** Outside Corporate Auditor, POLA ORBIS HOLDINGS INC. (current)  
**Mar 2011** Outside Corporate Auditor, KAYAC Inc.  
**Jul 2013** Chief Executive, JICPA  
**Apr 2014** Associate Professor, Graduate School of Accounting & Finance, MBA Program, Chiba University of Commerce  
**May 2015** Independent Committee Member, Nitori Holdings Co., Ltd.  
**Jun 2015** Outside Corporate Auditor, Jorte Inc.  
**Apr 2016** Professor, Graduate School of Accounting & Finance, MBA Program, Chiba University of Commerce (current)  
**Apr 2019** Part-time Lecturer, Aoyama Gakuin University Graduate School of Professional Accountancy (current)  
**Apr 2023** Director, Accounting Education & Research Center, Chiba University of Commerce (current)

### Akio Sato

#### Outside Corporate Auditor



Outside

Independent

**Apr 1997** Registered as an attorney at law (Daini Tokyo Bar Association)  
**Mar 2003** Opened SATO & Partners  
**Mar 2008** Outside Corporate Auditor, POLA ORBIS HOLDINGS INC. (current)  
**Dec 2008** Outside Director, GMO Payment Gateway, Inc. (current)  
**Apr 2012** Part-time Lecturer, Keio Business School (current)  
**Jun 2016** Outside Director, Aozora Trust Bank, Ltd. (currently GMO Aozora Net Bank, Ltd.) (current)  
**Jul 2017** Outside Director, U-NEXT Co., Ltd. (currently USEN-NEXT HOLDINGS Co., Ltd.) (current)



**Miki Oikawa**  
Senior Corporate Officer  
(Part-time)



**Kazuya Kugimaru**  
Senior Corporate Officer  
(Part-time)



**Noriko Suenobu**  
Corporate Officer



**Takahiro Tabata**  
Corporate Officer



**Naotaka Hashi**  
Corporate Officer



**Shinya Chiba**  
Corporate Officer

## Skills Matrix of Directors and Corporate Auditors of POLA ORBIS HOLDINGS

| Position at the Company               | Areas of responsibility                             | Name              | Competency strength/Behavior and performance particularly expected |                    |                | Strength related to experience and expertise/Area of contribution particularly expected |                   |                                       |                          |     |            |     |                       |    |
|---------------------------------------|---|-------------------|--|--------------------|----------------|---|-------------------|---------------------------------------|--------------------------|-----|------------|-----|-----------------------|----|
|                                       |   |                   | Person-centered management   | SHINKA (Evolution) | Value creation | Corporate management (top management)   | Overseas business | Business planning (business creation) | Brand business/marketing | R&D | IT/digital | ESG | Finance/legal affairs | HR |
| Representative Director and Chairman  | —   | Satoshi Suzuki    | 🟢  | 🟢                  | 🟢              | 🟡   |                   | 🟡                                     | 🟡                        | 🟡   |            | 🟡   |                       |    |
| Representative Director and President | —   | Yoshikazu Yokote  | 🟡  | 🟡                  | 🟢              | 🟡   | 🟡                 |                                       | 🟡                        |     |            |     |                       |    |
| Director and Vice President           | Finance, legal affairs, administration              | Naoki Kume        | 🟡  | 🟡                  | 🟡              |   | 🟡                 | 🟡                                     |                          |     |            |     | 🟡                     | 🟡  |
| Director                              | Management planning, IT, HR, business development   | Koji Ogawa        | 🟡  |                    | 🟡              |   |                   | 🟡                                     |                          |     | 🟡          | 🟡   |                       | 🟡  |
| Director                              | (Representative Director and President, ORBIS Inc.) | Takuma Kobayashi  | 🟡  | 🟡                  | 🟢              | 🟡   | 🟡                 |                                       | 🟡                        |     | 🟡          |     |                       |    |
| Outside Director                      | —   | Kazuyoshi Komiya  | —  | —                  | —              | 🟡   |                   |                                       |                          |     |            |     | 🟡                     |    |
| Outside Director                      | —   | Naomi Ushio       | —  | —                  | —              |   |                   |                                       |                          |     |            | 🟡   |                       | 🟡  |
| Outside Director                      | —   | Hikaru Yamamoto   | —  | —                  | —              |   |                   |                                       | 🟡                        |     | 🟡          |     |                       |    |
| Corporate Auditor                     | —   | Hideki Komoto     | —  | —                  | —              |   |                   |                                       |                          |     |            |     | 🟡                     |    |
| Outside Corporate Auditor             | —   | Akio Sato         | —  | —                  | —              |   |                   |                                       |                          |     |            | 🟡   | 🟡                     |    |
| Outside Corporate Auditor             | —   | Motohiko Nakamura | —  | —                  | —              |   |                   |                                       |                          |     | 🟡          | 🟡   | 🟡                     |    |

Notes: 1. The above is not an exhaustive description of all the knowledge and experience each executive has.

2. Characteristics related to competency strengths expected to be demonstrated in executives' actions are indicated by ●, and strengths expected to be especially demonstrated in their actions are indicated by ◎.





## Director Competency Model







| Cluster   | Characteristic                          | Definition  |
|---|---|---|
| <b>A Person-Centered Management</b><br>Represents our group strength,<br>Individual-centered management | Pursuit of Social Significance          | Earn trust by promoting business activities from a social point of conduct based on the mission to contribute to society            |
|   | <i>Bi-i-shiki</i> (≒Esthetic Sense)     | Ability to have impact on one's surroundings as a personal/unique leader by exhibiting one's attractive personality                 |
|   | Concern for Diversity                   | Believing in one's individual abilities, respects and makes use of individuals  |
| <b>SHINKA (Evolution)</b><br>Sensitivity to changes in<br>society and active evolution                  | Long-term Vision                        | Define and penetrate the desired future image and direction with a long-term vision   |
|   | Business Context Awareness              | Envisions the future market according to changes in social environment and recognizes the company's roles and positioning correctly |
|   | Change-oriented                         | Creates innovation without sticking to conventional corporate thinking and actively leads to evolutionary opportunities             |
|   | Leverages an extensive external network | Utilizing a wide range of external networks in different fields, effectively incorporates diverse perspectives into the company     |
| <b>Value Creation</b><br>Achieves corporate value creation by<br>taking on new challenges               | Make Decisions to Enhance Mobility      | Enhances organizational agility by making timely decisions without relying on past experience                                       |
|   | Action-Oriented                         | Believe in oneself and repeats the process without fear of making mistake even if there is no perfect supporting evidence           |
|   | Passion for Results                     | Stays passionate about what he/she wants to achieve through intrinsic motivation  |

## Directors and Corporate Auditors of Group companies (as of April 1, 2023)










### POLA INC.

|   |   |   |   |  |   |
|---|---|---|---|--|---|
|  |  |  |  |  |  |
| Miki Oikawa<br>Representative Director<br>and President                             | Seichi Takaya<br>Director and<br>Corporate Officer                                  | Akira Gogo<br>Director and<br>Corporate Officer                                     | Kazuhiro Nishikata<br>Director and<br>Corporate Officer                             | Koji Ogawa<br>Director (Part-time)   | Naoki Mikami<br>Corporate Auditor   |
|  |  |  |  |  |   |
| Yasuro Katamine<br>Corporate Officer  | Tamotsu Sato<br>Corporate Officer   | Yuko Shoji<br>Corporate Officer   | Shimpei Yasuno<br>Corporate Officer   |  |   |

### ORBIS Inc.

|   |   |   |   |  |   |
|---|---|---|---|--|---|
|  |  |  |  |  |  |
| Takuma Kobayashi<br>Representative Director<br>and President                        | Emi Nishino<br>Director and<br>Corporate Officer                                    | Naotaka Hashi<br>Director (Part-time)   | Kazuhiko Segaki<br>Corporate Auditor<br>(Part-time)                                 | Masaki Motoki<br>Corporate Officer   | Ryosuke Imai<br>Corporate Officer   |


### POLA CHEMICAL INDUSTRIES, INC.

|   |   |   |   |   |   |
|---|---|---|---|---|---|
|  |  |  |  |  |  |
| Kazuya Kugimaru<br>Representative Director<br>and President                         | Noriko Suenobu<br>Director and<br>Corporate Officer                                 | Takayuki Katagiri<br>Director and<br>Corporate Officer                              | Kenichi Akahane<br>Corporate Auditor  | Yasuhiro Fukuda<br>Corporate Officer  | Hiroki Tsuruoka<br>Corporate Officer  |
|  |  |  |   |   |   |
| Tomomasa Shimanuki<br>Corporate Officer   | Noboru Sugimura<br>Corporate Officer  | Koji Yokoyama<br>Corporate Officer  |   |   |   |


### ACRO INC.

|  |
|--|
|  |
| Toshiaki Miyazaki<br>Representative Director<br>and President                        |


### P.O. REAL ESTATE INC.

|  |
|--|
|  |
| Takako Konishi<br>Representative Director<br>and President                           |

### DECENCIA INC.

|  |
|--|
|  |
| Hiroe Yamaguchi<br>Representative Director<br>and President                          |

### tricot, Inc.

|   |
|---|
|  |
| Kana Hanafusa<br>Representative Director<br>and President                             |

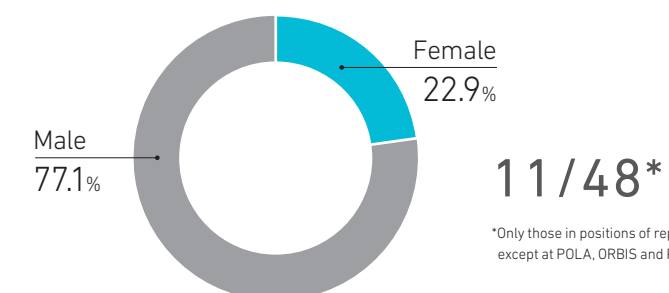
### Jurlique International Pty. Ltd.

|   |
|---|
|  |
| Joe Princi<br>CEO   |

### POLA ORBIS Travel Retail Limited

|   |
|---|
|  |
| Takahiro Tabata<br>Director and CEO (Part-time)                                       |

## Percentage of female POLA ORBIS Group executives



\*Only those in positions of representative director and president at Group companies except at POLA, ORBIS and POLA CHEMICAL INDUSTRIES

Fundamental Activities That Fulfill Our Corporate Responsibilities

Executive compensation

The POLA ORBIS Group's executive compensation is set by the Board of Directors, based on discussions and recommendations by the Compensation Advisory Committee, in accordance with the following basic concept.

In the medium-term management plan (2021–2023), both financial targets and newly defined non-financial targets (number of new businesses created, CO<sub>2</sub> emissions reductions) have been defined for medium- to long-term incentives (performance-linked, share-based compensation) for directors (excluding outside directors) and corporate officers to achieve the Group philosophy and meet society's demands.

1. Basic policy

The POLA ORBIS Group has made executive compensation an important way to realize sustainable growth at the Group and improve corporate value over the medium to long term. As a holding company, POLA ORBIS HOLDINGS clearly defines the roles and responsibilities of Company directors and other executives, whose primary duties are to make decisions on the overall management of the Group and to supervise the execution of business as well as the roles and responsibilities of directors at subsidiaries, who are delegated authority by the Company to execute operations. Executive

compensation is therefore based on the level of responsibility that each executive assumes for the business results achieved in the area of responsibility. This provides a strong incentive for executives to reach performance targets not only in the short term but over the medium to long term as well.

In addition, the Company seeks to foster a greater sense of common interest between directors, corporate officers and shareholders by making the connection between executive compensation and stock value more obvious.

2. Compensation standard

The compensation standard is set at a level comparable with those of industry peers or companies of a similar size at home and abroad and

is commensurate with the role and level of responsibility held by each individual, with the business environment of the Group and the need to stay competitive in the external market taken into consideration.

3. Compensation structure

Directors/Corporate officers

The POLA ORBIS Group's executive compensation is composed of basic compensation, which is fixed, and a performance-linked annual bonus and a medium- to long-term incentive (performance-linked, share-based compensation), which are variable. From 2021, to create a foundation that contributes to long-term growth and to rapidly restore business results, we increased the composition ratio of performance-linked compensation and lowered the composition ratio of fixed compensation, with the aim of further motivating and encouraging executives.

|                                 |   |   |
|---------------------------------|---|---|
| Fixed compensation              | Basic compensation  | • Basic compensation reflects rank set according to role in management and duties of position for each individual.  |
| Performance-linked compensation | Annual bonus  | • Compensation paid as an incentive to achieve performance targets each fiscal year, according to level of success in reaching Group's performance targets within a single year.<br>• Performance indicators determined from financial bench marks (sales, income, cash flows, etc.) and non-financial bench marks for each fiscal year and missions of areas for which individuals are responsible.  |
|                                 | Medium- to long-term incentive (performance-linked, share-based compensation) | • Compensation paid as incentive to achieve performance targets and boost corporate value over medium to long term, according to level of success in reaching performance targets stated in Group's medium-term management plan. Company shares granted with aim of fostering greater sense of common interest between directors, corporate officers and shareholders.<br>• Performance indicators determined from financial bench marks (sales, income and ROE) and non-financial bench marks in each medium-term management plan. |

Percentage of variable compensation

40–50%

Percentage of fixed compensation

50–60%

Outside directors

Components of compensation are basic compensation, which is fixed, and a medium- to long-term incentive (non-performance-linked, share-based compensation), which is fixed, to ensure effective execution of supervisory functions.

|   |  |
|---|--|
| Basic compensation  | • Basic compensation based on position.  |
| Medium- to long-term incentive (non-performance-linked, share-based compensation) | • Share-based compensation granted as incentive to improve corporate value over medium to long term, seeking to foster greater sense of common interest with shareholders.<br>• Does not vary with business results. |

Percentage of fixed compensation

100%

4. Process for determining executive compensation

To ensure objectivity and transparency in the process for determining executive compensation, POLA ORBIS HOLDINGS established the Compensation Advisory Committee as a voluntary structure to advise the Board of Directors. Over half of the committee's members including the chairperson are outside directors.

Executive compensation in the Group is set by the Board of Directors within a range of the compensation allotment decided at the general meeting of shareholders, following discussions and recommendations by the Compensation Advisory Committee.

Total, including compensation by executive classification; total, by type of compensation; and number of applicable executives (Fiscal 2022)

| Executive classification                                  | Total, including compensation (Millions of yen) | Total, by type of compensation (Millions of yen) |  |   | Number of applicable executives (persons) |
|---|---|--|--|---|---|
|   |   | Fixed compensation                               | Short-term performance-linked compensation (bonus) | Medium- to long-term performance-linked compensation (share-based compensation) |   |
| Directors (excluding outside directors)                   | 187   | 119  | 67   | 1   | 6   |
| Outside directors   | 30  | 30   | —  | —   | 3   |
| Corporate auditors (excluding outside corporate auditors) | 22  | 22   | —  | —   | 1   |
| Outside corporate auditors                                | 16  | 16   | —  | —   | 2   |

Notes: 1. Fixed compensation for outside directors includes ¥5 million in non-performance-linked, share-based compensation.  
2. Some of the medium- to long-term performance-linked compensation (share-based compensation) is paid in the form of non-monetary rewards.

Integrated internal control system involves all, from management team to employees

Instilling thorough awareness of Code of Conduct

The POLA ORBIS Group Code of Conduct ("the Code of Conduct") sets forth standards for actions to put the Group philosophy into practice and for behavior that not only complies with general laws and regulations and internal rules for business activities but also shows a high level of social ethics. We ask all executives and employees to submit a written pledge confirming that they will abide by the stated Code of Conduct, and carry out thorough refresher training each year. The Code of Conduct is updated every three to four years to ensure its effectiveness.

Training for employees

To instill the Group philosophy and preclude possible violations of compliance, POLA ORBIS HOLDINGS regularly conducts training programs. Every year, the Company provides correspondence courses on "compliance" for people newly assigned to management positions and a CSR e-learning program for all executives and employees. In addition, we conduct theme-based training on a relevant topic every year. (In 2022, we provided training on harassment to all people in management positions.)

Compliance surveys

The Group conducts annual compliance surveys of all Group executives and employees. With a response rate above 90%, the survey comprehensively evaluates risk in areas such as compliance. The results of the evaluation are reported to the Board of Directors of the holding company. The management and corporate auditors of each Group company take the lead in addressing any matters identified as issues in the survey. While ensuring anonymity, we conduct fact-checking investigations and provide corrective measures and refresher training as necessary, reporting to the committee chair of the Group CSR Committee.

Risk management policy

The Group comprehensively identifies Groupwide risk items and conducts risk assessment based on the degree of impact, frequency of occurrence and the status of responses to risks. Risks that should be prioritized throughout the Group are managed as Group priority risks. Meanwhile, each company manages risks specific to its business and brand with the same process as that for Group priority risks.

Risk management structure

A risk management structure has been established across the Group, with the committee chair of the Group CSR Committee as the leader, to monitor each company's risk assessment and

countermeasures. The risks decided as themes are perfected by determining the risk owner divisions, committees and subcommittees. The content of improvements is decided after deliberation by the Board of Directors and is reported and monitored quarterly.

Internal reporting system (POLA ORBIS Group Helpline)

The Group developed a system that enables all executives and employees of domestic and overseas Group companies to report and discuss internal company issues. This approach allows the Company to directly obtain internal risk information and underpins efforts to reduce risks and prevent compliance violations. Reports and consultations are received by external contractors and anonymized. Only the content of the report is given to a contact person in charge of the helpline of the Group CSR Committee office. For cases involving directors of the Company or the CSR Committee office, we have put in place the Corporate Auditor Line, which allows the external contractor to directly contact the corporate auditors of the Company. Reports and consultations are accepted by e-mail or letter 24 hours a day, 365 days a year. Depending on the case, an investigator is assigned to fact-check the situation. Investigations are conducted in coordination with external agencies, as necessary. If any items that need to be improved are found, instructions for corrective measures are given.

Under the helpline structure, the anonymity of whistle-blowers is protected and preserved through internal rules and general laws and regulations. If a report falls under the category of internal whistle-blowing as defined in the Whistleblower Protection Act, the contact person and the person in charge of the investigation and correction submit a written pledge confirming that they are obliged to keep confidential the information identifying the whistle-blower in accordance with Article 12 of the Whistleblower Protection Act.

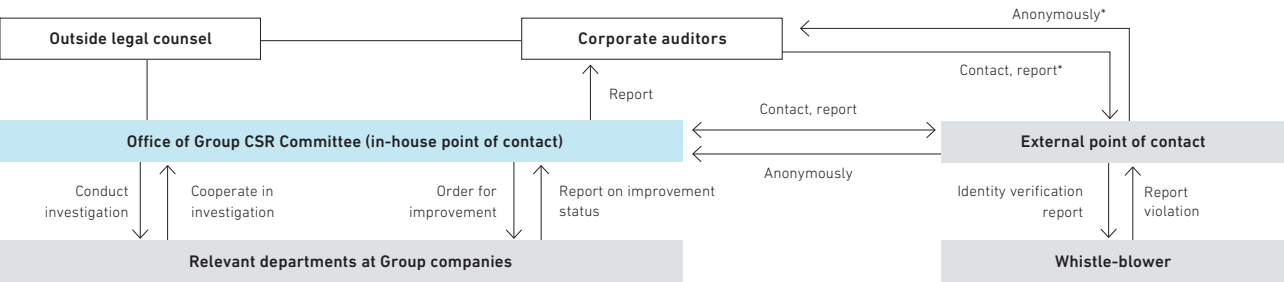
In addition, the status of the use of the helplines is reported monthly to the corporate auditors and regularly to the Board of Directors.

All Group employees are notified of the contact information for reporting on the Group's portal site and through a CSR e-learning program that is conducted annually.

Nine reports were made to the helplines in 2022. All cases to be addressed for correction have been completed.

In addition, we established the "Business Partner Hotline," which allows our business partners to report compliance violations by our Group employees, creating a system for reporting and discussing problems with our business partners.

Structure of internal reporting system (helpline)



\* If a director or a CSR office has possibly violated compliance rules, the office of the external point of contact will notify the corporate auditors at POLA ORBIS HOLDINGS.

Ten-Year Summary of Selected Financial Data

| Years ended December 31                  | Millions of yen<br>(Except per share data) |          |          |                    |          |          |          |          |          |          | Thousands of U.S. dollars <sup>*1</sup><br>(Except per share data) |  |
|--|--|----------|----------|--------------------|----------|----------|----------|----------|----------|----------|--|--|
|  | 2013                                       | 2014     | 2015     | 2016 <sup>*4</sup> | 2017     | 2018     | 2019     | 2020     | 2021     | 2022     | 2022   |  |
| Operating Results                        |  |          |          |                    |          |          |          |          |          |          |  |  |
| Net sales <sup>*2</sup>                  | ¥191,355                                   | ¥198,094 | ¥214,788 | ¥218,482           | ¥244,335 | ¥248,574 | ¥219,920 | ¥176,311 | ¥178,642 | ¥166,307 | \$1,253,259  |  |
| Beauty Care                              | 178,306                                    | 184,475  | 200,570  | 202,446            | 227,133  | 231,207  | 214,886  | 171,658  | 174,150  | 161,654  | 1,218,195  |  |
| POLA                                     | 100,740                                    | 99,571   | 109,352  | 116,126            | 144,012  | 150,183  | 135,502  | 102,888  | 105,168  | 96,371   | 726,239  |  |
| ORBIS                                    | 48,163                                     | 52,302   | 56,354   | 55,857             | 53,066   | 51,051   | 50,726   | 45,415   | 43,389   | 38,417   | 289,506  |  |
| Overseas Brands                          | 20,298                                     | 22,476   | 22,334   | 15,665             | 15,075   | 12,428   | 9,235    | 7,166    | 8,954    | 9,972    | 75,151   |  |
| Brands under Development                 | 9,104                                      | 10,123   | 12,529   | 14,796             | 14,978   | 17,544   | 19,421   | 16,186   | 16,637   | 16,892   | 127,300  |  |
| Real Estate                              | 3,035                                      | 3,179    | 2,951    | 3,043              | 2,694    | 2,707    | 2,619    | 2,291    | 2,112    | 2,083    | 15,701   |  |
| Others                                   | 10,013                                     | 10,440   | 11,266   | 12,992             | 14,507   | 14,659   | 2,415    | 2,361    | 2,379    | 2,569    | 19,363   |  |
| Operating income                         | 16,017                                     | 17,683   | 22,511   | 26,839             | 38,881   | 39,496   | 31,137   | 13,752   | 16,888   | 12,581   | 94,813   |  |
| Beauty Care                              | 14,780                                     | 16,535   | 21,290   | 25,904             | 38,121   | 38,294   | 30,193   | 12,965   | 17,060   | 13,793   | 103,942  |  |
| POLA                                     | 7,951                                      | 8,583    | 12,302   | 16,993             | 28,584   | 32,574   | 25,529   | 10,927   | 16,374   | 12,495   | 94,164   |  |
| ORBIS                                    | 8,807                                      | 10,792   | 11,197   | 11,279             | 9,080    | 9,340    | 9,252    | 7,329    | 5,925    | 4,850    | 36,550   |  |
| Overseas Brands                          | (895)                                      | (1,881)  | (2,194)  | (3,210)            | (823)    | (4,316)  | (3,794)  | (3,214)  | (2,338)  | (1,446)  | (10,902)   |  |
| Brands under Development                 | (1,082)                                    | (958)    | (15)     | 841                | 1,278    | 695      | (794)    | (2,076)  | (2,901)  | (2,105)  | (15,870)   |  |
| Real Estate                              | 1,258                                      | 1,227    | 1,265    | 1,395              | 1,082    | 1,001    | 1,021    | 710      | 488      | 491      | 3,706  |  |
| Others                                   | 410  | 472      | 293      | (133)              | (314)    | 796      | 130      | 128      | 70       | 96       | 729  |  |
| Operating margin(%)                      | 8.4  | 8.9      | 10.5     | 12.3               | 15.9     | 15.9     | 14.2     | 7.8      | 9.5      | 7.6      |  |  |
| Profit attributable to owners of parent  | 7,318                                      | 10,382   | 14,095   | 16,328             | 27,137   | 8,388    | 19,694   | 4,632    | 11,734   | 11,446   | 86,258   |  |
| Financial Position                       |  |          |          |                    |          |          |          |          |          |          |  |  |
| Net assets                               | 173,887                                    | 180,793  | 180,635  | 183,282            | 198,845  | 188,797  | 191,069  | 169,854  | 173,267  | 171,459  | 1,292,080  |  |
| Total assets                             | 218,005                                    | 224,536  | 235,734  | 228,845            | 252,567  | 244,596  | 227,256  | 203,742  | 208,039  | 205,935  | 1,551,886  |  |
| Cash Flows                               |  |          |          |                    |          |          |          |          |          |          |  |  |
| Cash flows from operating activities     | 13,500                                     | 16,643   | 28,379   | 23,561             | 35,333   | 30,283   | 21,127   | 23,394   | 23,830   | 15,548   | 117,168  |  |
| Cash flows from investing activities     | (2,452)                                    | (8,391)  | (7,331)  | 16,379             | (22,065) | (9,125)  | (12,514) | (3,342)  | (2,174)  | (12,370) | (93,220)   |  |
| Cash flows from financing activities     | (2,815)                                    | (3,661)  | (13,896) | (10,030)           | (12,945) | (20,127) | (19,336) | (27,133) | (9,100)  | (12,668) | (95,464)   |  |
| Cash and cash equivalents at end of year | 34,137                                     | 39,111   | 45,843   | 75,458             | 75,944   | 76,462   | 65,789   | 58,844   | 71,693   | 62,562   | 471,458  |  |
| Depreciation and amortization            | 6,704                                      | 6,948    | 6,528    | 6,787              | 6,551    | 7,075    | 7,377    | 7,255    | 7,110    | 8,482    | 63,922   |  |
| Capital expenditure                      | 8,670                                      | 8,257    | 12,074   | 8,127              | 8,885    | 10,514   | 10,091   | 8,464    | 8,945    | 12,532   | 94,441   |  |
| Financial Indicators                     |  |          |          |                    |          |          |          |          |          |          |  |  |
| Equity ratio(%)                          | 79.5                                       | 80.4     | 76.5     | 79.9               | 78.6     | 77.0     | 83.9     | 83.2     | 83.1     | 83.0     |  |  |
| Return on equity(%)                      | 4.3  | 5.9      | 7.8      | 9.0                | 14.2     | 4.3      | 10.4     | 2.6      | 6.9      | 6.7      |  |  |
| Return on assets(%)                      | 8.4  | 8.6      | 9.7      | 11.7               | 16.3     | 15.7     | 13.0     | 5.8      | 9.2      | 7.2      |  |  |
| Price-earnings ratio(times)              | 28.4                                       | 25.9     | 31.5     | 32.7               | 32.2     | 78.3     | 29.4     | 100.0    | 36.1     | 35.9     |  |  |
| Per Share Data <sup>*3</sup>             |  |          |          |                    |          |          |          |          |          |          |  |  |
| Net income per share (¥/\$)              | 33.09                                      | 46.95    | 63.73    | 73.83              | 122.70   | 37.93    | 89.04    | 20.94    | 53.04    | 51.74    | 0.39   |  |
| Net assets per share (¥/\$)              | 783.45                                     | 816.03   | 815.00   | 826.65             | 897.26   | 851.78   | 862.00   | 766.05   | 781.11   | 772.60   | 5.82   |  |
| Cash dividends per share (¥/\$)          | 13.75                                      | 46.75    | 37.5     | 50                 | 70       | 80       | 116      | 50       | 51       | 52       | 0.39   |  |

<sup>\*1</sup> Dollar amounts are shown for convenience only and are calculated based on the prevailing exchange rate of U.S.\$1 = ¥132.7 as of December 31, 2022.  
<sup>\*2</sup> Net sales do not include consumption taxes.  
<sup>\*3</sup> On April 1, 2017, the Company executed a four-for-one stock split.  
Net income per share and net assets per share have been calculated as if this stock split had occurred at the beginning of fiscal 2013.  
<sup>\*4</sup> The Group's consolidated subsidiary has changed its accounting policy, recognizing deferred tax liabilities on intangible assets with an indefinite useful life that have been acquired as part of a business combination. Figures for fiscal 2016, ended December 31, 2016, reflect retroactive adjustment.



# Management's Discussion and Analysis

## / Summary of business results

In the domestic cosmetics market during fiscal 2022, the easing of activity restrictions had a significant effect, and demand for makeup products, which had been markedly sluggish due to the impact of the COVID-19 pandemic, recovered substantially. On the channel side, demand for face-to-face services is gradually recovering as a result of the easing of activity restrictions. However, neither of them has recovered to levels seen prior to the COVID-19 pandemic. In skincare products, a specialty of the POLA ORBIS Group (the "Group"), we maintained demand through the pandemic mainly using online channels. While online services are driving the overall cosmetics market, marketing costs are soaring as the competitive environment intensifies. The pandemic ushered in behavioral changes through which current lifestyles have taken hold as ordinary. We are now in a situation where further creativity is needed to review the value delivered online and offline, and to expand new services that integrate

these two areas. In the overseas cosmetics market, although there had been variations between countries and regions, the economy was on a recovery trend from the turmoil caused by COVID-19. However, various downward pressures on the economy and consumption in addition to the threat of COVID-19, such as the rise in energy prices and the normalization of high inflation on a broad scale caused by the Russian and Ukrainian situations, have fueled a sense of uncertainty about the future. In the Chinese market, which the Group has designated as a priority market, COVID-19 showed a resurgence from the end of last year, and the continuation of the zero-COVID policy weighed on the economy and consumption. As well as responding to COVID-19, we need to closely monitor the impact of soaring prices of commodities and energy.

Overall, POLA ORBIS HOLDINGS posted lower sales and income than those of a year earlier, on a consolidated basis.

## / Analysis of operating results: Comparison of fiscal 2022 and fiscal 2021

### Net sales

Net sales decreased 6.9% from the fiscal 2021 level, to ¥166,307 million. This was due to lower sales stemming from the decline in the number of customers of the POLA and ORBIS brands, and also to curbs on Korean duty-free shipments of the POLA brand.

### Cost of sales

#### Selling, general and administrative expenses

Cost of sales increased 8.1% year on year, to ¥31,037 million. The cost of sales ratio—the cost of sales as a percentage of net sales—increased 2.6 percentage points, to 18.7%.

Selling, general and administrative expenses decreased 7.8% from those of the previous year, to ¥122,688 million.

### Operating income

Operating income dipped 25.5% year on year, to ¥12,581 million. This was due to lower gross profit that paralleled the aforementioned decrease in net sales. The operating margin decreased 1.9 percentage points, to 7.6%.

### Income before income taxes

Income before income taxes decreased 30.1%, to ¥12,311 million. This resulted from a decrease in ordinary income and extraordinary losses from the recording of an impairment loss on goodwill of the FUJIMI brand and a loss arising from the liquidation of H2O PLUS.

### Profit attributable to owners of parent

Given the above reasons, profit attributable to owners of parent decreased 2.5% year on year, to ¥11,446 million. Net income per share decreased to ¥51.74, from ¥53.04 in fiscal 2021. Return on equity decreased to 6.7%, from 6.9% a year earlier.

### ■ Key financial indicators

|                                   | 2020  | 2021  | 2022  |
|-----------------------------------|-------|-------|-------|
| Cost of sales ratio               | 17.0% | 16.1% | 18.7% |
| Gross margin ratio                | 83.0% | 83.9% | 81.3% |
| SG&A ratio                        | 75.2% | 74.5% | 73.8% |
| Personnel expenses                | 15.6% | 16.1% | 17.5% |
| Sales commissions                 | 20.4% | 19.0% | 21.0% |
| Sales-related expenses            | 21.9% | 21.0% | 17.1% |
| Administrative and other expenses | 17.3% | 18.3% | 18.3% |
| Operating margin                  | 7.8%  | 9.5%  | 7.6%  |
| Net income margin                 | 2.6%  | 6.6%  | 6.9%  |

### Operating status by segment

#### Beauty Care

The Beauty Care segment consists of the flagship brands POLA and ORBIS, the overseas brand Jurlique, and the brands under development THREE, DECENCIA, Amplitude, ITRIM, FIVEISM × THREE and FUJIMI.

POLA is working to further improve the value of its brand and build a medium- to long-term customer base by launching highly functional products mainly in the field of anti-aging and skin-brightening. In the domestic business, we are focusing on integrating online and offline channels (OMO: Online Merges with Offline), acquiring and retaining new customers, and improving customer lifetime value. In the overseas business, we are focusing on mainland China and travel retail, both of which are growth markets. In the domestic business, we worked to improve customer communication by strengthening online consulting and live commerce in the e-commerce channel, where market growth has continued even through the COVID-19 pandemic. This channel plays an important role in the OMO strategy of acquiring new customers and directing them to offline stores. As well as boosting existing e-commerce customers, the channel is gradually retaining customers seamlessly, including growing sales in the prestige store business (department store business). However, we have not yet been able to fully offset the impact of the decline in the Beauty Director operation rate and in the number of customers in consignment sales channels (face-to-face sales) resulting from the COVID-19 pandemic. In the overseas business, POLA has focused on medium- to long-term brand control in the Chinese market, a priority area, and in the travel retail market. We aim to maintain and improve brand loyalty through measures such as curbing sales at discounted prices, gift-with-purchase (GWP) offers, and distribution of products to the consumer-to-consumer (C-to-C) market. In addition, we worked to acquire new customers and increase lifetime value by stepping up promotions on platforms that have a high affinity for our target

customers for deepening customer-specific personal communication and accelerating the shift to e-commerce. However, the prolonged zero-COVID policy had a heavy impact on performance, and POLA brand net sales and operating income declined year on year.

ORBIS is proceeding to enhance its presence by creating brand differentiation, improving customer loyalty and increasing the number of users of skincare products for improving wrinkles and brightening skin, especially users of the *ORBIS U* anti-aging skincare series, with the aim of regrowing into a highly profitable business. In the domestic business, ORBIS further evolved its one-stop app, a cornerstone of the brand experience, promoting communication reform through ORBIS's unique customer relationship management, which increases the frequency of users' active contact with the brand. The number of app downloads grew by double digits from the previous year, and the customer purchasing activity rate surpassed that of the previous year. The number of customers, which had continued to decline, has been improving since the fourth quarter, although it has not yet recovered to the level of the previous year. In the overseas business, ORBIS focused its investment in operations in mainland China, a priority market, continuing efforts to raise brand recognition by expanding customer contact points. As a result, ORBIS achieved double-digit growth in mainland China. However, ORBIS brand net sales and operating income dropped below those of the previous year due to the significant impact of the decline in the number of customers in the domestic business.

The Jurlique brand continues to work toward business growth in Australia, mainland China and the travel retail market, particularly in Asia. Except for Hong Kong, which was particularly affected by COVID-19, net sales rose year on year in all regions. In addition, operating losses improved as a result of aggressive reductions in fixed costs. The H2O PLUS brand has manufactured and sold cosmetics mainly in the US market, but the business environment surrounding the company is severe, and the business performance fell below the plan. Effective April 28, 2022, the Group decided to exit from the entire



businesses that the H2O PLUS brand is developing, to reform its brand portfolio of the beauty care segment as a part of enhancement of its profitability.

For brands under development, while the THREE brand, whose main channel is offline stores, struggled, sales grew due to the effect of making the FUJIMI brand a wholly owned subsidiary in April of the previous year, resulting in higher overall net sales for the brands under development year on year. Operating loss also improved due to strict cost controls implemented for each brand.

As a result of the factors noted above, net sales—sales to external customers—were ¥161,654 million, down 7.2% year on year, and operating income was ¥13,793 million, down 19.2% year on year.

Real Estate

The Real Estate segment concentrates on the leasing of office buildings in urban areas. Efforts are currently directed at sustaining and improving rental income and reducing vacancy rates by creating attractive office environments. Another area of emphasis is the residential properties rental business. This business highlights

condominiums perfect for families with young children. During fiscal 2022, net sales were lower than those of the previous year due to less office demand from COVID-19. However, operating income was higher than that of the previous year due to aggressive cost-cutting efforts.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥2,083 million, down 1.4% year on year, and operating income was ¥491 million, up 0.6% year on year.

Others

The Others segment is the building maintenance business. The building maintenance business is mainly engaged in the operation and management of buildings. During fiscal 2022, both net sales and operating income increased year on year due to an increase in the number of contracts.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥2,569 million, up 8.0% year on year, and operating income was ¥96 million, up 37.4% year on year.

in accounts payable - other and ¥1,549 million in net defined benefit liability.

Net assets

Net assets at fiscal year-end totaled ¥171,459 million, down 1.0% from those of a year earlier. Factors related to this change included a recording of ¥11,446 million in profit attributable to owners of parent, ¥11,516 million in dividends from retained earnings and a decrease of ¥1,302 million in foreign currency translation adjustments.

Cash flows

The balance of cash and cash equivalents as of December 31, 2022, was ¥62,562 million, down ¥9,131 million from the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥15,548 million, down 34.8% from that of the previous year. The primary components contributing to an increase in net cash were ¥12,311 million in profit before income taxes, ¥8,482 million in depreciation and amortization, ¥2,539 million in impairment loss, and ¥1,487 million of increase in contract liabilities. Major components leading to a decrease in net cash were ¥986 million of decrease in net defined benefit liability, ¥2,174 million of foreign exchange gain, ¥1,584 million of decrease in other liabilities, and ¥5,695 million in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities totaled ¥12,370 million, up 468.9% from that of the previous year. The main factors were an increase in net cash resulting from ¥10,200 million in proceeds from sales and redemption of short-term investments in securities, and a decrease in

net cash resulting from outflows of ¥2,000 million in purchase of short-term investments in securities, ¥7,482 million in purchase of property, plant and equipment, ¥3,917 million in purchase of intangible assets, and ¥9,907 million in purchase of investments in securities.

Cash flows from financing activities

Net cash used in financing activities was ¥12,668 million, up 39.2% from that of the previous year. The increase was primarily attributable to the application of ¥1,136 million in repayments of lease obligations and ¥11,518 million in cash dividends paid.

Sources of funds and policy on fund liquidity

POLA ORBIS HOLDINGS ensures the availability of the funds deemed necessary to maintain business activities. As for future applications of funds, POLA ORBIS HOLDINGS will emphasize investment in R&D to create new value, capital investment to open or renovate stores and boost productivity, and efforts to create and develop new brands, including M&A opportunities. The goal is to generate future cash flow from these activities. Note that the Company strives to enhance capital efficiency on a Groupwide basis through a cash management system that centralizes subsidiaries' cash operations under Company oversight. The Company adheres to fund management regulations and standards to ensure appropriate application of operating funds and surplus funds, respectively. The balance of cash and deposits stood at ¥63,318 million as of December 31, 2022, down ¥9,106 million from a year earlier.

Analysis of financial position

Assets, liabilities and net assets

Assets

As of December 31, 2022, total assets amounted to ¥205,935 million, down 1.0% from those of a year earlier. Factors related to this change included increases of ¥4,793 million in construction in progress, ¥4,044 million in investments in securities and ¥4,445 million in deferred tax assets, as well as decreases of ¥9,106 million in cash and deposits,

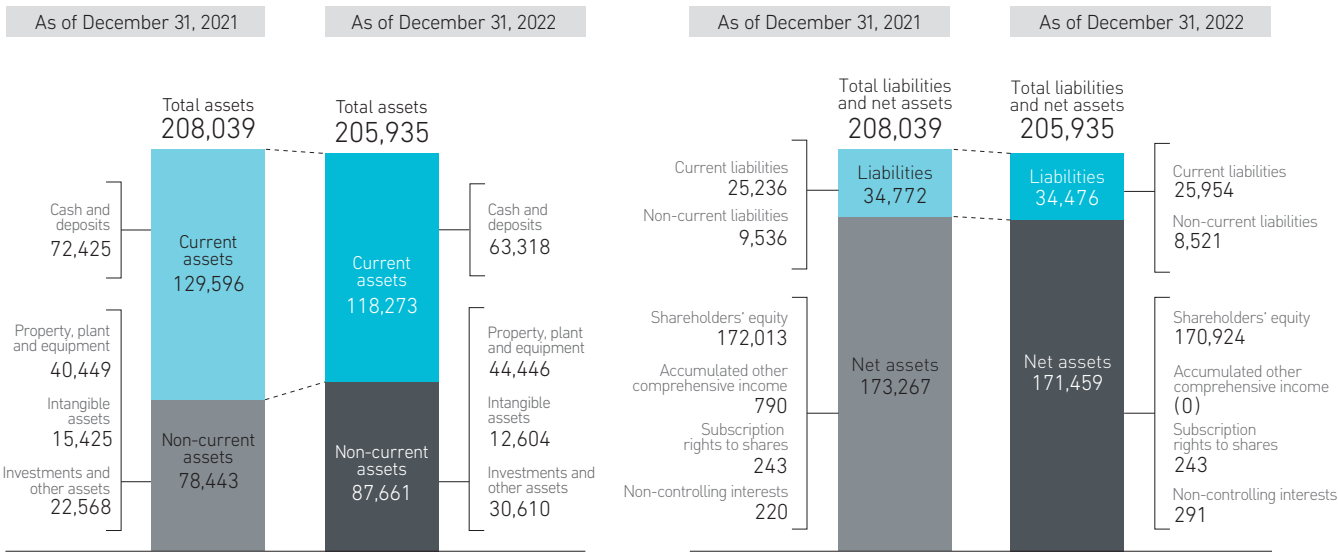
¥2,153 million in short-term investments in securities, ¥957 million in raw materials and supplies and ¥2,366 million in goodwill.

Liabilities

Total liabilities at fiscal year-end stood at ¥34,476 million, down 0.9% from those of a year earlier. Factors related to this change included increases of ¥5,437 million in contract liabilities and ¥875 million in asset retirement obligations, as well as decreases of ¥1,541 million

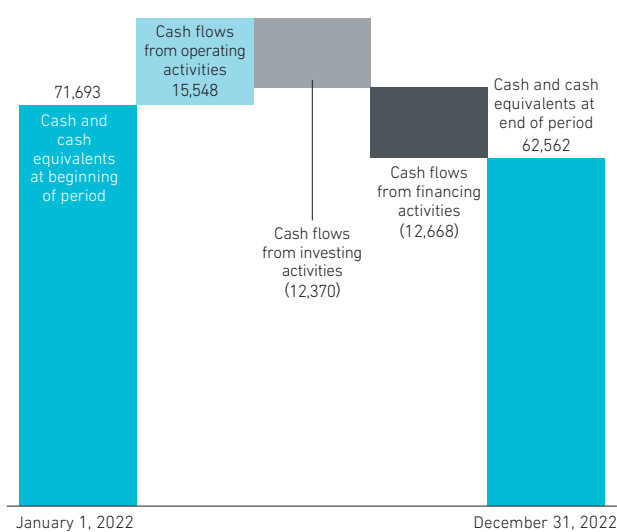
Overview of consolidated balance sheets

Millions of yen



Overview of consolidated statement of cash flows

Millions of yen



Note: The effect of exchange rate change on cash and cash equivalents is omitted. Any discrepancies due to this omission have been adjusted accordingly.

Corporate Information (As of December 31, 2022)

|                                 |   |
|---------------------------------|---|
| Company name                    | POLA ORBIS HOLDINGS INC.  |
| Foundation                      | September 29, 2006  |
| Capital                         | ¥10 billion   |
| Number of employees             | 4,128 (for the Group)<br>221 (for the Company)<br><small>Full-time employees<br/>(Excluding those on loan to other companies, including those on loan from other companies)</small> |
| Fiscal year-end                 | December 31   |
| General meeting of shareholders | March   |
| Business description            | Business management of the entire Group   |
| Head office                     | 2-2-3 Nishigotanda, Shinagawa-ku,<br>Tokyo 141-0031, Japan<br><small>(Business activities conducted at 1-7-7 Ginza, Chuo-ku, Tokyo)</small>   |
| Stock listing                   | Tokyo Stock Exchange, Prime Market  |
| TSE code                        | 4927  |
| Share register                  | 1-4-5 Marunouchi, Chiyoda-ku, Tokyo<br>Mitsubishi UFJ Trust and Banking Corporation   |

Major Group Companies

**Beauty Care business**  
POLA INC.  
ORBIS Inc.  
POLA CHEMICAL INDUSTRIES, INC.  
Jurlique International Pty. Ltd.  
DECENCIA INC.  
ACRO INC.  
tricot, Inc.  
POLA ORBIS Travel Retail Limited

**Real Estate business**  
P.O. REAL ESTATE INC.

**Other businesses**  
P.O. TECHNO SERVICE INC

**In-house venture**  
encyclo.INC

Fiscal 2023 forecast

Under the medium-term management plan that runs from 2021 through 2023, the Group implements the following five strategies: evolve domestic direct selling, grow overseas businesses profitably, profit contribution from brands under development, strengthen operations and expand new brands and domains of “beauty.”  
For the consolidated performance forecasts for fiscal 2023, the Group forecasts sales of ¥180,000 million, up 8.2% year on year,

operating income of ¥15,100 million, up 20.0%, ordinary income of ¥15,100 million, up 1.2%, and profit attributable to owners of parent of ¥10,000 million, down 12.6%, considering the steady execution of key strategies and downward pressure on the economy due to re-expansion of COVID-19 as well as entrenched inflation and financial market turmoil around the world.

Significant accounting policies and assumptions

The Company’s consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP). The preparation of consolidated financial statements requires management to select and apply certain accounting policies and make assumptions that affect reported

amounts and disclosure of assets and liabilities as well as earnings and expenses. These assumptions are based on reasonable conclusions that take into account historical performance and other factors. However, actual results could differ from stated expectations as they are subject to inherent uncertainties.

Stock Information (As of December 31, 2022)

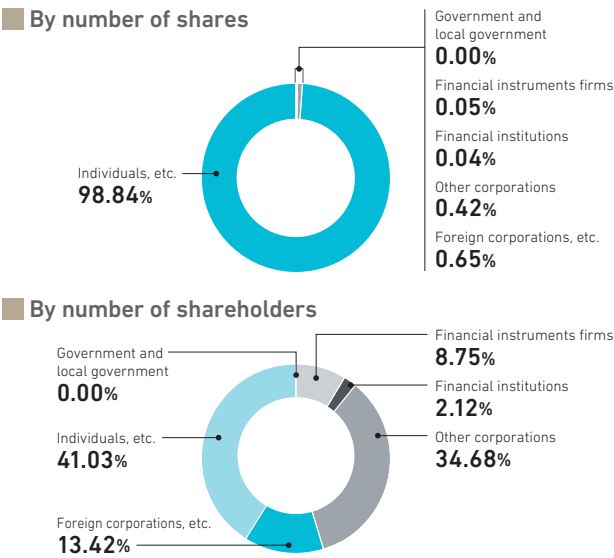
|                                   |             |
|-----------------------------------|-------------|
| Total number of authorized shares | 800,000,000 |
| Total number of issued shares     | 229,136,156 |
| Number of shareholders            | 71,694      |

Principal Shareholders

| Shareholders   | Number of shares held (Thousands) | Percentage of shareholding (%) |
|--|-----------------------------------|--------------------------------|
| The POLA Art Foundation                              | 78,616                            | 35.5                           |
| Satoshi Suzuki                                       | 50,624                            | 22.9                           |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 13,254                            | 6.0                            |
| THE BANK OF NEW YORK MELLON 140051                   | 6,924                             | 3.1                            |
| Naoko Nakamura                                       | 4,770                             | 2.2                            |
| Custody Bank of Japan, Ltd. (Trust Account)          | 3,491                             | 1.6                            |
| Hiromi Suzuki  | 3,113                             | 1.4                            |
| JPMorgan Securities Japan Co., Ltd.                  | 2,151                             | 1.0                            |
| THE BANK OF NEW YORK 133612                          | 1,549                             | 0.7                            |
| SMBC Nikko Securities Inc.                           | 1,530                             | 0.7                            |

Notes: 1. In addition to the above, the Company holds 7,662 thousand shares of treasury stock. Note that the Company introduced a Board Incentive Plan Trust for directors, though the Company’s shares held in this trust are not included in treasury stock.  
2. For number of shares held, figures are rounded down to the nearest thousand, and for shareholding ratios, figures are rounded to the first decimal place.  
3. The percentage of shareholding is calculated by deducting shares of treasury stock.

Composition of Shareholders



Fiscal 2023 forecast

| Millions of yen                         | Fiscal 2023 full year | YoY change |            |
|---|-----------------------|------------|------------|
|   |                       | Amount     | Percentage |
| Net sales                               | 180,000               | 13,692     | 8.2        |
| Beauty Care                             | 175,500               | 13,845     | 8.6        |
| Real Estate                             | 2,000                 | (83)       | (4.0)      |
| Others                                  | 2,500                 | (69)       | (2.7)      |
| Operating income                        | 15,100                | 2,518      | 20.0       |
| Beauty Care                             | 15,450                | 1,656      | 12.0       |
| Real Estate                             | 300                   | (191)      | (39.0)     |
| Others                                  | 80                    | (16)       | (17.3)     |
| Reconciliations                         | (730)                 | 1,070      | —          |
| Profit attributable to owners of parent | 10,000                | (1,446)    | (12.6)     |



## **POLA ORBIS HOLDINGS INC.**

POLA GINZA BUILDING 1-7-7 Ginza,  
Chuo-ku, TOKYO 104-0061, JAPAN  
Tel.: +81-3-3563-5517  
[www.po-holdings.co.jp/en/](http://www.po-holdings.co.jp/en/)