

Fiscal 2015

Supplementary Material

POLA ORBIS HOLDINGS INC.

President

Satoshi Suzuki

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties.

1. **Highlights of Consolidated Performance**
2. Segment Analysis
3. Progress of the Mid-term Management Plan
4. Forecasts and Initiatives for Fiscal 2016
5. Pharmaceutical Business and Capital Policy
6. Appendix

Cosmetic Market

- In 2015, overall cosmetic market became larger than the previous year due to the impact of inbound tourists.*
- Especially, cosmetic market in department stores in urban areas had been strong throughout the year after expansion of tax-free shopping range.*
- However, the trend of domestic demand excluding inbound seemed to be a slight decline.*
- In overseas, the market of department stores in urban area of China continued to show a negative trend.
And the dispersion of consumption into abroad, suburban Chinese cities, and e-commerce was remarkable.

*Source: Ministry of Economy, Trade and Industry; Ministry of Internal Affairs and Communications; Japan Department Stores Association

Our Group

- Revenue and operating profit increased for 6 consecutive years on a consolidated basis. The key drivers were the flagship brand POLA and brands under development.
- WHITE SHOT Inner Lock IX from POLA captured inbound tourists' demand and contributed to revenue growth.
- ORBIS performed slightly under the plan since the number of items purchased per customer did not reach the expected level, however, overall performance was within expectation.
- Jurlique sustained high growth in Australia while both Jurlique and H2O PLUS struggled in Chinese market.
- THREE and decencia from brands under development category maintained strong performance.

Reference: Impact from the inbound sales

- Impact for 2015: A little more than 4% of consolidated net sales
WHITE SHOT Inner Lock IX (skin whitening beauty food) from POLA which was launched in February became popular among the inbound tourists. In the beginning, sales were mainly concentrated at department stores however, gradually expanded into other sales channels such as POLA THE BEAUTY stores. The inbound sales are continuing to grow, mainly from health food products and some of the skincare products.
- Prospects for 2016: Around 3.5% of consolidated net sales
While capturing inbound demands, voluntary control will be taken place in order to limit the excessive amount of sales which could lead to brand damaging.



WHITE SHOT
Inner Lock IX
(skin whitening beauty food) 3

Results of 2015 and Actual vs Planned Variance Analysis

(mil. yen)	FY2014 Results	FY2015 Results	YoY change		vs. Plan (Oct 30, 2015)	
			Amount	%	Amount	%
Consol. net sales	198,094	214,788	16,693	8.4%	4,788	2.3%
Operating income	17,683	22,511	4,827	27.3%	1,511	7.2%
Ordinary income	19,067	22,359	3,292	17.3%	1,359	6.5%
Net income	10,382	14,095	3,712	35.8%	3,095	28.1%

Average exchange rates: 1.00 AUD = 91.06 JPY 1.00 USD = 121.04 JPY 1.00 CNY = 19.21 JPY

(mil. yen)	Variance from Oct 30 Plan	Major Factors of the Variance
Consol. net sales	4,788 (2.3%)	<ul style="list-style-type: none"> ■ Mainly improved by the sales of POLA brand (Impact of sales from inbound tourists and strong sales exceeded the plan in year-end)
Operating income	1,511 (7.2%)	<ul style="list-style-type: none"> ■ Improved by increase in sales ■ Fixed costs were under control in spite of some disposal expenses and future investments.
Ordinary income	1,359 (6.5%)	<ul style="list-style-type: none"> ■ Increased due to increased operating income ■ Decreased due to exchange gain and loss from foreign currency denominated assets and liabilities
Net income	3,095 (28.1%)	<ul style="list-style-type: none"> ■ Increased due to increase of income before income taxes ■ Extraordinary income increased due to the sale of a fixed asset (site of former warehouse) ■ Tax effect from cumulative loss, etc. associated with the liquidation of POLA Russia ■ Decrease of other income tax expenses

Analysis of Consolidated P&L Changes

Net Sales to Operating Income

(mil. yen)	FY2014	FY2015	YoY change		vs.FY2013 (reference)	
	Results	Results	Amount	%	Amount	%
Consol. net sales	198,094	214,788	16,693	8.4%	23,432	12.2%
Cost of sales	39,326	41,800	2,473	6.3%	3,144	8.1%
Gross profit	158,767	172,988	14,220	9.0%	20,288	13.3%
SG&A* expenses	141,083	150,477	9,393	6.7%	13,794	10.1%
Operating income	17,683	22,511	4,827	27.3%	6,493	40.5%

*Selling, General and Administrative Expenses FY2015 Results shown above includes impact from both increases in sales and sales related expenses following switchover to the point system at ORBIS.

Key Factors

- Consol. net sales In addition to successful launch of new products from POLA, THREE and decencia from brands under development were the sales drivers in domestic business.
Overseas sales ratio FY2015: 11.9%
- Cost of sales Cost of sales ratio: FY2014: 19.85% ⇒ FY2015:19.46%
Improved cost of sales ratio mainly contributed by high-priced products and the switch to the point system in ORBIS.
Impact of plant integration: approx. 0.5pt compared to FY2013 before the integration (mainly on POLA and ORBIS).
- SG&A expenses Labor expenses: up ¥449 mil. YoY
Sales commissions: up ¥2,889 mil. YoY
Sales related expenses: up ¥5,336 mil. YoY (ORBIS points ¥4,031 mil.)
Administrative expenses: up ¥717 mil. YoY
- Operating income Beauty care: up ¥4,754 mil. YoY
- Operating margin 10.5% up 1.6pt YoY

Analysis of Consolidated P&L Changes Operating Income to Net Income

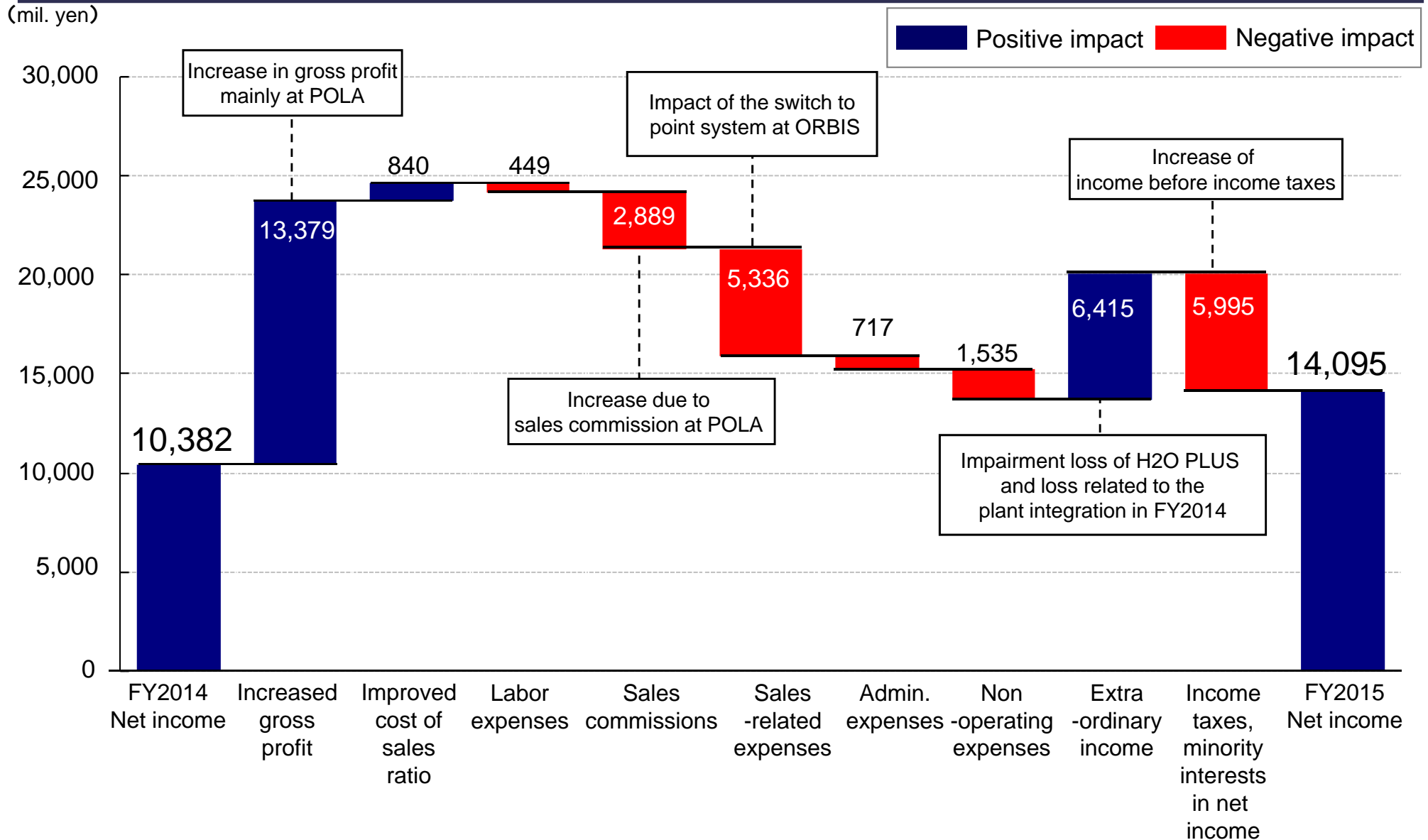
(mil. yen)	FY2014 Results	FY2015 Results	YoY change		vs.FY2013 (reference)	
			Amount	%	Amount	%
Operating income	17,683	22,511	4,827	27.3%	6,493	40.5%
Non-operating income	1,684	585	(1,099)	(65.3%)	(1,387)	(70.3%)
Non-operating expenses	301	737	435	144.6%	582	376.4%
Ordinary income	19,067	22,359	3,292	17.3%	4,523	25.4%
Extraordinary income	2,178	1,276	(901)	(41.4%)	363	39.8%
Extraordinary loss	8,267	950	(7,317)	(88.5%)	(4,505)	(82.6%)
Income before income taxes	12,978	22,685	9,707	74.8%	9,391	70.6%
Income taxes	2,960	8,567	5,607	189.4%	2,529	41.9%
Minority interests in net income/loss of consol.subsidiaries	(364)	23	387	-	86	-
Net income	10,382	14,095	3,712	35.8%	6,776	92.6%

Key Factors

- Non-operating income and expenses
FY2015: Loss from unfavorable foreign exchange: down ¥336 mil.
- Extraordinary income
FY2015: Gain from the liquidation of ORBIS Korea in FY2014 and gain from the sale of a fixed asset (site of former warehouse) : in total ¥1,276 mil.
- Extraordinary loss
FY2014: Loss related to the impairment of fixed assets of H2O PLUS : ¥6,061 mil.
Loss related to the plant integration: ¥1,520 mil.
- Income taxes
FY2015: Increase in income taxes following increase of domestic
“income before income taxes”: up ¥6,522 mil.
Decrease in income tax due to tax effect: down ¥750 mil.

Factors Impacting Net Income

Gross income increased due to increase of sales from beauty care business
 Net income significantly increased (by +35.8% yoy)
 due the decrease of extraordinary loss compared to last year.



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6. Appendix

(mil. yen)	FY2014	FY2015	YoY change		vs.FY2013 (reference)	
	Results	Results	Amount	%	Amount	%
Consolidated net sales	198,094	214,788	16,693	8.4%	23,432	12.2%
Beauty care	184,475	200,570	16,095	8.7%	22,263	12.5%
Real estate	3,179	2,951	(227)	(7.2%)	(83)	(2.8%)
Others	10,440	11,266	825	7.9%	1,252	12.5%
Operating income	17,683	22,511	4,827	27.3%	6,493	40.5%
Beauty care	16,535	21,290	4,754	28.8%	6,510	44.0%
Real estate	1,227	1,265	38	3.1%	7	0.6%
Others	472	293	(178)	(37.8%)	(116)	(28.4%)
Reconciliations	(551)	(339)	212	-	92	-

Segment Results Summary

- Beauty care** POLA and brands under development contributed to net sales. Achieved double-digit growth in operating income by improving profitability mainly in POLA
- Real estate** Operating income was flat year-on-year in spite of the sale of property in FY2014.
- Others** Sales from pharmaceutical business increased however, the operating income decreased due to additional expenses for initial sales promotions of a new drug. Thanks to the growing number of contract, building maintenance businesses progressed steadily.

Beauty Care Business Results by Brands

(mil. yen)	FY2014	FY2015	YoY change		vs. FY2013 (reference)	
	Results	Results	Amount	%	Result	%
Beauty care net sales	184,475	200,570	16,095	8.7%	22,263	12.5%
POLA	99,571	109,352	9,780	9.8%	8,611	8.5%
ORBIS	52,302	56,354	4,051	7.7%	8,191	17.0%
Jurlique	17,600	18,390	789	4.5%	3,579	24.2%
H2O PLUS	4,876	3,944	(931)	(19.1%)	(1,543)	(28.1%)
Brands under development	10,123	12,529	2,405	23.8%	3,424	37.6%
Beauty care OP income	16,535	21,290	4,754	28.8%	6,510	44.0%
POLA	8,583	12,302	3,719	43.3%	4,351	54.7%
ORBIS	10,792	11,197	404	3.7%	2,390	27.1%
Jurlique	(445)	(379)	66	-	19	-
H2O PLUS	(1,435)	(1,814)	(378)	-	(1,318)	-
Brands under development	(958)	(15)	943	-	1,066	-

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

FY2015 Result

- Sales increased thanks to new skin-whitening products which sold well throughout the year.
- Operating income was significantly increased by the increase in gross sales and curbed marketing expenses.
- Performance of PB⁽¹⁾ channel maintained strong.
- Purchase price per customer was up 7.6% yoy due to the increase in sales ratio of the high-priced products.

Q4	Results (mil. yen)	YoY change
Net sales	109,352	9.8%
Operating income	12,302	43.3%
Key indicators		
Number of sales offices (vs. Dec. 2014)		4,756 (down 43)
Number of PB ⁽¹⁾ (vs. Dec. 2014)		630(up 8)
Cosmetic sales ratio	PB ⁽¹⁾	41.5%
	Esthe-inn	40.0%
	D2D ⁽²⁾ and other	18.5%
Sales growth*	PB	up 22.6%
	PB (like-for-like)	up 22.3%
	Esthe-inn	up 3.6%
	D2D	down 9.9%
Purchase per customer*		up 7.6%
Number of new customers*		up 15.1%

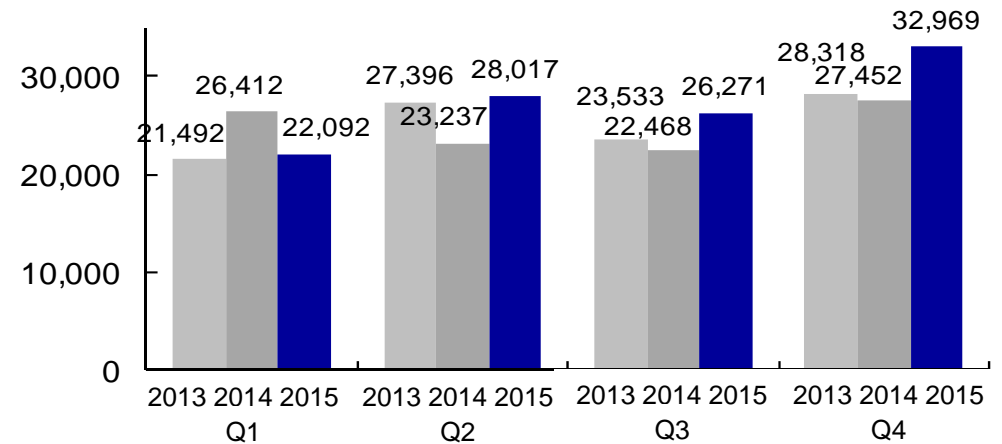
(1) PB: POLA THE BEAUTY stores (2) D2D: Conventional door-to-door *YoY

Q4 Topics

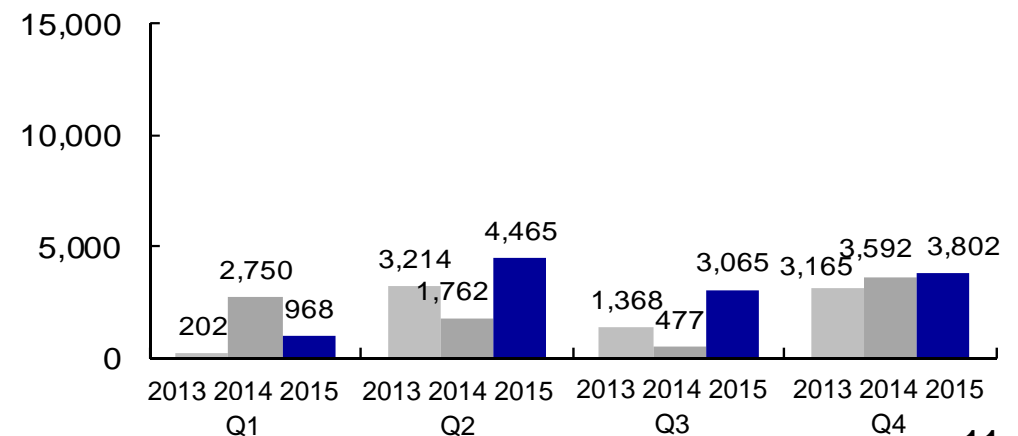
- Fully renewed skincare products "B.A", the most prestige series which had its 30th anniversary.
- Won a number of best cosmetic awards in 2015.



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



FY2015 Result

- Actual net sales were slightly below that of last year since the number of items purchased per customer did not reach the expectation.
- Operating income remained flat yoy due to enhanced online sales ratio and expense control.
- Acquisition of new customers and promotion of repeat purchase through social media continued to be strong.

Q4	Results (mil. yen)	YoY change
Net sales	56,354	7.7% (Actual basis down 1%)(1)
Operating income	11,197	3.7%
Key indicators		
Sales ratio	Online	44.0%
	Other mail-order	29.9%
	Store and overseas	26.1%
Sales increase*	Online	up 16.4%
	Other mail-order	up 2.2%
	Stores and overseas	up 1.2%
Mail-order purchase per customer*		up 10.7%
Number of mail-order customers*		down 0.4%
Mail-order skincare purchase ratio*		down 2.1%

(1) Actual sale growth excluding the impact of the point system started from September 24th 2014.

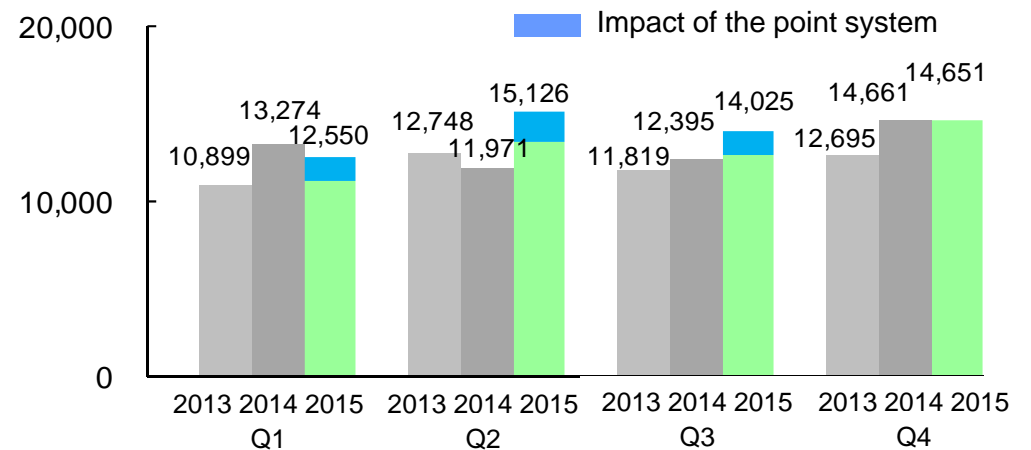
*YoY

Q4 Topics

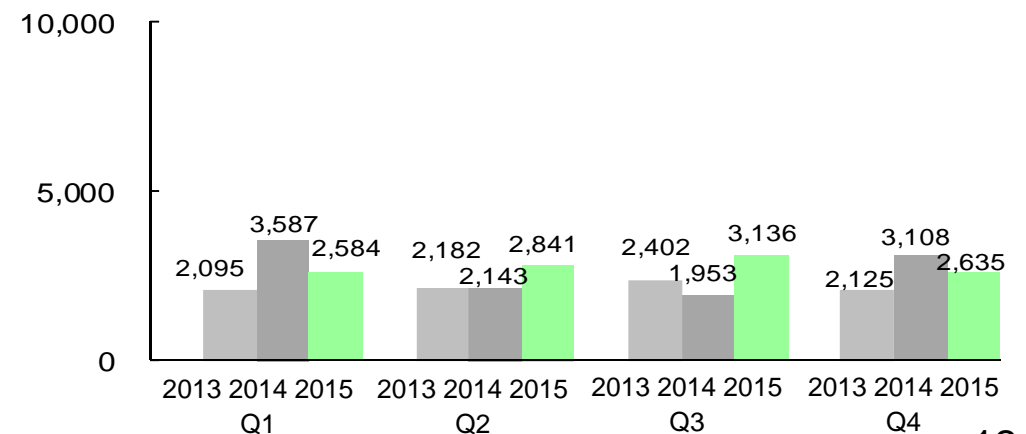
- Launched new products for autumn/winter season
(Right : Melty Moist BB)
(Left : Shine Quartet Eyes)



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



FY2015 Result

- Net sales were up 9% yoy on AUD basis.
- With negative trend of department stores in China, the same-store sales continued to struggle and were down 5% yoy.
- On the other hand, Australia continued to perform steadily thanks to the sales from visitors from China.
- Operating income was flat yoy due to the struggle in China.

Q4	Results (mil. yen)	YoY change ⁽¹⁾
Net sales	18,390	4.5%
Operating income (before goodwill amortization)	386	-
Operating income	(379)	66
Key indicators		
Number of doors in China (vs. Dec. 2014)		114(up 11)
Sales ratio	China	30%
	Hong Kong	13%
	Duty free stores	18%
	Australia	23%
Sales growth ⁽²⁾	China	up 15%
	Hong Kong	down 5%
	Duty free stores	up 11%
	Australia	up 15%

(1) For operating income YoY difference is shown in amount (mil. yen).

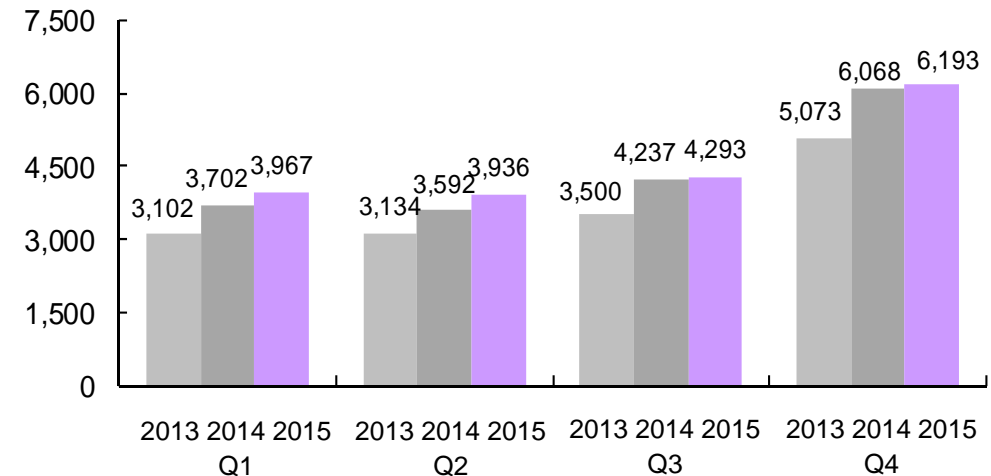
(2) AUD basis, YoY

Q4 Topics

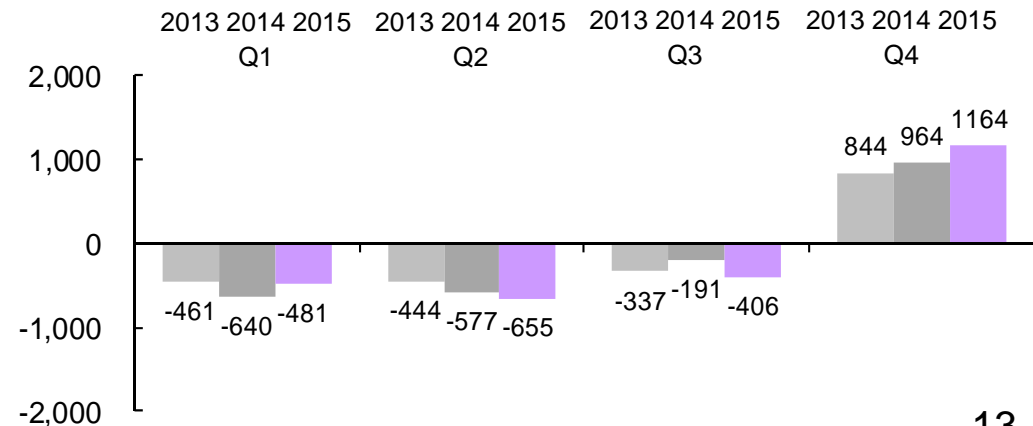
- Launched gift boxes that contain limited treatment rose oil and best-selling items for holiday season.



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



FY2015 Result

- Sales were down due to impact from the closure of unprofitable stores in China and the decreased number of distribution channel in North America as part of strategic decision.
Actual sales were down 29% yoy on USD basis.
- Operating income decreased due to the decrease in gross profit.

Q4	Results (mil. yen)	YoY change ⁽¹⁾
Net sales	3,944	(19.1%)
Operating income	(1,814)	(378)
Key indicators		
Number of doors in China (vs. Dec. 2014)		71 (down 311)
Sales ratio	China	16%
	North America	65%
Sales increase ⁽²⁾	China	down 51%
	North America	down 16%

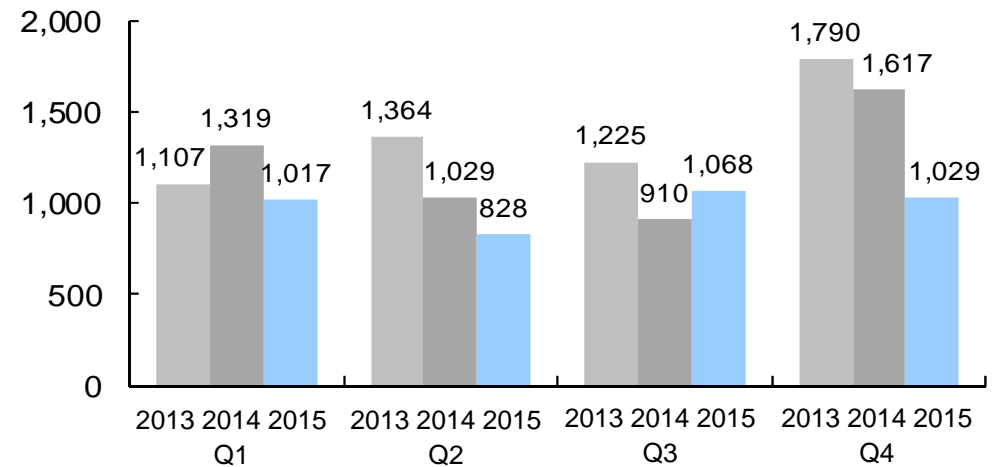
(1) For operating income YoY difference is shown in amount (mil. yen).

(2) USD basis, YoY

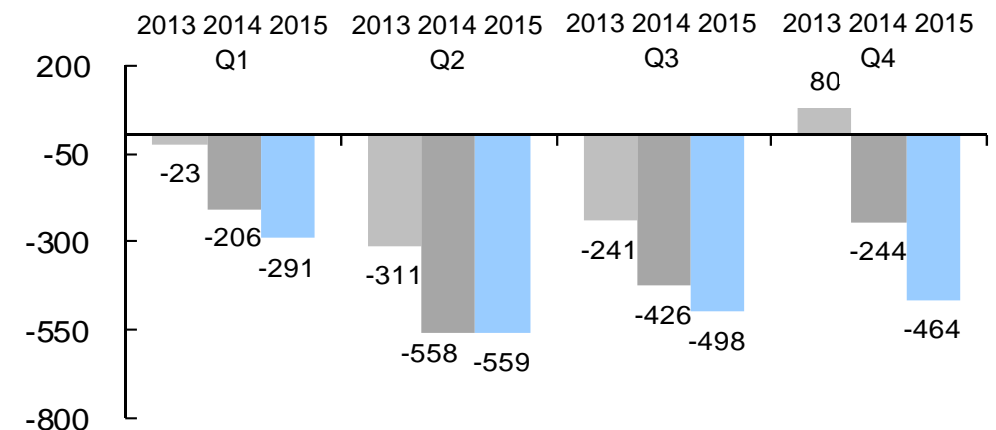
Q4 Topics

- Completed office relocation to San Francisco from Chicago in preparation for brand restaging.
- Closed company-owned factory and the production was switched to external manufacturers.

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



FY2015 Result

- THREE and decencia outperformed the plan
- THREE had its sales raised by 60% yoy. New products became hot sellers and Japanese stores and overseas expansion showed favorable progress
- decencia doubled its sales with favorable number of customers as well as average spend.
- The overall profitability the of brands under development significantly improved.

Q4		Results (mil. yen)	YoY change*
Net sales		12,529	23.8%
Operating income		(15)	943
Key indicators			
THREE	Dept. store counters in Japan	30	
	Other stores in Japan	40	
	Overseas stores (Thailand, Taiwan, and Indonesia)	19	

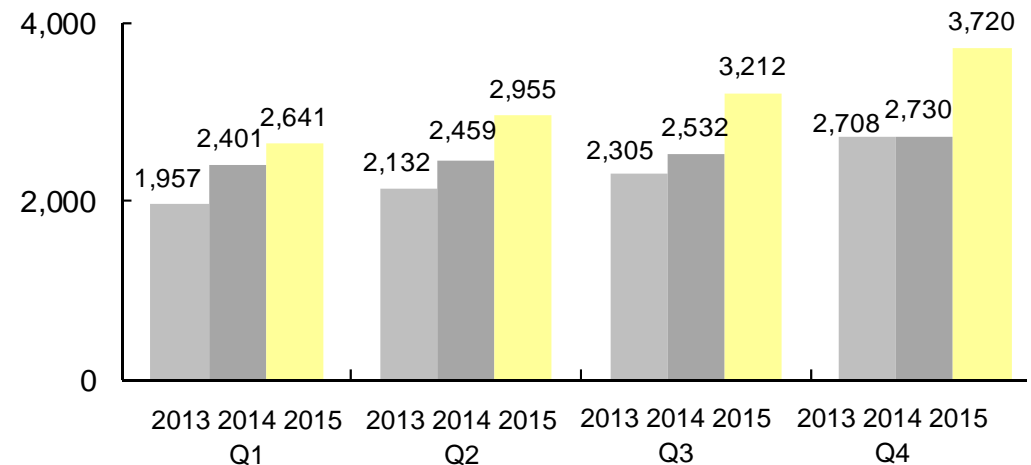
*For operating income YoY difference is shown in amount (mil. yen).

Q4 Topics

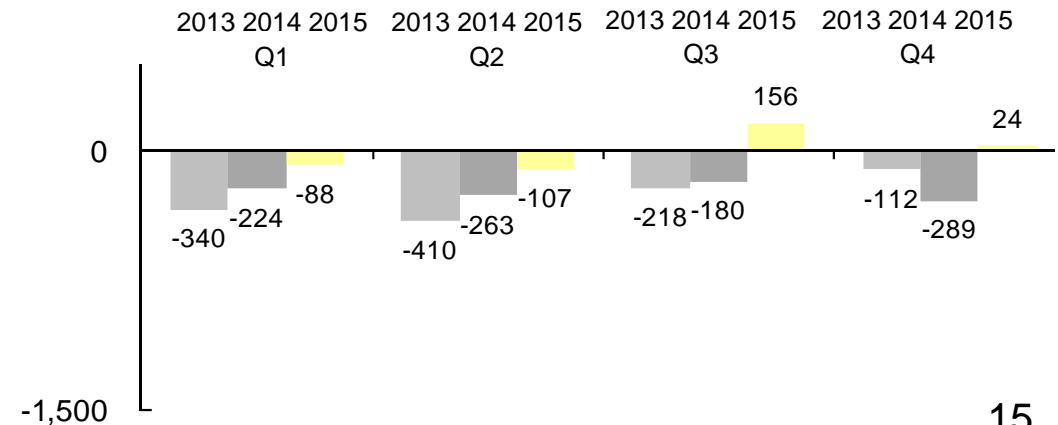
- Won many best cosmetics awards
- ① Balancing Treatment Eye Lotion
- ② Shimmering Lip Jam 08
- ③ Nail Polish 28
- ④ Ultimate Diaphanous Loose Powder



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



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The Group is on track for FY2016(the final year of the Mid-term Management plan) targets on the whole

Management indicators

	Initial targets for FY2014 to FY2016	Results as of FY2015	Evaluation	Progress
Consolidated net sales	CAGR* 3~4%	FY2014-2015 CAGR 5.9%	Excelled	<ul style="list-style-type: none"> ■ POLA and brands under development were the drivers ■ Achieved ¥210 billion which is the target for FY2014 to 2016 Mid-term management plan.
Overseas sales ratio	15% or higher in FY2016	11.9% In FY2015	Behind	<ul style="list-style-type: none"> ■ Jurlique and H2O PLUS both struggled in China
Operating income	CAGR 15% or higher	FY2014-2015 CAGR 18.5%	On track	<ul style="list-style-type: none"> ■ In addition to the profit growth achieved by the flagship brands, brands under development contributed to operating income by achieving business expansion and the profitability improvement.
Operating income margin	11% or higher in FY2016	FY2015 10.5%	On track	<ul style="list-style-type: none"> ■ Cost of sales ratio was improved and costs were well controlled at flagship brands ■ Increased online sales ratio at ORBIS
ROE	8% or higher in FY2016 【New target 9%】	FY2015 7.8%	On track	<ul style="list-style-type: none"> ■ Improved through significant profit growth and enhanced shareholder return ■ New target to 9% has been set up
Consol. payout ratio	50% or higher from FY2014	FY2015 58.8%	On track	<ul style="list-style-type: none"> ■ Provided shareholder return more than 50%

*CAGR: compound annual growth rate

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Aim to achieve increase in sales and operating income for the 6th consecutive year and achieve the Mid-term Management Plan

(mil. yen)	FY2015 Results	YoY change		FY2016 Full Year Plan	YoY change		FY2016 H1 Plan	YoY change	
		Amount	%		Amount	%		Amount	%
Consol. net sales	214,788	16,693	8.4%	219,000	4,211	2.0%	102,000	2,216	2.2%
Beauty care	200,570	16,095	8.7%	202,000	1,429	0.7%	94,500	1,366	1.5%
Real estate	2,951	(227)	(7.2%)	2,900	(51)	(1.8%)	1,500	48	3.3%
Others	11,266	825	7.9%	14,100	2,833	25.2%	6,000	802	15.4%
OP income	22,511	4,827	27.3%	25,000	2,488	11.1%	9,500	260	2.8%
Beauty care	21,290	4,754	28.8%	23,800	2,509	11.8%	9,200	524	6.0%
Real estate	1,265	38	3.1%	1,300	34	2.7%	700	102	17.1%
Others	293	(178)	(37.8%)	600	306	104.2%	(100)	(172)	—
Reconciliations	(339)	212	—	(700)	(360)	—	(300)	(193)	—
Ordinary income	22,359	3,292	17.3%	25,100	2,740	12.3%	9,500	(173)	(1.8%)
Net income attributable to owners of parent	14,095	3,712	35.8%	17,200	3,104	22.0%	7,200	1,109	18.2%

【Assumption of the Plan】 Assumed exchange rates: 1.00 AUD = 82JPY(PY 91.06) 1.00 USD = 118JPY (PY121.04) 1.00 CNY = 18 JPY(PY 19.21)

• Plan of full-year consolidated sales includes sales to inbound tourists of approximately 8,000 million.

• Plan of net income includes extra ordinary income of approx. 3,000 million from transfer of a fixed asset (site of former factory) as announced on February 15, 2016.

	FY2015	FY2016 (Plan)
Shareholder return	Annual ¥150, Consol. payout ratio 58.8%	Annual ¥200 (Interim ¥90, Year-end ¥110) Consol. payout ratio 64.3%
Capital investment	¥12,074 million	¥8,000 million
Depreciation	¥6,528 million	¥7,000-8,000 million

In Japan, along with the aging of population, demand for anti-aging products are expected to expand further. Asian markets where the Group focuses on, are expected to continue achieving high level of growth.

	FY2015	FY2016 Onward
Japan		
Overall Market	<ul style="list-style-type: none"> Surge in demand before the tax hike and negative reaction after the tax hike Increased demands from the inbound tourists (Market size became slightly smaller excluding inbound demands) 	<ul style="list-style-type: none"> Expected market growth rate: 1~2%* (Actual growth is assumed to be flat by excluding inbound demands) Consumer trend in domestic market is expected to become slightly weaker
Product	<ul style="list-style-type: none"> Anti-aging and skin-whitening products segment were popular 	<ul style="list-style-type: none"> Demand for anti-aging products to expand further Skin-whitening market to recover
Price	<ul style="list-style-type: none"> Increased tax burden suppressed purchase per customer among domestic consumers 	<ul style="list-style-type: none"> In the short-term, FY2015 trend is expected to carry on
Channel	<ul style="list-style-type: none"> Department stores in urban cities were in good shape boosted buy inbound tourists Widening gap between rural and urban city areas 	<ul style="list-style-type: none"> Continuing inbound demand is expected in department stores in urban city areas.
Overseas (Key regions for the Group)		
China	<ul style="list-style-type: none"> Competition in urban city department stores intensified E-commerce market expanded and consumption scattered towards different sales channels 	<ul style="list-style-type: none"> Expected market growth rate: 6~7%* E-commerce, cross-border e-commerce, online market to expand further
HK	<ul style="list-style-type: none"> Market environment showed tougher trend compared to FY2014 as the number of tourists from mainland China is decreasing 	<ul style="list-style-type: none"> Expected market growth rate: 2~3%* Personnel expenses and rents to continue increasing
ASEAN	<ul style="list-style-type: none"> Market expanded along with the economic growth 	<ul style="list-style-type: none"> Expected market growth rate: 5~8%* Singapore, Indonesia and Malaysia are expected as promising markets for skincare products
North America	<ul style="list-style-type: none"> Consumer sentiment improved along with the economic recovery 	<ul style="list-style-type: none"> Expected market growth rate: 1~2%* Improved consumer sentiment is positive, but the market is mature

*Expected market growth (2011~2016 expected CAGR) are company estimates.

Realizing 2014 – 2016 Medium-term Management Plan

Sustain stable growth of flagship brands to lead Group earnings

POLA

- Introduce new management leaders with flexible mindset and rebranding
 - ⇒ Replaced management members to attain flexibility of the management and stronger relationship with the sales frontline.
 - ⇒ New brand strategy has been taken place under the new regime.
- Change of the sales commission system
 - ⇒ A new sales commission system putting stronger importance on cultivation of professional Beauty Directors will be introduced and improve profit structure.
- Cultivation of professional Beauty Directors (POLA LADIES)
 - ⇒ Enhance professional skills of beauty directors by reinforcing beauty techniques, counselling skills, and service quality.
- Inbound sales from tourists
 - ⇒ Voluntary control is to be taken place in order to limit the excessive sales amount which leads to a brand damaging and maintain counselling sales style that will boost repeat purchase.

Fully-renewed lineup of esthetic menu
Launches on April 7th

Premium Course:
Along with POLA's most prestigious brand "B.A"



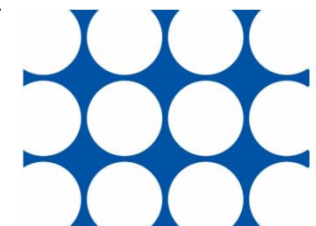
Special Course:
Along with semi-customized skincare series "APEX"



Basic Course:
Along with skin-whitening series "WHITISSIMO" and skin-moisturizing series "MOISTISSIMO"



*



Science. Art. Love.

**"POLA Dots" represents products created by POLA and how the each drop of the creation infinitely spreads across time and space

Realizing 2014 – 2016 Medium-term Management Plan

Sustain stable growth of flagship brands to lead Group earnings

ORBIS

- Add a new lineup to existing major series
⇒ Launch ORBIS =U WHITE, the new lineup of ORBIS =U series.
- Enter into a new channel
⇒ Started selling on Amazon in order to reach more customers.
- Transform into a lifestyle brand
⇒ Aim to become a “lifestyle brand” that inspires customers’ life on the whole by developing variety of product lineup, emotional value, and the communicativity of the brand.
- Reinforce communication with customers through social network and encourage to increase second purchase rate
⇒ Continue to acquire new customers through LINE and promote second purchase to individual users by One-to-One marketing approach.



Launched March 24th
ORBIS =U WHITE series
(Skin-whitening)

Realizing 2014 – 2016 Medium-term Management Plan

Overseas brands contributing to profitability through high sales growth

Jurlique

- Aim to achieve profitability(after goodwill amortization).
- In China, change of business model to distributor system is planned to take place. With this change, net sales will decrease whereas loss from business in China will be mitigated due to decrease in fixed costs.
- Reinforce e-commerce website in order to develop the presence in growing Chinese e-commerce market.
- Taking advantage of brand recognition, aim to achieve double-digit growth in Australia and DFS.



Launched March 3rd

Cleansing Lotion
Replenishing
(Milk Cleanser)

h2o+

- Take actions for brand restaging in order to revitalize the brand by means of targeting millennials aged around 25-35 and reformation of the brand concept. Under the new brand concept, new products will be launched in US in 2016 H1. With these initiatives, the H2O PLUS seeks to achieve regrowth and yield profit in 2017.
- For business turnaround in China, H2O PLUS also considers using distributor channels to reduce fixed costs.

Realizing 2014 – 2016 Medium-term Management Plan

Sales growth and monetization of brands under development

THREE

- Hold topical event promotions and launch cutting-edge products.
- Expand semi-self stores and directly-managed stores in Japan.
- Popularity spreads to overseas and business approaches by distributors and department stores are increasing. THREE will launch in Malaysia in April, following Thailand, Taiwan, and Indonesia.
- With regard to financial performance, THREE is planned to yield operating profit in 2016.

decencia

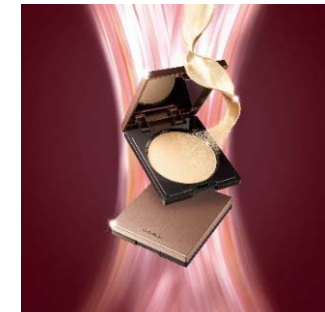
- Aim to increase the number of customers continually.
- Launch fully-renewed aging-care series which is the brand's major line.
- In addition, decencia plans to carry out rebranding, in order to establish the authority as a cosmetic brand for sensitive skin.
- With regard to financial performance, seek to achieve double-digit growth with stable profitability.

【SAKURAISM collection】



Season limited collection of makeup and skincare featuring cherry blossoms(SAKURA). The collection will launch from Kyushu area to northward along with cherry blossom season

【ayanasu Moist Finishing Pact】



Hot seller which recorded significant sales exceeded the initial plan after 1 month from its launch in 2015. Still making huge contribution to sales in 2016 H1

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Progress of the Mid-term Management Plan
4. Forecasts and Initiatives for Fiscal 2016
5. **Pharmaceutical Business and Capital Policy**
6. Appendix

Specialize in dermatology and aims for business growth with profit increase

Outline of the business

■ “Dermatology Specialty Pharma”

- Concentrate business resource in dermatology (medical pharmaceutical).
- Take advantage of know-how from 85 years of cosmetic research.
- Create synergy with cosmetic business within the group.

■ Growth Strategy

- Expanding the application of existing drugs and utilize MRs specializing in dermatology.
- Developing new drugs effectively by licensing activity.
- Enhancing R&D in focused area.

Performance outlook

Net Sales	
FY2015 Result	Target for FY2018
Approx. 9.0 billion	Over 15.0 billion

Operating Profit Ratio	
FY2015 Result	Target for FY2018
Approx. 1%	8%

Duac®



POLA PHARMA commenced exclusive sales of the treatment of acne vulgaris provided by GlaxoSmithKline K.K. in Japanese market in 2015. It is assumed that more than 90% of the population in Japan are infected with the disease. The treatment is featured in the guidelines published in Europe as a first-line treatment for mild to medium level of severity.

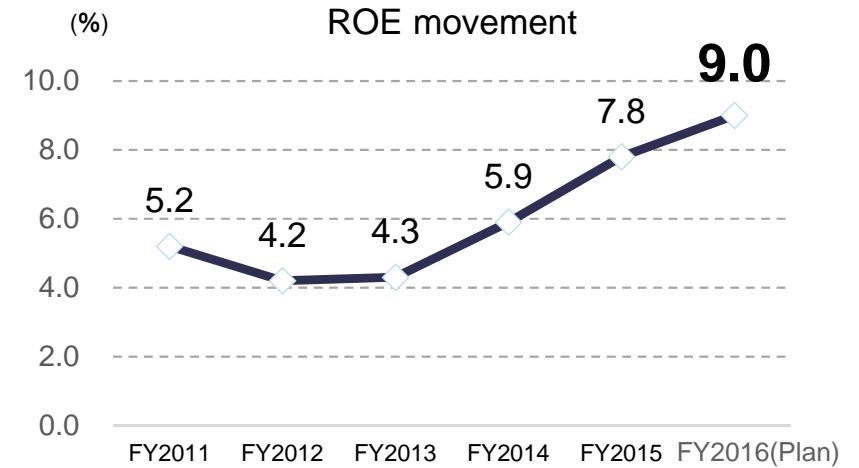
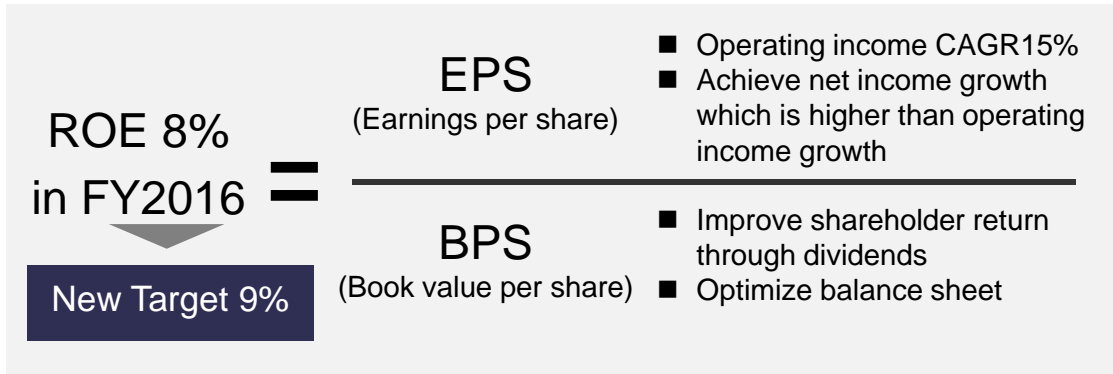
LUCONAC®



The medicine jointly developed by Sato Pharmaceutical and POLA PHARMA will be brought into the market in 2016. Although it is reported that 1 in 10 of the Japanese is suffered from onychomycosis, only one product for external use was available in the domestic market. LUCONAC® is a new external-use medicine that is effective for onychomycosis on which LULICON did not show effectiveness.

Note: Pharmaceutical business is presented as “other segment” in the financial report

Initiatives to improve capital efficiency



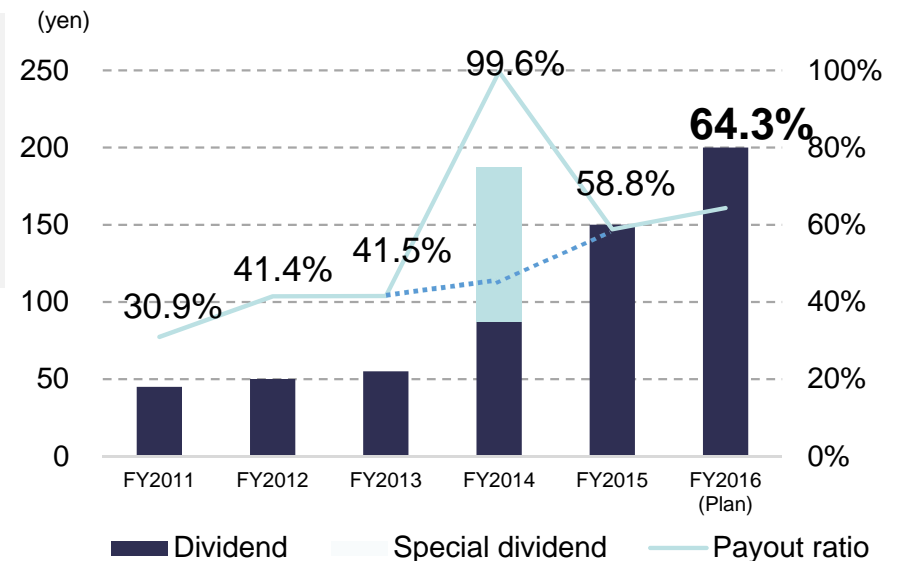
Improvement of Shareholder Return

【Basic Strategy】

- With a policy of consolidated payout ratio of 50% or higher, enhance shareholder return by realizing stable profit growth.
- Purchase of treasury stock is not planned in the near future to secure liquidity.

【Dividends and ROE in FY2016】

- Based on the ROE target of 9% in FY2016 and the forecasts for FY2015, shareholder return in 2016 is planned as follows:
 - Dividend per share : ¥200 (interim ¥90, year-end ¥110)
 - Payout ratio : 64.3%



Dotted line: payout ratio excluding special year-end dividend.

1. Highlights of Consolidated Performance
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POLA

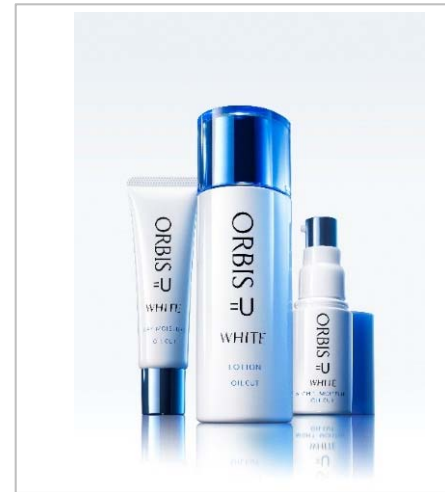


Whitening Base make Products
launched on March 4th

Day Serum
2 types, 30g each
¥3,800 (tax excluded)

Powder Foundation
6 colors, 14g each
¥4,000 (tax excluded)
Foundation Case
¥1,000 (tax excluded)

ORBIS



Skin Whitening Products
launched on March 24th

ORBIS =U WHITE series

- Jelly Wash
120g, ¥2,100 (tax excluded)
- Lotions
180mL, ¥3,000 (tax excluded)
- Day Moisture
30g, ¥3,000 (tax excluded)
- Night Moisture
30mL, ¥3,200 (tax excluded)

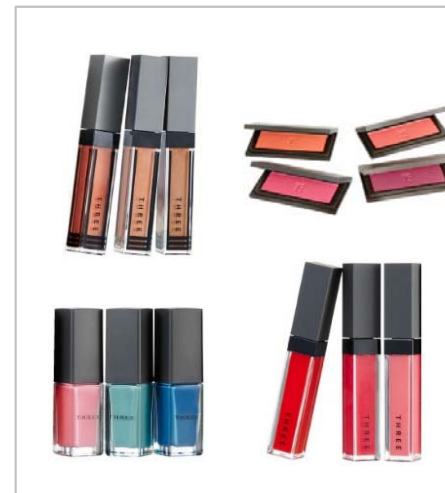
Jurlique



Milk Cleansing (Cleanser)
launched on March 3rd

Cleansing Lotion
Replenishing
200mL
¥4,700 (tax excluded)

T H R E E



S/S Makeup Collection
“WANDERLUST WAVE”
launched on January 6th

- Whisper Gloss For Eye
6 shades, ¥3,300 each (tax excluded)
- Cheeky Chic Blush
6 shades, ¥3,000 each (tax excluded)
- Shimmering Lip Jam
5 shades, ¥3,000 each (tax excluded)
- Nail Polish
7 shades, ¥1,800 each (tax excluded)

POHD received “Prime Business Award 2015” from Japan Investor Relations Association

POLA ORBIS HOLDINGS INC. received “Prime Business Award 2015” from Japan Investor Relations Association(JIRA). It was the first time for the company to receive the award since it went public on stock exchange in 2010,.JIRA appraised the continuous IR activity aiming to enhance corporate value.



【Reasons for selection】 (excerpt from JIRA news release)

- Continuous stance of IR activity regardless of the changes of business situations
- Top managements highly concern and actively get involved with IR dialogue activity towards objective of enhancing corporate value
- Related departments firmly support IR team within the group
- Information is aggregated in IR team which fulfills rich discussion with investors



http://file.swcms.net/file/po-holdings/news/news/auto_20151113446527/pdfFile.pdf

POHD received “NIKKEI Annual Report Awards 2015” from Nihon Keizai Shimbun, inc.

The company also received an award of excellence of “NIKKEI Annual Report Awards 2015” from Nihon Keizai Shimbun inc. It was the company’s second publishing as integrated annual report and the first time to receive a report award.

NIKKEI
Annual Report Awards
2015



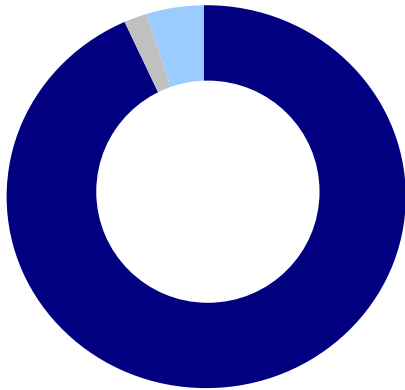
【Reasons for selection】 (excerpt from feedback comments)

- The report specifically shows medium-term management plan and long-term vision of the company
- The role recognition described in the interview with outside director is very much worth reading
- References of CSR management concerning for ESG and point of view regarding human resource indicate the philosophy of the president.

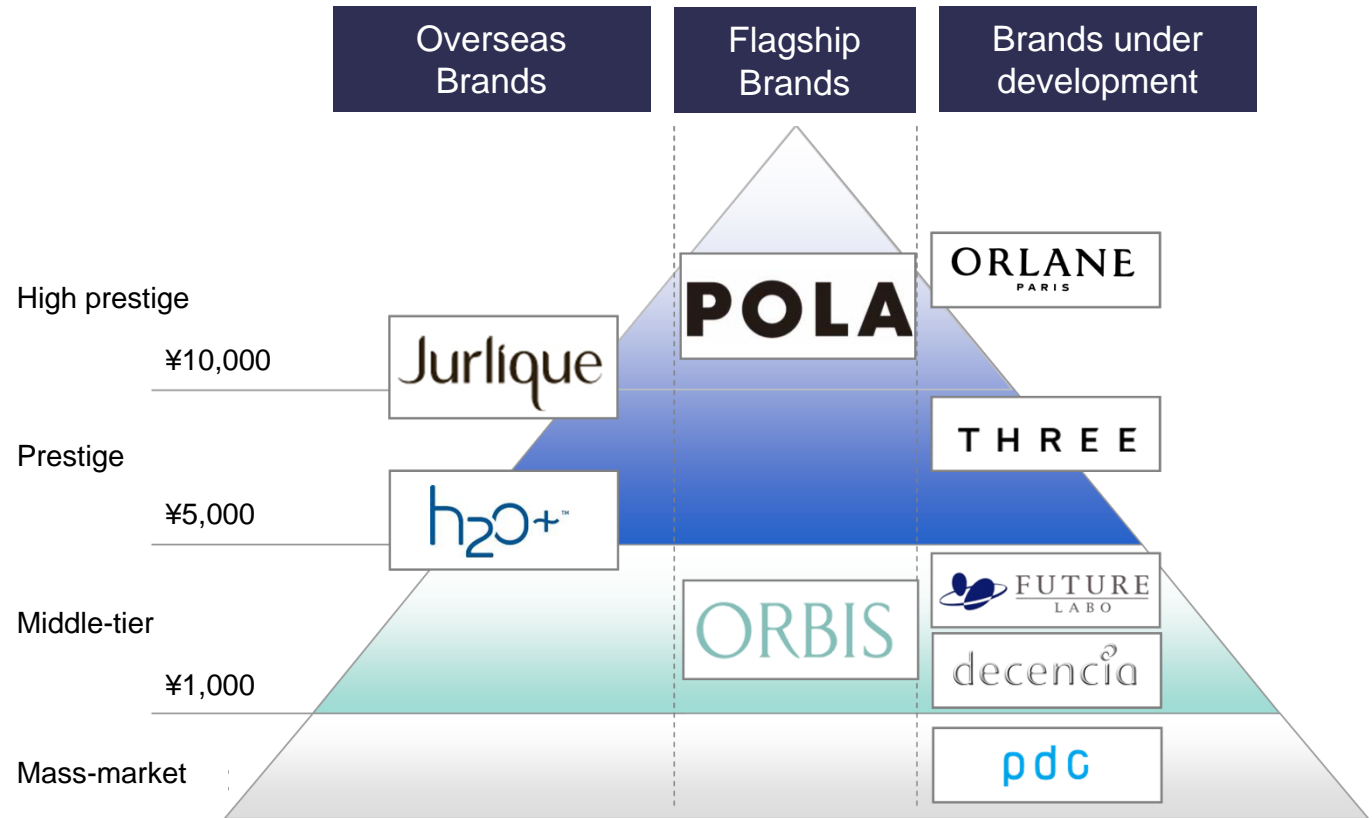
http://ir.po-holdings.co.jp/ja/Library/AnnualReport/main/0/teaserItems/1/linkList/1/link/corporate_report2014.pdf

Beauty care is the core business of the Group, and 9 different cosmetic brands are operated under the Group umbrella.

FY2015
Consol. Net Sales
¥214.8 bil.



- Beauty care business 93%
- Real estate business 2%
- Other businesses 5%
(dermatological drugs and building maintenance business)



Our strengths

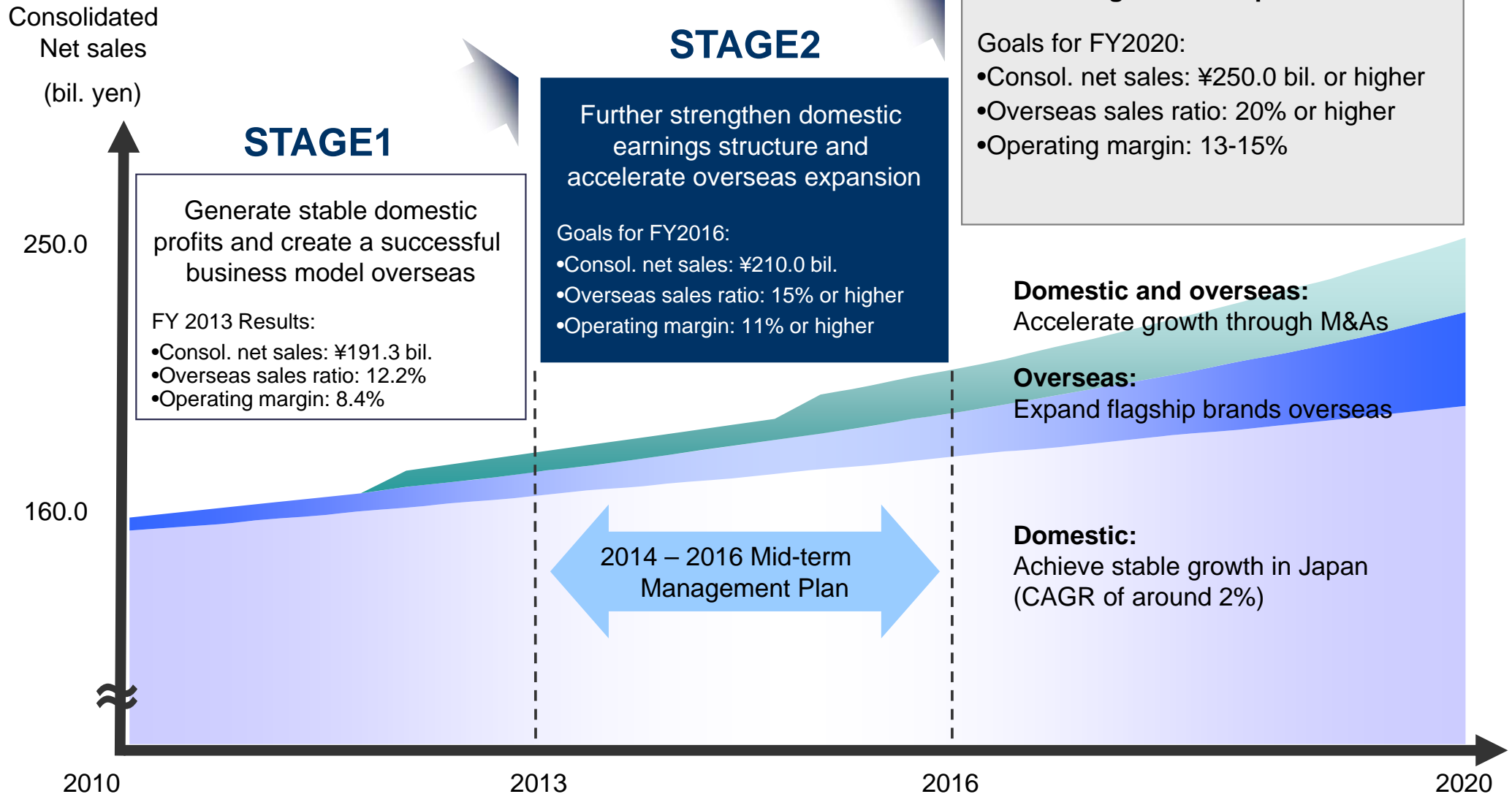
- Multi-brand strategy
 - Focus on skincare products
 - Flagship brands, POLA and ORBIS own and operate through their own unique sales channels
-
- Meeting diversified needs of customers
 - High customer repeat ratio
 - Strong relationships with customers

	Sales ratio*	Brand	Concept and products	Price	Sales channel
Flagship brands	55%	POLA	<ul style="list-style-type: none"> High-prestige skincare Leading-edge technology in anti-aging and skin-whitening fields 	Approx. ¥10,000 or higher	<ul style="list-style-type: none"> Consignment sales through Beauty Directors: POLA THE BEAUTY (PB), Esthe-inn and conventional door-to-door Directly operated counters in department stores
	28%	ORBIS	<ul style="list-style-type: none"> Provides original-concept 100% OIL-FREE skincare products Anti-aging product series to meet demands from all ages 	¥1,000~ ¥3,000	<ul style="list-style-type: none"> Online Catalog Retail stores
Overseas brands	9%	Jurlique	<ul style="list-style-type: none"> Prestige organic skincare brand from Australia 	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> Directly operated counters and stores in department stores and shopping malls Duty free stores
	2%	h2o+	<ul style="list-style-type: none"> Skincare products made with natural, sea-derived ingredients 	Approx. ¥4,000 not sold in Japan	<ul style="list-style-type: none"> China: Department stores, shopping malls and specialty stores US: Specialty stores and directly operated stores
Brands under development		T H R E E	<ul style="list-style-type: none"> Skincare made with natural ingredients from Japan and fashion-forward make-up 	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> Directly operated counters in department stores
		pdc	<ul style="list-style-type: none"> Affordably priced cosmetic products for mass-market 	Approx. ¥1,000	<ul style="list-style-type: none"> Drug stores, GMS Variety stores
	6%	FUTURE LABO	<ul style="list-style-type: none"> Cosmetic and other products with unique features 	¥3,000~ ¥6,000	<ul style="list-style-type: none"> Mainly sold through TV shopping channels
		decencia	<ul style="list-style-type: none"> Skincare for dry, sensitive skin 	¥2,000~ ¥5,000	<ul style="list-style-type: none"> Online
		ORLANE PARIS	<ul style="list-style-type: none"> High prestige anti-aging skincare cosmetics from France 	Approx. ¥10,000 or higher	<ul style="list-style-type: none"> Directly operated counters in department stores Specialty stores

*Sales ratio in the beauty care business as of FY2015

Corporate Philosophy

“Inspire all people and touch their hearts”



The 2nd stage of the long-term vision for 2020
 Aim to enhance the enterprise value by further strengthening domestic earnings structure, accelerating overseas expansion, and improving capital efficiency.

Consolidated net sales

- Consol. net sales: CAGR **3 to 4%**
(¥210.0 bil. in FY2016)
- Overseas sales ratio: **15%** or higher in FY2016

Operating income

- Operating income: CAGR **15%** or higher
- Operating margin: **11%** or higher in FY2016

Capital efficiency

- Target for ROE: **8%** or higher in FY2016

Shareholder return

- Consolidated payout ratio: **50%** or higher
from FY2014

