Financial Results of 2016
2017 – 2020 Medium-term Management Plan

POLA ORBIS HOLDINGS INC.
Representative Director and President
Satoshi Suzuki

Part I Fiscal 2016 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Forecast for Fiscal 2017

Part II 2017 – 2020 Medium-term Management Plan

1. Overview of the Previous Medium-term Management Plan
2. 2017 – 2020 Medium-term Management Plan
3. Topics and Appendix

Part I Fiscal 2016 Consolidated Performance

Q4 Key Topics

Cosmetic Market

- Japanese cosmetic market overall exceeded the previous year however, pure domestic demand seemed to be flat compared to last year.*
- Skincare market grew better than overall market and kept favorable trend especially in urban department stores.
- As for overseas, department stores in urban area in China remained to show negative trend. The shift of purchase locations by the Chinese scattering towards rural areas and online was very apparent.

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

Our Group

- Consolidated net sales was up yoy driven by the flagship brand POLA and brands under development throughout the year. The Group achieved increases both in sales and operating income for seven consecutive years.
- POLA outperformed its initial plan thanks to skin-whitening and aging-care products.
- ORBIS managed to increase operating income despite of decrease in sales due to fewer-than-expected number of customers.
- As for overseas brands, Jurlique recorded an impairment on goodwill due to its weak performance. H2O PLUS has made the revamped products available at stores.
- THREE and DECENCIA from brands under development category sustained strong performance and exceeded expectations. The Group sold all shares in pdc INC. and FUTURE LABO INC.
- As for pharmaceutical business, an impairment loss on sales license of Duac incurred.

Reference: Updates on inbound sales

- FY2015 (full-year) : Approximately 5% of consolidated net sales

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- FY2016 (full-year) : Approximately 6% of consolidated net sales

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- Estimate for FY2017 (full-year) : Approximately 6% of consolidated net sales (forecast)

Results of FY2016 and Actual vs Planned Variance Analysis

(mil. yen)	FY2015 Results	FY2016 Results	YoY change Amount	YoY change %	vs. Plan (Oct 31, 2016) Amount	vs. Plan (Oct 31, 2016) %
Consol. net sales	214,788	218,482	3,693	1.7%	(4,517)	(2.0%)
Operating income	22,511	26,909	4,397	19.5%	909	3.5%
Ordinary income	22,359	27,191	4,832	21.6%	1,891	7.5%
Profit attributable to owners of parent	14,095	17,447	3,352	23.8%	247	1.4%

Average exchange rates: 1.00 AUD = 80.82 JPY, 1.00 USD = 108.84 JPY, 1.00 CNY = 16.36 JPY

	Variance from Oct 31 Plan	Major Factors of the Variance
Consolidated net sales	- 4,517 mil. yen (- 2.0%)	■ Negative discrepancy from plan at Jurlique (approx. - 1,500 mil yen) ■ Negative discrepancy from plan at pharmaceutical business (approx. - 1,100 mil yen) ■ Negative discrepancy from plan at ORBIS (approx. - 1,000 mil yen) ■ Decrease due to transfer of pdc and FUTURE LABO businesses (approx. - 800 mil yen)
Operating income	909 mil. yen (+ 3.5%)	■ Decrease in sales-related expenses by cost control (approx. + 600 mil yen) ■ Increase in gross margin thanks to improvement in cost of sales ratio at POLA (approx. + 300 mil yen)
Ordinary income	1,891 mil yen (+ 7.5%)	■ Increase in association with increased operating income (approx. + 900 mil yen) ■ Decrease in FX losses due to weaker yen (approx. + 900 mil yen)
Profit attributable to owners of parent	247 mil yen (+ 1.4%)	■ Impairment loss at pharmaceutical business (approx. - 3,400 mil yen) ■ Decrease in income taxes due to sales of fixed assets and businesses (approx. + 2,500 mil yen) ■ Extraordinary loss at Jurlique and extraordinary gain from sales of fixed assets and others (approx. - 700 mil yen)

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

(mil. yen)	FY2015 Results	FY2016 Results	YoY Amount	YoY %
Consolidated net sales	214,788	218,482	3,693	1.7%
Cost of sales	41,800	40,940	(859)	(2.1%)
Gross profit	172,988	177,542	4,553	2.6%
SG&A* expenses	150,477	150,633	155	0.1%
Operating income	22,511	26,909	4,397	19.5%

*Selling, General and Administrative Expenses

Key Factors

- **Consol. net sales** Domestic brands achieved increase in sales driven by POLA's inbound and contribution of brands under development.
  As for overseas brands, Jurlique struggled in Hong Kong and DFS market whereas H2O PLUS made the revamped products available at retail stores.
  Overseas sales ratio: 8.7%
- **Cost of sales** Cost of sales ratio improved both at flagship brands and brands under development.
  Cost of sales ratio FY2015: 19.46 % ⇒ FY2016: 18.74 %
- **SG&A expenses** Labor expenses : down ¥ 1,788 mil. YoY
  -> Due to change to agency business model in Jurlique China
  Sales commissions : down ¥ 2,203 mil. YoY
  Sales related expenses : up ¥ 3,126 mil. YoY
  -> Of which ¥2,448 mil is due to classification changes in POLA's commission system.
  Administrative expenses : up ¥1,021 mil. YoY
- **Operating income** Beauty care business : up ¥4,683 mil. YoY

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

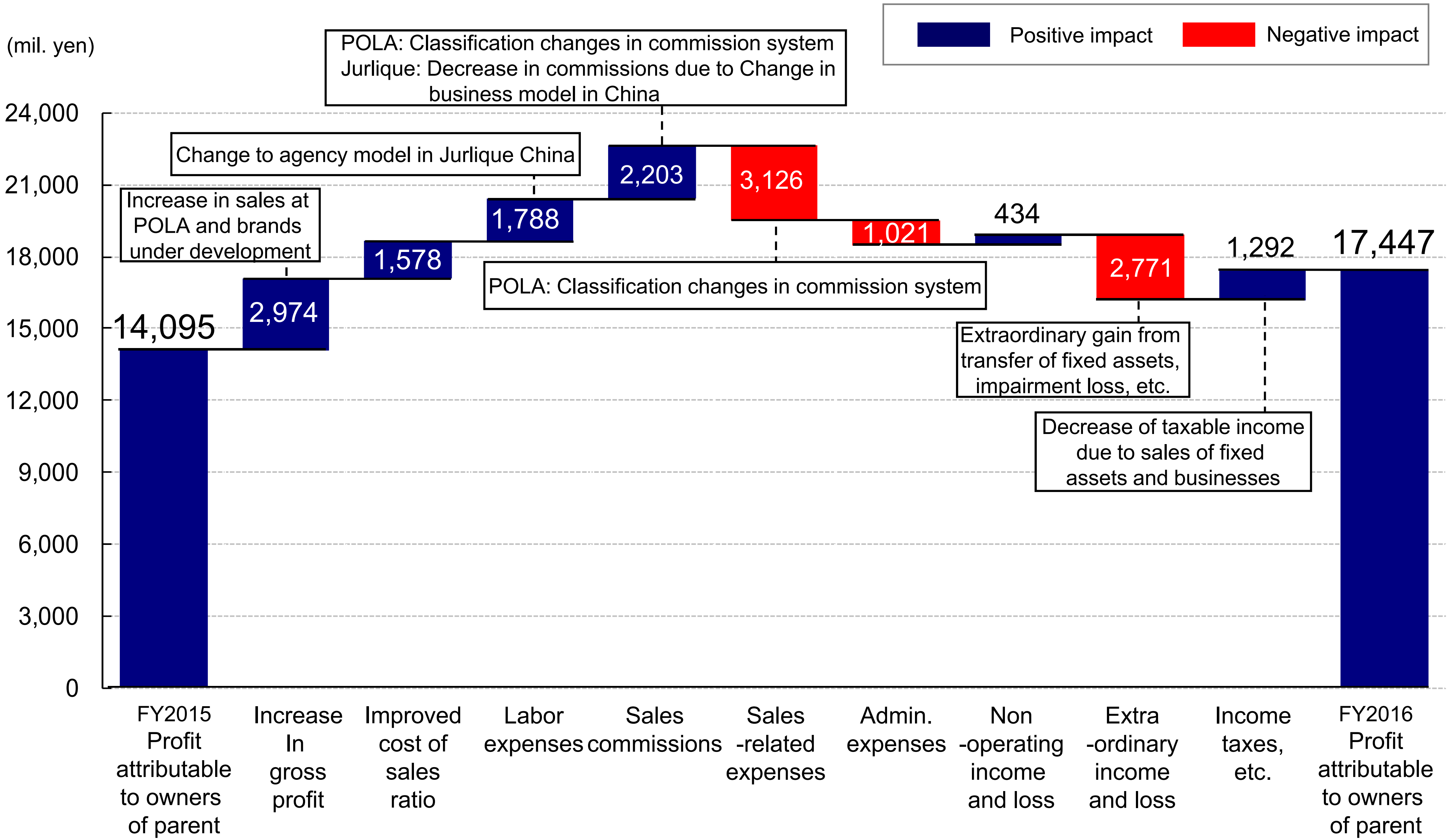
(mil. yen)	FY2015 Results	FY2016 Results	YoY Amount	YoY %
Operating income	22,511	26,909	4,397	19.5%
Non-operating income	585	462	(122)	(20.9%)
Non-operating expenses	737	180	(556)	(75.5%)
Ordinary income	22,359	27,191	4,832	21.6%
Extraordinary income	1,276	11,809	10,532	824.9%
Extraordinary loss	950	14,254	13,304	-
Profit before income taxes	22,685	24,746	2,060	9.1%
Income taxes	8,567	7,279	(1,288)	(15.0%)
Profit attributable to non-controlling interests	23	19	(4)	(17.4%)
Profit attributable to owners of parent	14,095	17,447	3,352	23.8%

Key Factors

- Extraordinary income : Gain from sales of fixed assets (property), as announced on February 15th, 2016: ¥2,945 mil.
  Gain from sales of fixed assets (property and artworks), as announced on November 25th, 2016 : ¥7,221 mil.
- Extraordinary loss : Impairment loss on goodwill in Jurlique : ¥9,386 mil.
  Impairment loss on sales license of Duac (prescription drug) : ¥4,425 mil.
- Income taxes : Decrease in income taxes due to sales of fixed assets and businesses : ¥2,040 mil.

Factors Impacting Profit Attributable to Owners of Parent

Profit attributable to owners of parent was up 23.8% yoy.
Increases in gross profit and extraordinary income covered extraordinary loss incurred.



Part I Fiscal 2016 Consolidated Performance

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Segment Results

(mil yen)	FY2015 Results	FY2016 Results	YoY Amount	YoY %
Consolidated net sales	214,788	218,482	3,693	1.7%
Beauty care	200,570	202,446	1,875	0.9%
Real estate	2,951	3,043	91	3.1%
Others	11,266	12,992	1,726	15.3%
Operating income	22,511	26,909	4,397	19.5%
Beauty care	21,290	25,974	4,683	22.0%
Real estate	1,265	1,395	129	10.3%
Others	293	(133)	(427)	-
Reconciliations	(339)	(326)	12	-

Segment Results Summary

- Beauty care POLA and brands under development contributed to the sales growth.
  Operating income increased by 22.0% driven by improvements in profitability mainly at POLA.
- Real estate Maintained high occupancy rate and achieved increase in sales and operating income.
- Others At pharmaceutical business, two new drugs topped up the sales but fell short of the plan.
  There is a delay in recouping initial promotion expenses for a newly-introduced drug.
  At building maintenance business, sales and operating income remained flat yoy.

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Beauty Care Business Results by Brands

(mil. yen)	FY2015 Results	FY2016 Results	YoY Amount	YoY %
Beauty care net sales	200,570	202,446	1,875	0.9%
POLA	109,352	116,126	6,773	6.2%
ORBIS	56,354	55,857	(497)	(0.9%)
Jurlique	18,390	13,118	(5,271)	(28.7%)
H2O PLUS	3,944	2,547	(1,397)	(35.4%)
Brands under development	12,529	14,796	2,267	18.1%
Beauty care operating income	21,290	25,974	4,683	22.0%
POLA	12,302	16,993	4,690	38.1%
ORBIS	11,197	11,279	82	0.7%
Jurlique	(379)	(1,113)	(733)	-
H2O PLUS	(1,814)	(2,027)	(212)	-
Brands under development	(15)	841	856	-

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

POLA

Brand Analysis (1)

FY2016

- Inbound ratio was approximately 11%. (+1.5 pt YoY) Whitening and aging-care products maintained strong.
- Both the number of customers and average purchase price grew significantly.
- POLA outperformed the initial plan.

Topics

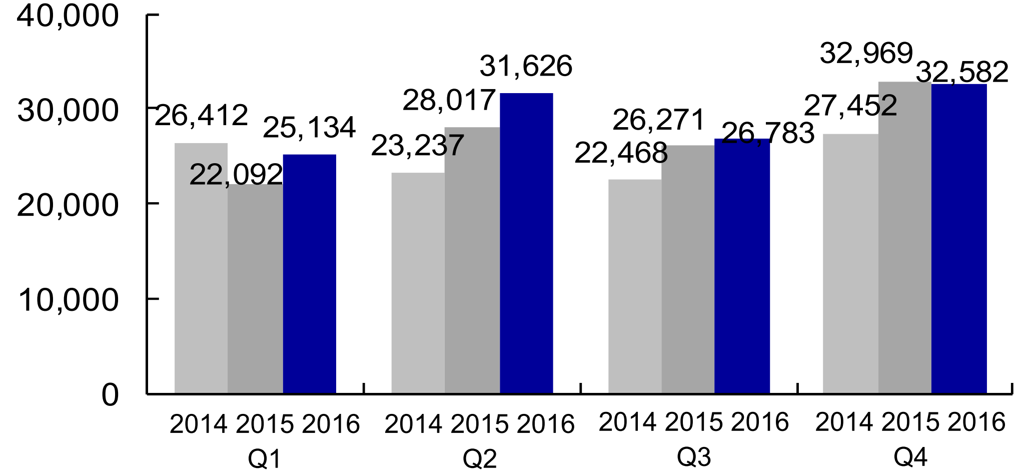
- The whitening "WHITE SHOT" series and aging-care "B.A" series were sold well throughout the year.

Q4	Results (mil. yen)	YoY Change
Net sales	116,126	6.2%
Operating income	16,993	38.1%

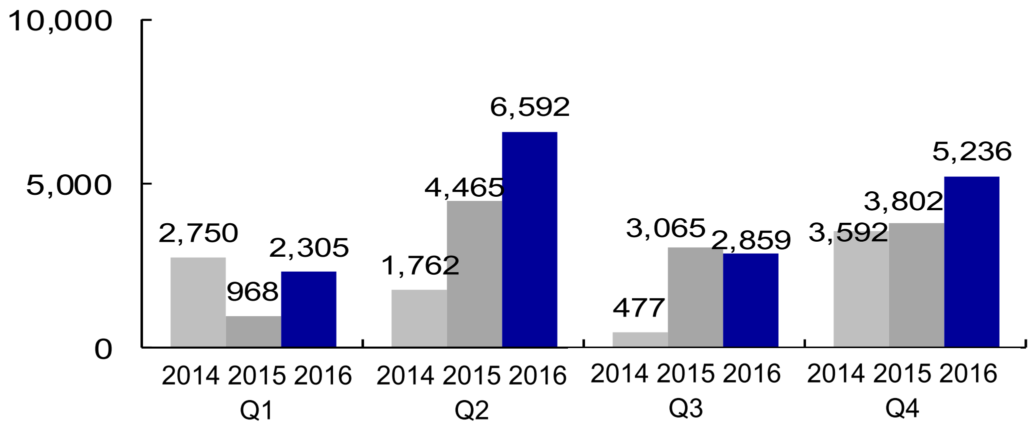
Key indicators		
Number of sales offices (vs. Dec. 2015)		4,625 (down 131)
Number of PB(1) (vs. Dec. 2015)		647 (up 17)
Cosmetic sales ratio	PB(1)	42.8%
	Esthe-inn	42.7%
	D2D(2) and other	14.5%
Sales growth*	PB	up 13.4%
	PB (like-for-like)	up 12.6%
	Esthe-inn	up 7.3%
	D2D	down 11.9%
Purchase per customer*		up 6.2%
Number of new customers*		down 1.7%

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

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



ORBIS

Brand Analysis (2)

FY2016

- Average purchase price showed some improvements supported by new product launches. However, sales decreased because customer acquisition was less than expected due to restraints on advertising expenses.
- Operating income managed to increase yoy by improving cost of sales ratio.

Q4		Results (mil. yen)	YoY change
Net sales		55,857	(0.9%)
Operating income		11,279	0.7%
Key indicators			
Sales ratio	Online		45.5%
	Other mail-order		28.2%
	Store and overseas		26.3%
Sales increase*	Online		up 2.4%
	Other mail-order		down 6.5%
	Stores and overseas		up 0.0%
Mail-order[(1)] purchase per customer*			up 0.7%
Number of mail-order[(1)] customers*			down 1.9%
Mail-order[(1)] skincare purchase ratio*			up 0.9%

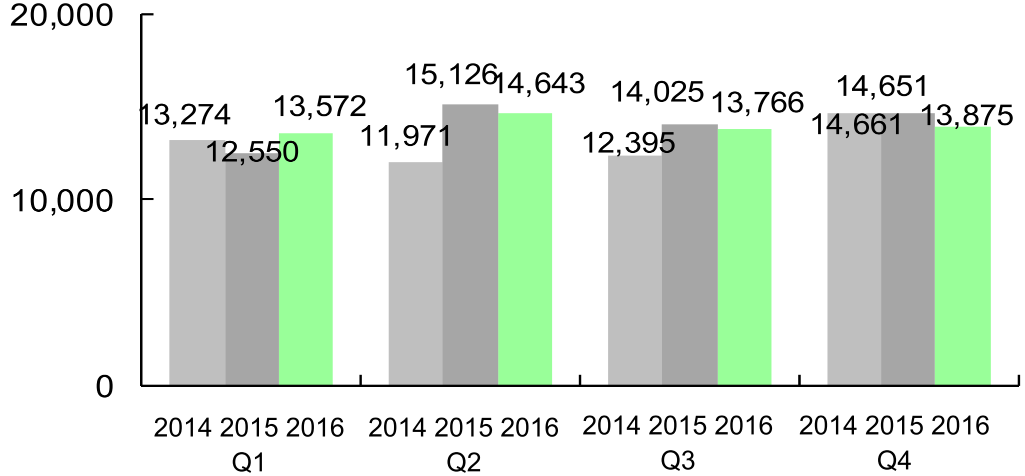
* YoY basis

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

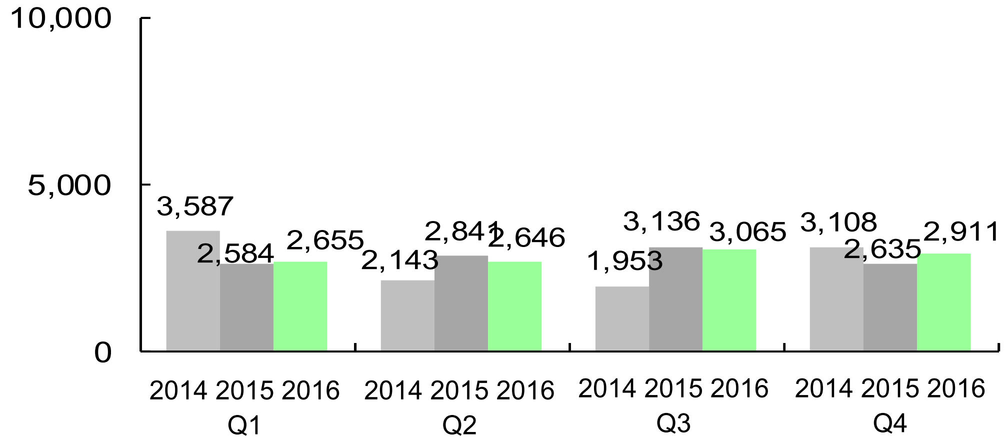
Topics

- Introduced new items to drive the average purchase price per customer.

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Jurlique

Brand Analysis (3)

FY2016

- Sales decreased by 20% (AUD basis).
- Sales in China decreased yoy because of the change to agency model, however, in retail sales basis it remained at the same level as last year.
- Both Hong Kong and DFS continued to struggle.
- Impairment loss on goodwill was recorded in 4Q.

Q4	Results (mil. yen)	YoY change[1]
Net sales	13,118	(28.7%)
Operating income (before goodwill amortization)	(434)	(820)
Operating income	(1,113)	(733)

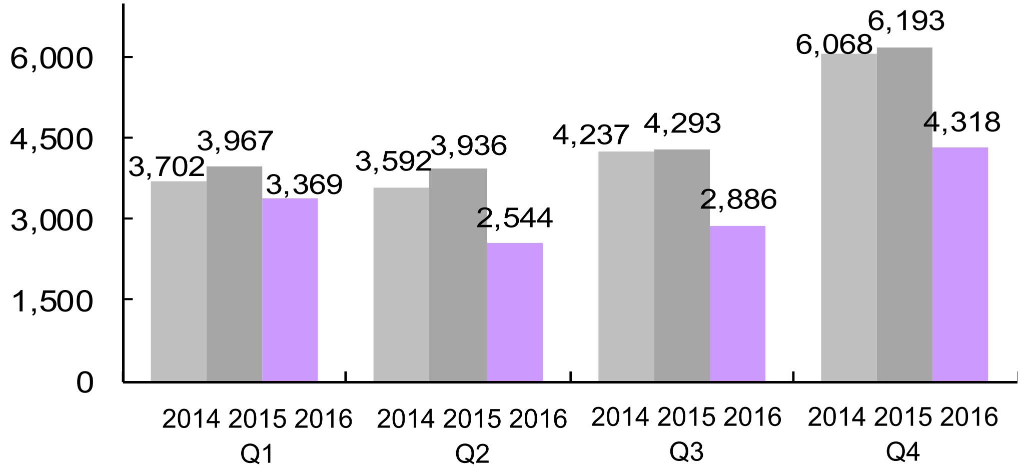
Key indicators		
Number of doors in China (vs. Dec. 2015)		117 (up 3)
Sales ratio	China	19%
	Hong Kong	14%
	Duty free stores	19%
	Australia	30%
Sales growth[2]	China	down 49%
	Hong Kong	down 15%
	Duty free stores	down 13%
	ANZ	up 3%

(1) For operating income YoY difference is shown in amount (mil. yen).
(2) AUD basis, YoY

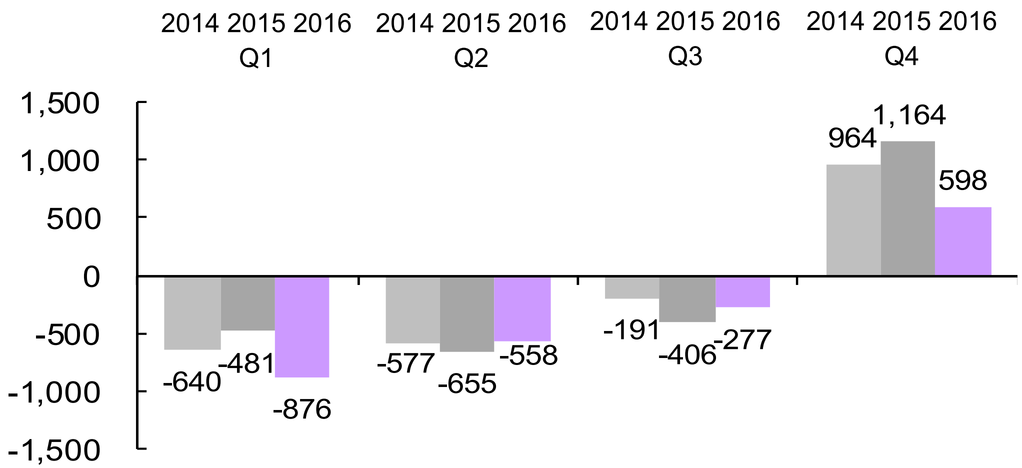
Topics

- Launched various gift kits which consist of best seller and limited products for year-end shopping season.

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Brand Analysis (4)

FY2016

- Rebranded products receives favorable reviews however, the number of retailers did not increase as planned.
- Decreased operating income due to decrease in gross profit and cost incurred from withdrawal from China.

Q4	Results (mil. yen)	YoY change[1]
Net sales	2,547	(35.4%)
Operating income	(2,027)	(212)

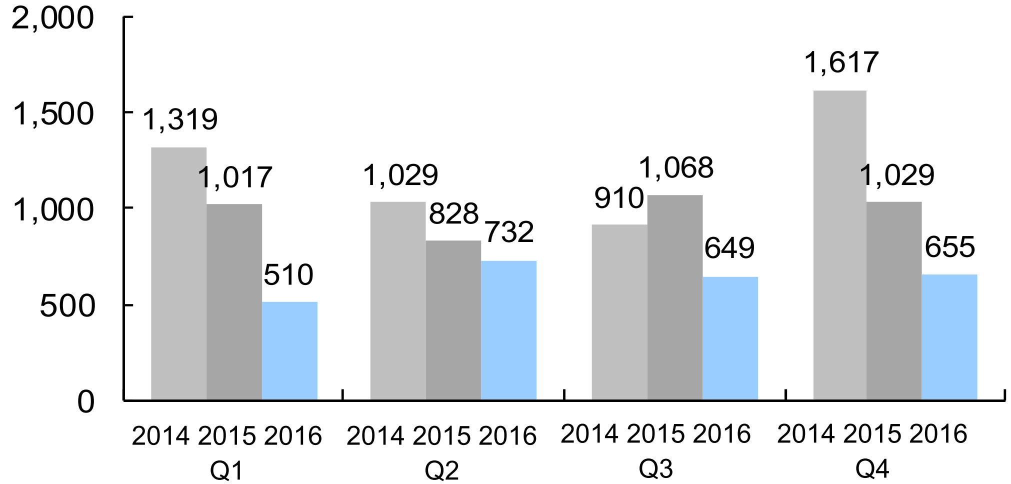
Key indicators		
Number of doors in China (vs. Dec. 2015)		0 (down 71)
Sales ratio	China	3%
	North America	81%
Sales growth[2]	China	down 89%
	North America	down 11%

(1) For operating income YoY difference is shown in amount (mil. yen).
(2) USD basis, YoY

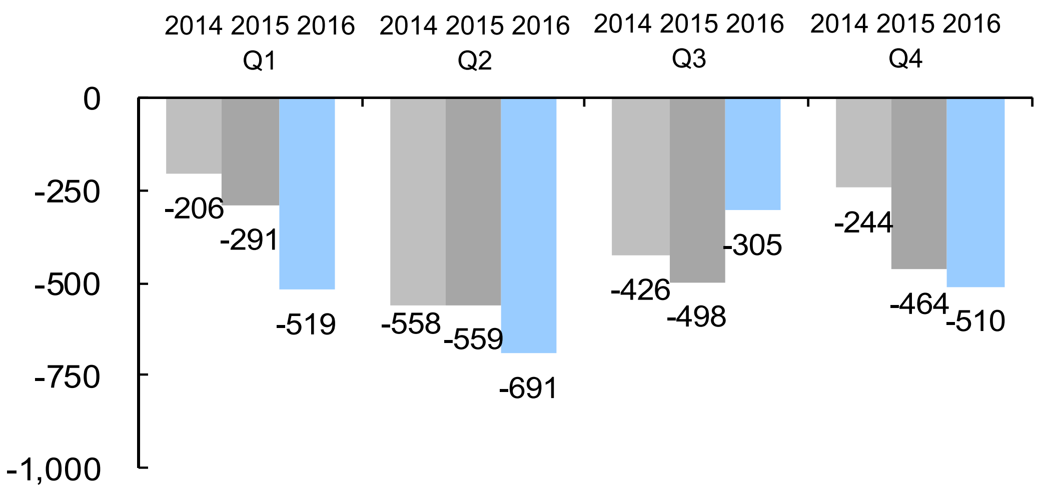
Topics

- H2O PLUS decided to withdraw from China in 1H. One-time cost due to the withdrawal amounted to approximately 500 million yen.

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Brand Analysis (5) Brands Under Development

FY2016

- At THREE, new products caught on, both new stores and existing stores performed very well, overseas stores progressed well and overall sales were up approximately 50% yoy.
- At DECENCIA, the number of customers and purchase price per customer steadily increased and sales were up approximately 60% yoy.
- Operating income significantly increased overall at brands under development.

Q4	Results (mil. yen)	YoY change*
Net sales	14,796	18.1%
Operating income	841	856
(THREE Net sales)	6,120	48%
(THREE OP income)	569	600

Key indicators		
THREE	Dept. store counters in Japan	33
	Other stores in Japan	49
	Overseas stores (Thailand, Taiwan, Indonesia, Malaysia and Hong Kong)	25

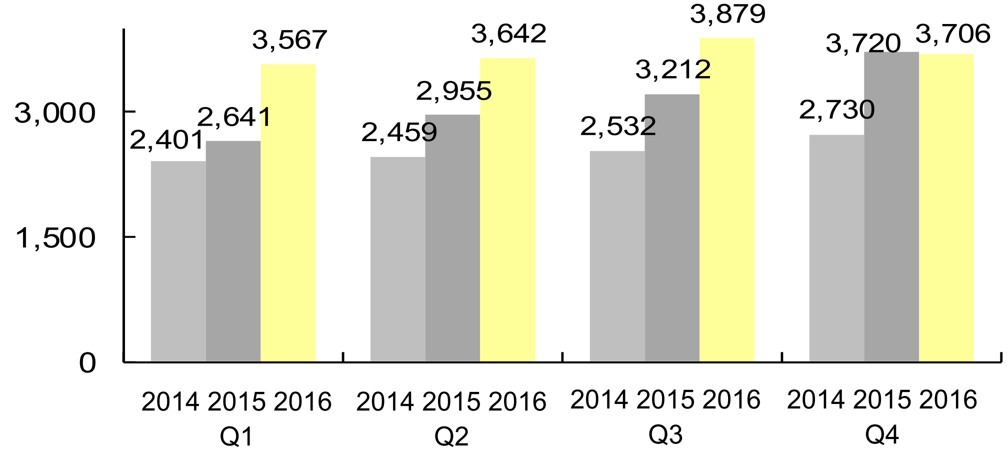
*For operating income YoY difference is shown in amount (mil. yen).

【Recorded period of FUTURE LABO and pdc brands】
FL : until end of October 2016
pdc : until end of November 2016

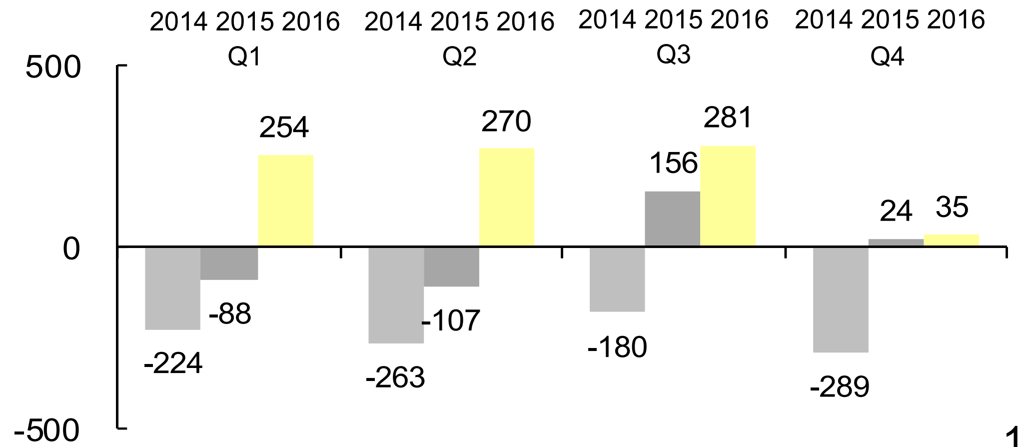
Topics

- THREE : Multiple products won best cosmetic awards at magazines such as VoCE, Biteki and MAQUIA.

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Development of Professional Beauty Directors and Updates on Inbound Sales at POLA Brand

Progress of development of professional Beauty Directors

■Forming the organization centralized in professional Beauty Directors (BDs).
- In order to improve “Quality of Sales", development of professional BDs has progressed steadily.
- The number of BD was narrowed down as scheduled.
  (2015Q4: approximately130,000 BDs → 2016Q4 : approximately 42,000 BDs)
- Reduction of the sales commission has progressed as scheduled.
  (with 1.0 ppt, i.e. approx.1.0 billion yen, of plus effect in operating income)

■TV commercials and Recruitment Forums which were conducted in order to increase the potential candidate attracted public attention more than POLA expected.
(Number of participants to largest sessions: +10% vs. plan)

ポーラという働き方があります。

POLA リクルート・フォーラム 2016

“POLA Recruit Forum 2016”

[Structural change due to decrease of BDs]
- Number of registered BDs : - 70% YoY
- Sales efficiency per BD : + 230% YoY
- Impact on sales in FY2016 : - 300 ~ 400 mil. yen

- The size of the decrease is in line with the plan and its sales impact is limited to minor
- Supporting resources from the head office is now more concentrated on the professional BDs
- Organizational change and efficiency improvement will be carried out in the new medium-term management plan

Updates on inbound sales

■ As of FY2015 full-year : A little more than 9% of POLA’s net sales
Inner Lock IX launched in February and largely captured inbound from Q3 2015.

↓

■ As of FY2016 full-year: A little more than 11% of POLA’s net sales
Firstly captured by Inner Lock IX (skin whitening beauty food), inbound demands spread out to some of the skincare products such as B.A and other health foods.

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■ Estimate of FY2017 full-year: Approximately 11% of POLA’s net sales

WHITE SHOT
Inner Lock IX

B.A
The tablet

Impairment Loss on Sales License of Duac® Gel

Recorded impairment loss at pharmaceutical business for 2016 4Q

2015	Launched Duac® Gel, a combination drug for the treatment of acne vulgaris in Japanese market under sales alliance with GlaxoSmithKline K.K	▶	In order to seek untapped market, POLA PHARMA has undertaken Information activities focusing on dermatologists.
2016	- fierce competition with other drugs - Insufficient activities to raise product value - Insufficient marketing capabilities on distribution - Delay in being recognized as a recommended drug for treatment of acne vulgaris - Sales performance fell below the level anticipated at the time of license acquisition - Carried out impairment test based on future cash flow projections	▶	Recorded impairment loss for 4Q 2016 Extraordinary loss (impairment loss on sales license) : 4,425 million yen

【Impact on amortization amount】

FY2016 full-year : Annual amortization of the sales license: approx. 500 million yen
FY2017 onwards : No amortization

【Actions going forward】

- Establish marketing strategy department to strengthen communication with influential specialists
- Aim to deliver to more facilities with strengthened alliance with distributors
- Promote a personnel joined from other pharmaceutical companies to a head of marketing
- Revise marketing structure and reinforce marketing representatives through trainings and programs

POLA ORBIS HOLDINGS

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Forecasts for FY2017

(mil. yen)	FY2017 Full-year Plan	YoY Change Amount	YoY Change %	FY2016 Full-year Results	YoY Change Amount	YoY Change %
Consol. net sales	227,000	8,517	3.9%	218,482	3,693	1.7%
Beauty care	210,500	8,053	4.0%	202,446	1,875	0.9%
Real estate	2,500	(543)	(17.9%)	3,043	91	3.1%
Others	14,000	1,007	7.8%	12,992	1,726	15.3%
OP income	31,000	4,090	15.2%	26,909	4,397	19.5%
Beauty care	30,200	4,225	16.3%	25,974	4,683	22.0%
Real estate	1,000	(395)	(28.4%)	1,395	129	10.3%
Others	0	133	–	(133)	(427)	–
Reconciliations	(200)	126	–	(326)	12	–
Ordinary income	31,000	3,808	14.0%	27,191	4,832	21.6%
Net income attributable to owners of parent	20,000	2,552	14.6%	17,447	3,352	23.8%

【Assumptions behind the plan】
- Inbound sales : approx. 13,500 mil yen (almost same level as last year)
- Sales of Wrinkle Shot Serum : 10,000 mil yen (net increase excluding cannibalization : 3,000 to 4,000 mil yen)
- Amount of difference resulted from effect of transfers of pdc and FUTURE LABO brands compared to FY 2016: Sales -3,100 mil yen, OP income +150 mil yen
- Amortization of goodwill in Jurlique : approx. 60 mil yen (approximately - 620 mil yen compared to FY2016)

【Assumed exchange rates】
1.00 AUD = 82 JPY(PY 80.82)
1.00 USD = 112JPY (PY108.84)
1.00 CNY = 17 JPY(PY 16.36)

	FY2016	FY2017 (plan)
Shareholder returns	Annual ¥200 Consol. payout ratio 63.4%	Annual ¥55* (Interim ¥25, Year-end ¥30) *After four-for-one stock split Consol. payout ratio 60.8%
Capital investment	¥8,127 million	¥9,000 million
Depreciation	¥6,787 million	¥7,000 ~ 8,000 million

Part II 2017 – 2020 Medium-term Management Plan

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Overview of the Previous Mid-term Management Plan

【Management Indicators】

	Goals	Results	Evaluation
Consolidated net sales	CAGR* 3 - 4%	CAGR 4.5%	Excelled
Overseas sales ratio	FY2016 15%	FY2016 8.7%	Failed
Operating profit	CAGR 15% or higher	CAGR 18.9%	Excelled
Operating margin	FY2016 11%	FY2016 12.3%	Excelled
ROE	FY2016 9%	FY2016 9.5%	Achieved
Shareholder returns	from2014 Payout ratio 50% or higher	FY2016 63.4%	Achieved

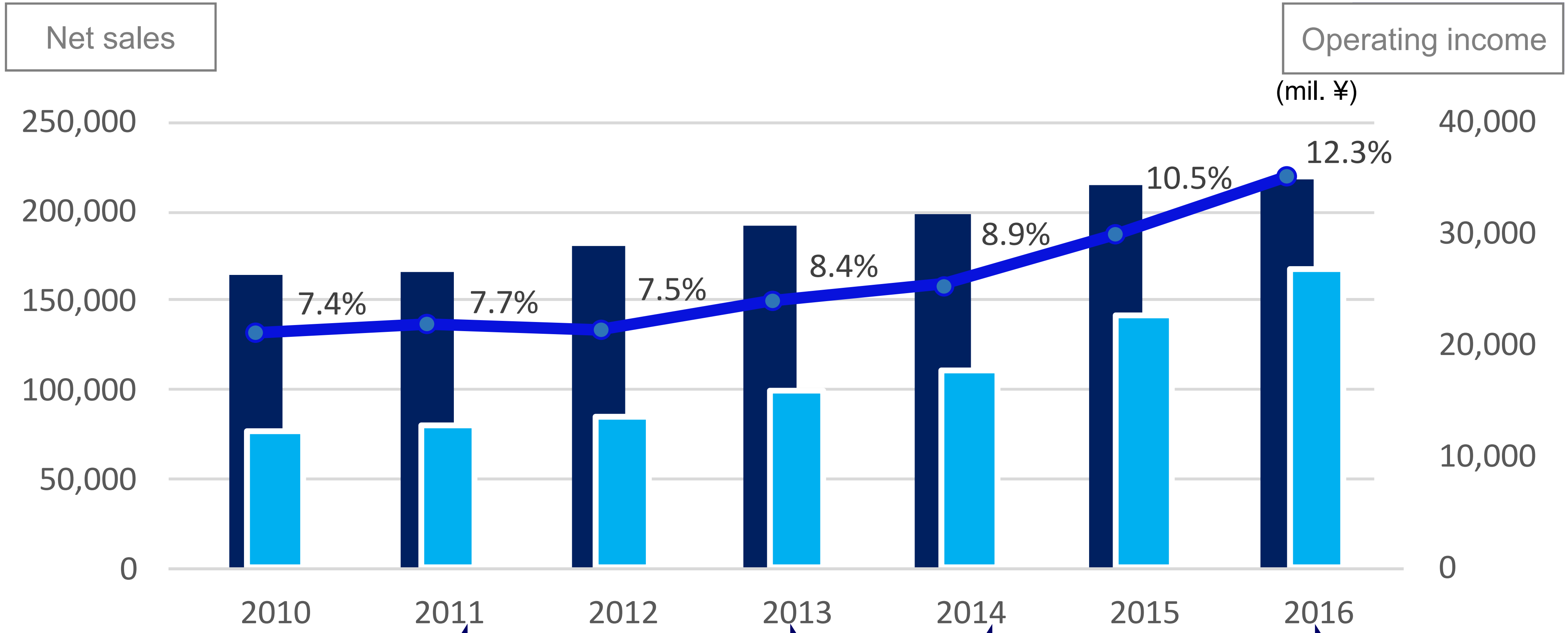
*Compound Annual Growth Rate

【Growth Strategies】

Strategies		Evaluation
1	Sustain stable growth of flagship brands to lead Group earnings	Achieved
2	Sales growth and monetization of brands under development	Excelled
3	Overseas brands contributing to profitability through sales growth	Failed
4	Restructure overseas expansion of flagship brands	Fell short
5	Strengthen operations (research, productions, and human resources)	Achieved
6	Improve capital efficiency and shareholder return	Achieved

Improved profitability in domestic business.
Meanwhile, in overseas business, both growth and profitability are identified as issues to be addressed in the next medium-term management plan.

Overview of the Previous Mid-term Consolidated Performance



【2011-2013 Mid-term management plan】
CAGR
Net sales : + 5.0%
OP income : + 9.3%

【2014-2016 Mid-term management plan】
CAGR
Net sales : + 4.5%
OP income : +18.9%

Although overseas business did not reach plan, profit structure of domestic business improved. Profit drivers were POLA which captured inbound and contributions of brands under development. Operating margin for domestic brands only for FY2016 nearly reached 15%.

POLA ORBIS HOLDINGS

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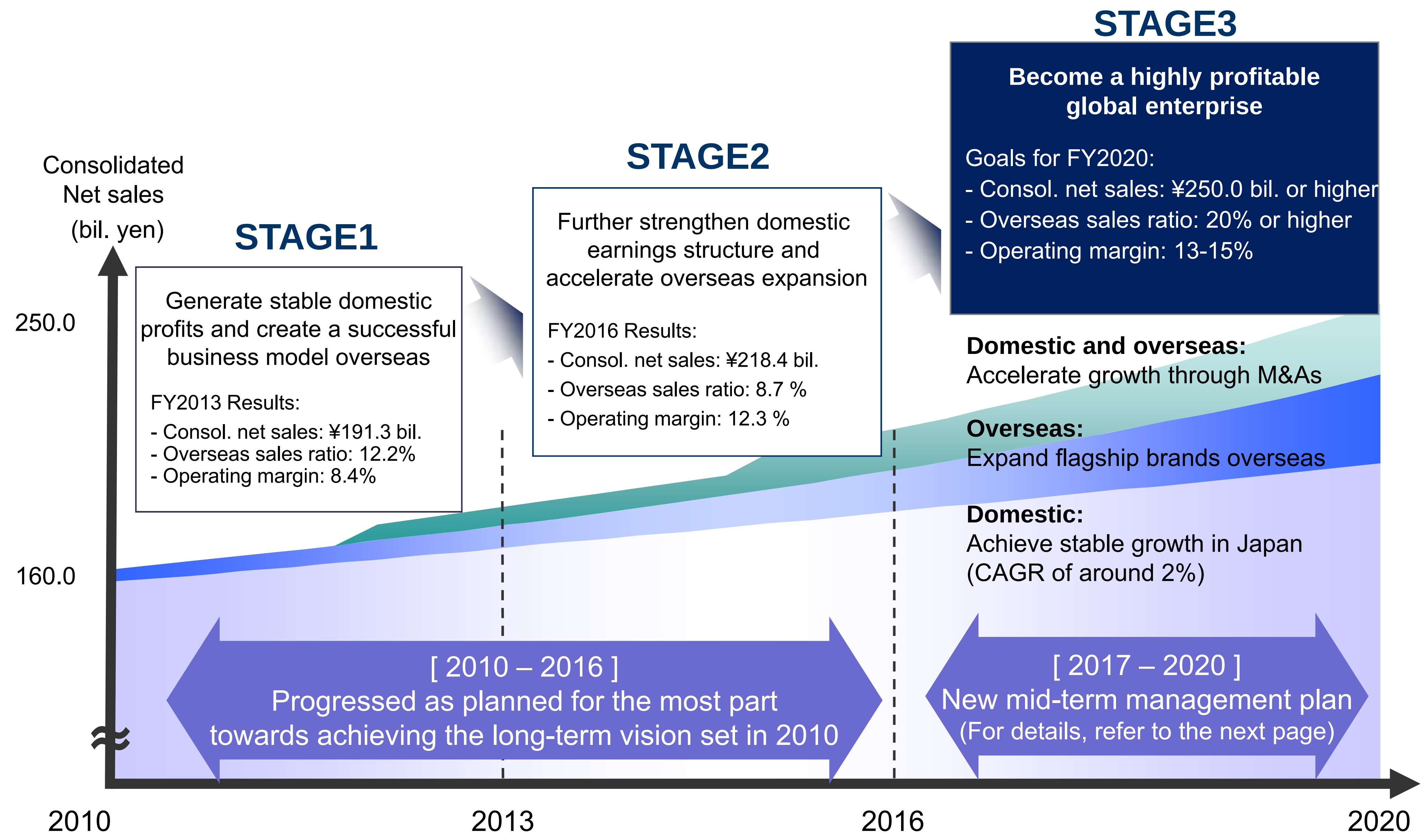
Long-term Vision for 2020

The 2017-2020 new medium-term management plan is positioned as the final stage for realizing the long-term vision for 2020 and also outlined for solidifying the foundation for the next phase



2017 – 2020 Medium-term Management Plan

Progress for 2020 Long-term Vision

Consolidated net sales ¥250.0 bil. or higher	Operating margin 13% - 15%	Overseas sales ratio 20%
Progressing in line with plan	Progressing better than plan Aim for further improvement	Progressing less than halfway against 20% Profit structure improvement is set as the top priority as the foundation for re-growth

- Engage in expansion of the brand portfolio reflecting new acquisition and sales of brands in the past 6 years
- Continuously aim to increase corporate value by improving capital efficiency

Goals for 2020

Consolidated net sales		Operating income		Capital efficiency	Shareholder return
¥250.0 bil.	CAGR 3 - 4 %	OP margin 15 % or higher	CAGR 10 %	ROE 12 %	Consol. payout ratio 60 % or higher

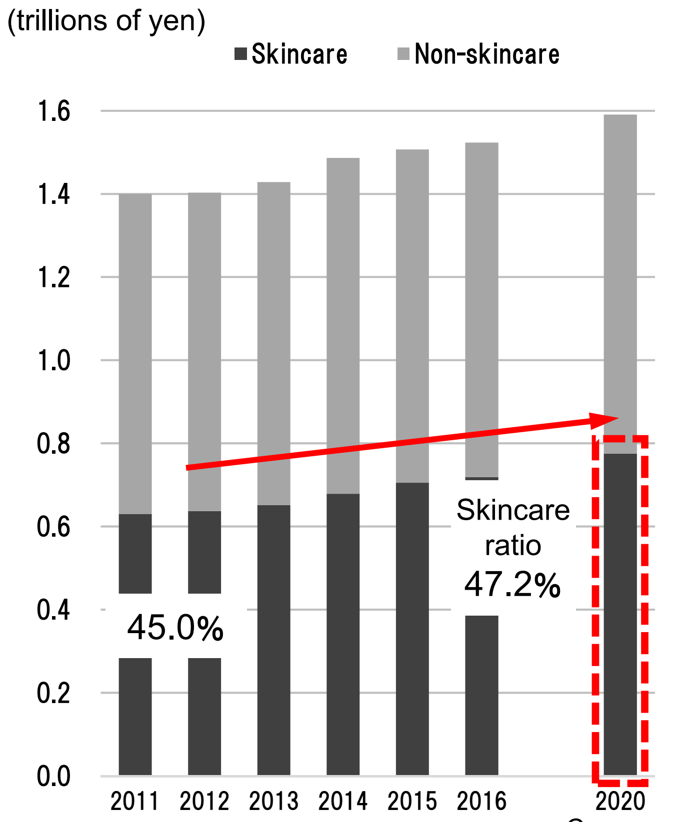
Key Strategies

1. Sustain stable growth of flagship brands to lead Group earnings
2. Building overseas operations solidly into profit overall
3. Expand brands under development, create new brands, pursue M&A activity
4. Strengthen operations (reinforce R&D, human resources and governance)
5. Enhance capital efficiency and enrich shareholder returns

Cosmetic Market

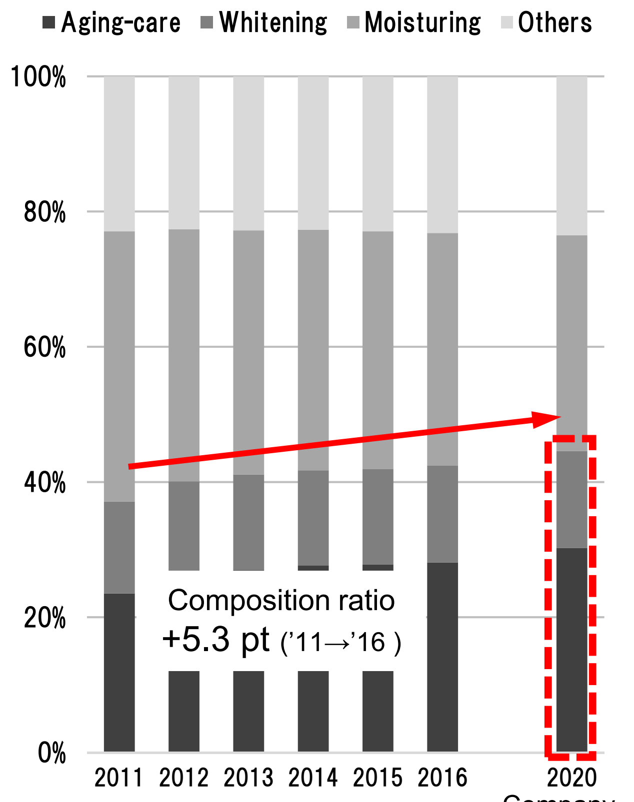
【Domestic Market】
- In 2016, domestic cosmetic market showed 1-2% growth however, pure domestic seemed flat excluding inbound.
- Market ratio increased in whitening and aging-care fields, and high prestige products priced higher that ¥10,000 where the Group puts efforts in.
- The Group estimates this trend to continue until 2020.

Domestic Cosmetics Shipments



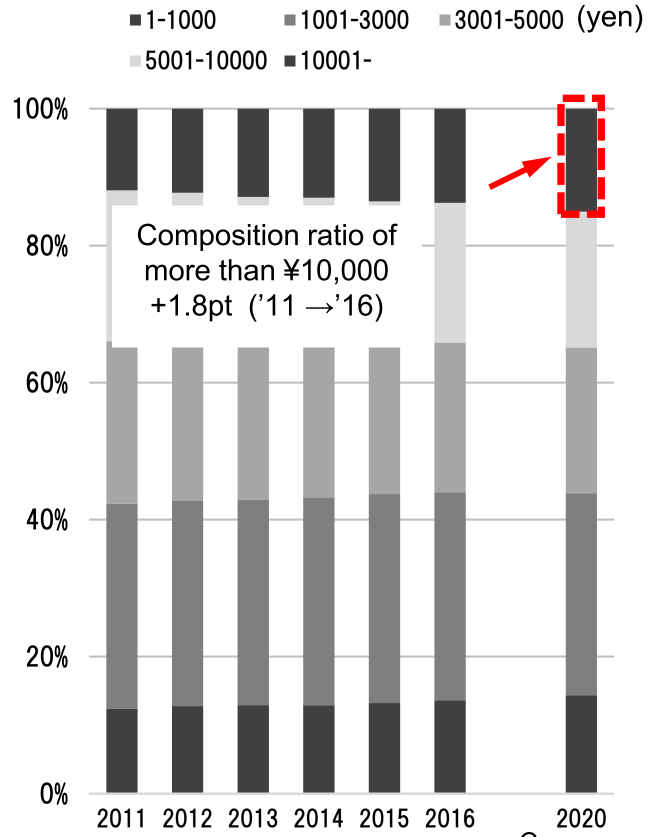
Source: The office of Current Survey For Mining and Manufacturing within METI

Skincare Market by Product Function



Source: Intage SLI

Skincare Market by Price Range



Source: Intage SLI

【Overseas Market】
- China and ASEAN, key regions for the Group, have high interests in skincare and their markets are recognized as promising market.
- Chinese consumer trend that shifts from department stores to online and rural areas is expected to continue.

Initiatives for 2017 Onward

Strategy 1. Sustain stable growth of flagship brands to lead Group earnings

Reinforce business platform for long-term stable growth

POLA

- ■Develop and launch next-generation products with high differentiation in aging-care and whitening field such as Wrinkle Shot Serum
- ■Aim for improving service quality and building long-term relationship with customers (i.e. increase "LTV", Lifetime Value) by putting efforts on development of professional Beauty Directors

【Plan for 2017 - 2020】
Net sales　:　2 - 3% growth each year
OP income　:　Nearly double-digit growth each year
OP margin　:　15% or higher (with expectation of stable inbound sales)

Launched in January, POLA "Wrinkle Shot Serum"

Get back to growth trajectory by improving customer purchase price

ORBIS

- ■ Aim for growth by improving the number of customer and customer purchase price pushed by cross-selling and launch of limited products cerebrating the brand's 30th anniversary and renewal of main series
- ■ Carry out one-to-one CRM and strengthen online channels

【Plan for 2017 - 2020】
Net sales　:　2 - 3% growth each year
OP income　:　Nearly double-digit growth each year
OP margin　:　22% or higher

Launched in January, ORBIS "AQUA FORCE"

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Initiatives for 2017 Onward

Strategy 2. Bring overseas operations solidly into the black overall

Recover and seek profitable business growth

Jurlique	■ Restructure supply chain across the Group ■ Strengthen brand strategy and review product portfolio ■ Contribute to profitability with sales growth at existing stores in Asia
H2O+ BEAUTY	■ Concentrate on existing prestige channels in North America and enter into new retailers ■ Continuously launch new products targeting to the Millennials and aim for retail sales growth fueled by marketing on social media

Launched in January, Jurlique "ICONIC ROSE COLLECTION"

Build model of success in key countries and boost profits through better capital efficiency

POLA	■ Priority is China - develop mainly at physical stores and T-mall ■ For other regions, prioritize turning the business into profitable by reducing fixed costs
ORBIS	■ Priority is China - create successful business model at T-mall and cross-border EC ■ In APAC, shift business model to agencies and reduce fixed costs

ORBIS "T-mall flagship store"

【Realize profitability】

Turning the loss into profit by 2020 at overseas business as a whole

Initiatives for 2017 Onward

Strategy 3. Expand brands under development, create new brands, pursue M&A activity

Brands under development aim to achieve CAGR10% in sales* and 20% OP increase

THREE	■ Open around 10 stores annually and increase sales at existing stores ■ Improve profitability by sales increase and reduction of cost of sales ratio ■ Expand overseas business by utilizing local agencies	【Plan for 2020】 - Sales : 10.0 billion - OP margin : 10% or higher - Overseas ratio: 15%
DECENCIA	■ Expand the target under new branding ■ Establish stable earnings model ■ Launch physical stores in order to strengthen brand appeal	【Plan for 2020】 - Sales : 5.0 billion - OP margin : 20% or higher - Store sales ratio: 5%

*Does not include sales of pdc and FUTURE LABO

Launched in January, THREE "Eye Dimensional Quad Palette (3 types)"

Launched in late 2016, DECENCIA "ayanasu"

New Brands	■ Kick off for creating new brands that will be added to the portfolio (such as spin-off from existing brands or in-house venture project) ■ Investment amount is considered to be within 10 billion (by 2020) ■ Aim to establish several brands with 5 - 10 billion of sales scale ■ M&A is still set as one of key strategies and seek for potential brands

Details will be announced once confirmed

Initiatives for 2017 Onwards

Strategy 4. Strengthen operations (reinforce R&D, human resources and governance)

R&D	■ Develop new ingredients for aging-care and skin-whitening products ■ Develop new product pipeline following Wrinkle Shot Serum ■ Increase budget for R&D investments as the need arises
Human resources	■ Constantly develop the capabilities of human resources with management potential through training opportunities that cut across the Group ■ Attract and keep global personnel (transfer personnel from Japan to Group companies overseas and promote aggressive hiring) ■ Implement groupwide personnel strategy to cultivate the skills of human resources throughout the Group such as career challenge program
Governance	■ Raise corporate governance to a higher level (Build evaluation system for effectiveness of the Board of Directors, etc.) (Enhance dialogue with stakeholders, sustainable ESG activities, etc.)

Initiatives for FY2017 Onwards

Strategy 5. Enhance capital efficiency and enrich shareholder returns

Initiatives to Improve Capital Efficiency

Target for 2020

ROE 12%

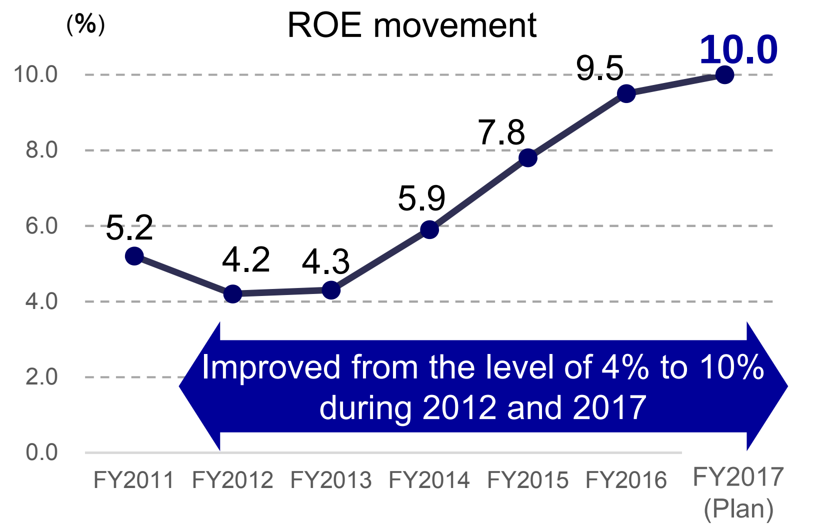
(Return on equity)

= EPS (Earnings per share) / BPS (Book value per share)

EPS:
- Operating income CAGR15%
- Achieve net income growth which is higher than operating income growth with decreased overseas non-deductible losses

BPS:
- Improve shareholder return through dividends
- Optimize balance sheet
- Investment for future growth

Setting 12% as a way point and aiming for global level in the long term



Improvement of Shareholder Return

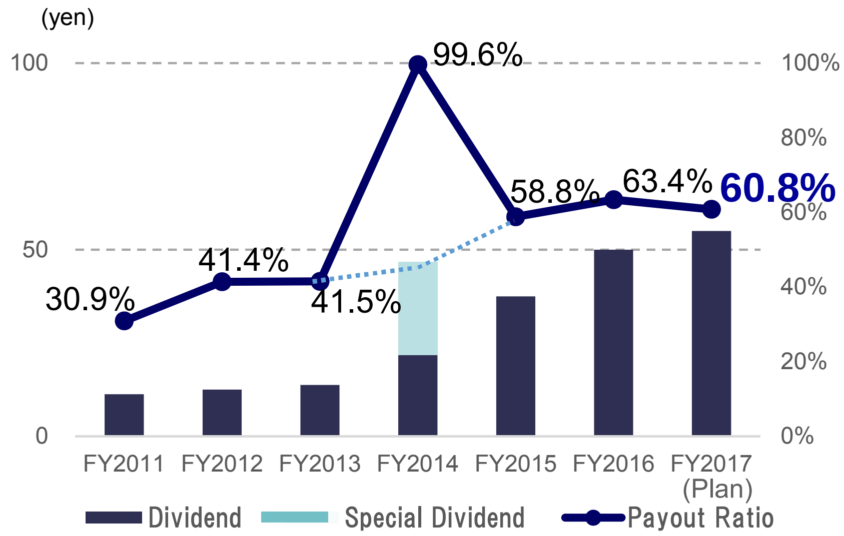
【2017 – 2020 Basic Policy】

- With a policy of consolidated payout ratio of **60%*** or higher, enhance shareholder return by realizing stable profit growth. (*changed upward from 50%)
- Purchase of treasury stock is not planned in the near future to secure liquidity and seek to enrich shareholder return through stable cash dividends.

【 Dividends in FY2017】

- Dividend per share : ¥55 (interim ¥25, year-end ¥30)*
- Consol. payout ratio : 60.8%

* After four-for-one stock split, forecast of annual dividend per share



Dotted line：Movement of payout ratio excluding special dividends

Looking ahead to 2029 : New Group Philosophy

Started consideration of a new long-term vision with an eye towards 2029, the 100th anniversary of the Group's foundation. Re-establish group philosophy aiming for long-term growth

<Clarification of the providing value>

We would like to provide unique value full of sensitivity, which is the strength of the group

MISSION

Sensitize the world to beauty.

Approach life with boundless curiosity and fill it with heartwarming encounters and new discoveries. Make the world different tomorrow. Inspire a sensitivity to beauty that changes people's lives, making them feel happier and more emotionally fulfilled.

VISION

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

WAY

- **Be gracious to others, and express your individuality with flair.**
- **Cultivate your aesthetic sense and personal tastes.**
- **Respond to challenges and changing circumstances with flexibility.**
- **Show care for the environment in all that you do.**
- **Think independently and work cooperatively to grow as individuals and as a group.**

New long-term vision (management indicator for 2029) are scheduled to be announced during the current medium-term management plan

Part II 2017 – 2020 Medium-term Management Plan

POLA

Topics (1) POLA Wrinkle Shot Serum

Wrinkle Shot Serum was launched on January 1, 2017
Sales for the first month exceeded the initial plan

The biggest growth driver at POLA brand for FY2017,
A first-ever **"quasi drug that improves wrinkles"**
"Wrinkle Shot Serum" has been launched

【Sales for January 2017】

Sales target for 2017	Actual sales result for January 2017
10.0 billion	January : +20% compared to the plan (Sold 250,000 units)
	Customer profile : Existing customers 85%, New customers 15%

Thanks to pre-sales promotions during 4Q last year, pre-orders and initial sales exceeded the plan. Sales has been progressing beyond the expectation as of January and heading towards the ¥10bn target.

Temporary shortage of the stock at some of the department counters in the first week of the launch was due to misallocation of the initial shipments. POLA has maintained a level of safety stock.

Launched January 1, 2017

Wrinkle Shot Serum
【quasi-drug】(serum)

20g ¥15,000 (¥16,200 incl. tax)

Sales channels: POLA stores and department stores in Japan

<Reference> Positioning of quasi-drugs (medicated cosmetics) in Japan

Category	Cosmetics	Quasi-drugs Wrinkle Shot Serum	Medical Care
Expressions for effectiveness	Make wrinkles due to dryness inconspicuous	Improve Wrinkles	Remove Wrinkles
Requirement	Can be claimed by products with certain results	Can be claimed as a result of its active ingredient "NEI-L 1"	Injections of hyaluronic acid, Botox, laser treatment, etc.

Topics (2) Stock Split

Four-for-one stock split is scheduled on April 1, 2017.
Shareholders' benefit program will be partially amended accordingly.

Objective and outline

■ Provide the environment where investors can make investments more easily and increase stock liquidity.

< Four-for-one stock split >

Minimum investment unit price before stock split	Minimum investment unit price after stock split
¥10,720 × 100 shares	¥ 2,680 × 100 shares
¥1,072,000	**¥268,000**

Note: The price presented above is based on the closing price on Jan. 31, 2017

Reason why Pola Orbis stock is "remaining out of investment scope even though its attracting" is ..**Stock price is high**

Source: questionnaire at events for individual investors

"Investment unit price perceived as affordable" for individual investors is..

¥100,000 or less : 39%
¥500,000 or less : 33%

Source: survey conducted by Pola Orbis Holdings

Shareholders' benefit program

1) Change on point table (for those registered on the list of shareholders as of December. 31, 2017)

Before stock split	Holding period	
	< 3 years	3 years ≦
100 – 299 shares	60 pt	80 pt
300 – 499 shares	80 pt	100 pt
More than 500 shares	100 pt	120 pt

After stock split	Holding period	
	< 3 years	3 years ≦
100 – 399 shares	15 pt	35 pt
400 – 1,199 shares	60 pt	80 pt
1,200 – 1,999 shares	80 pt	100 pt
More than 2,000 shares	100 pt	120 pt

2) Issuance of special points (for those registered on the list of shareholders as of March 31, 2017, and also maintain the same holder number and holding status at the issuance date of Dec 31, 2017.)

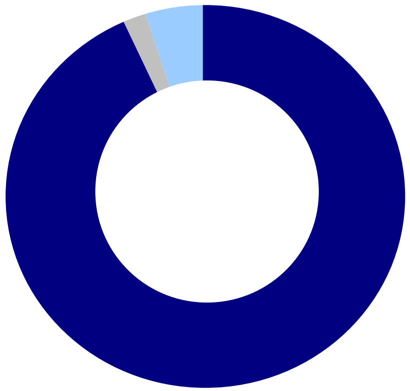
■ Issue special points to express gratitude for stakeholders who has held the Company's shares up to this date.

Number of shares held on Mar 31, 2017	Points to be issued
100 - 299 shares	20pt
300 - 499 shares	30pt
More than 500 shares	40pt

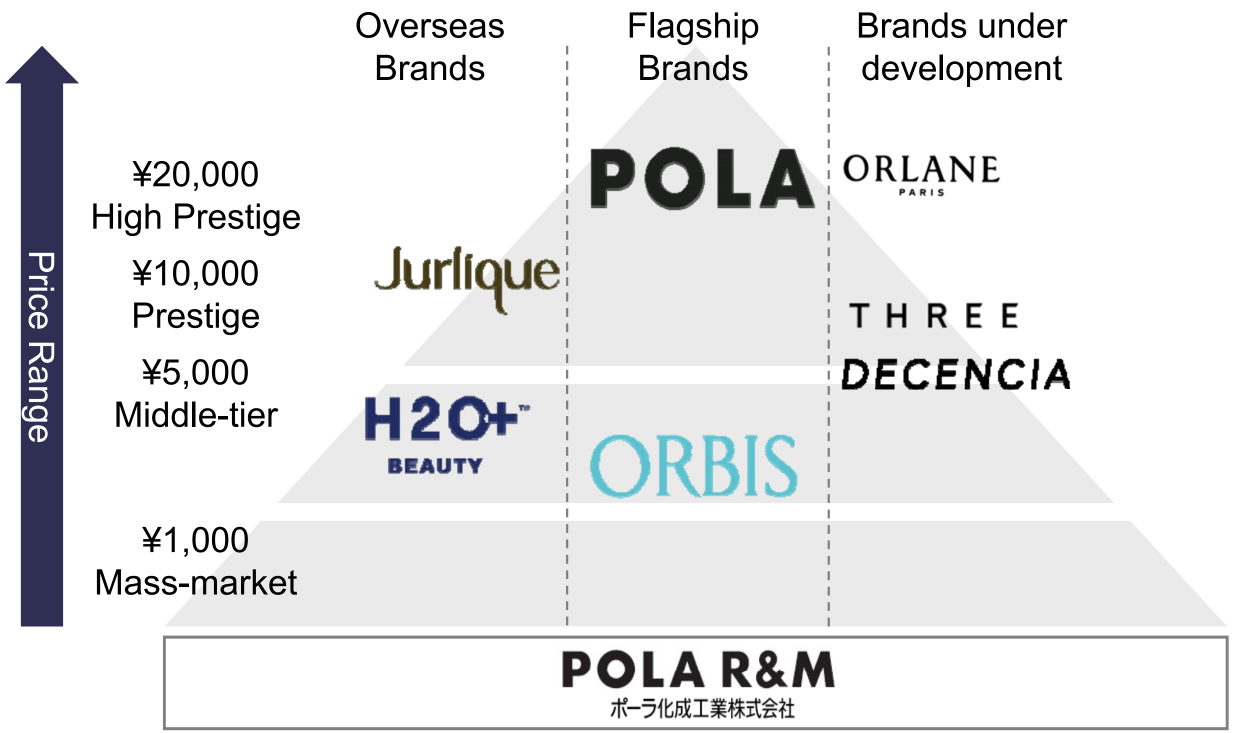
Appendix: About POLA ORBIS Group

Beauty care is the core business of the Group, and 7 different cosmetic brands are operated under the Group umbrella

FY2016
Consol. Net Sales
¥218.4 bil.



- Beauty care business 93%
- Real estate business 1%
- Other businesses 6% (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

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Appendix : Beauty Care Business Brand Portfolio

	Sales ratio*	Brand	Concept and products	Price	Sales channel
Flagship brands	57%	POLA Since 1929	■ High-prestige skincare ■ Leading-edge technology in anti-aging and skin-whitening fields	Approx. ¥10,000 or higher	■ Consignment sales through Beauty Directors: POLA THE BEAUTY (PB), Esthe-inn and conventional door-to-door ■ Department store counters
	28%	ORBIS Since 1984	■ Provides original-concept 100% OIL-FREE skincare products ■ Offers aging-care lineup for wide range of age groups	¥1,000~ ¥3,000	■ Online ■ Catalog ■ Retail stores
Overseas Brands	7%	Jurlique Acquired in 2012	■ Prestige organic skincare brand from Australia	Approx. ¥5,000 or higher	■ Department store counters, directly-operated stores, ■ Duty free stores
	1%	H2O+ BEAUTY Acquired in 2011	■ Skincare products made with natural, sea-derived ingredients	Approx. ¥4,000 not sold in Japan	■ US: Specialty stores and online
Brands under develop -ment	7%**	THREE Since 2009	■ Skincare made with natural ingredients from Japan and fashion-forward make-up	Approx. ¥5,000 or higher	■ Department store counters and specialty stores ■ Directly-operated stores and online
		DECENCIA Since 2007	■ Skincare for sensitive skin	¥2,000～ ¥5,000	■ Online
		ORLANE PARIS JV established in 2007	■ High prestige skincare cosmetics from France ■ Strength in aging-care	Approx. ¥10,000 or higher	■ Department store counters ■ Specialty stores

*Sales ratio in the beauty care business as of FY2016

**Sales of Brands under development for 2016 includes performance of two companies (FUTURE LABO INC - until end of October 2016 and pdc INC - until end of November 2016). which were sold during FY2016.

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Appendix : Beauty Care Business Results for FY2014 – FY2016 by Brands

(mil. yen)	FY2014 Results	FY2015 Results	FY2016 Results	2015 vs 2016 YoY Change Amount	2015 vs 2016 YoY Change %
Consolidated net sales	198,094	214,788	218,482	3,693	1.7%
Beauty care net sales	184,475	200,570	202,446	1,875	0.9%
POLA	99,571	109,352	116,126	6,773	6.2%
ORBIS	52,302	56,354	55,857	(497)	(0.9%)
Jurlique	17,600	18,390	13,118	(5,271)	(28.7%)
H2O PLUS	4,876	3,944	2,547	(1,397)	(35.4%)
Brands under development	10,123	12,529	14,796	2,267	18.1%
Consol. operating income	17,683	22,511	26,909	4,397	19.5%
Beauty care operating income	16,535	21,290	25,974	4,683	22.0%
POLA	8,583	12,302	16,993	4,690	38.1%
ORBIS	10,792	11,197	11,279	82	0.7%
Jurlique	(445)	(379)	(1,113)	(733)	-
H2O PLUS	(1,435)	(1,814)	(2,027)	(212)	-
Brands under development	(958)	(15)	841	856	-

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