

First Quarter of Fiscal 2021 Supplementary Material

POLA ORBIS HOLDINGS INC.

Director

Finance, Legal & Administration,
PR, IR and CSR

Akira Fujii

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

Cosmetics Market

- The overall size of the Japanese cosmetics market (including exports) continued to shrink due to the impact of COVID-19
- Inbound demand was sluggish due to Japanese border entry restrictions
- The outlook for the net domestic market remains unclear, with the declaration of another state of emergency in some regions by the Japanese government on January 8, which was lifted only to be reimposed on April 25

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

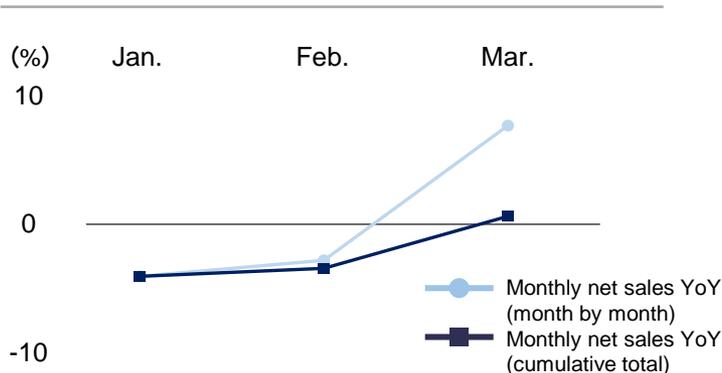
Our Group

- Consolidated revenue and income increased, thanks to a strong performance from POLA overseas, and growth in e-commerce across each brand
- POLA overseas revenue increased (+63% YoY), with high growth continuing in China
- ORBIS revenue and income decreased, with little activity from existing customers
- Jurlique China revenue increased, and losses were improved
- Achieved a profit in overseas business across the Group
- Acquired tricot, Inc. as a subsidiary on April 1 (not reflected in the consolidated results forecast)

Medium-term Management Plan Indicators (2021Q1)	
Overseas sales ratio	18.3% (+3.3ppt*)
Domestic e-commerce sales ratio	26.5% (+2.6ppt*)

*vs Dec. 2020

YoY Change in Consolidated Monthly Net Sales



- Impacted by the declaration of a state of emergency, revenue decreased in January-February 2021 compared to the high level achieved in the same period in the previous year, which was before the impact of the COVID-19 pandemic
- Results for the first quarter slightly exceeded the plan, as strong performance from POLA overseas and e-commerce across each brand compensated for a decline in revenue in domestic storefront operations

Consolidated P&L Changes Analysis

Net Sales to Operating Income

(mil. yen)	FY2020	FY2021	YoY Change	
	Q1 Results	Q1 Results	Amount	%
Consolidated net sales	43,316	43,561	245	0.6%
Cost of sales	7,106	6,399	(706)	(9.9%)
Gross profit	36,210	37,162	951	2.6%
SG&A expenses	34,204	32,854	(1,349)	(3.9%)
Operating income	2,006	4,307	2,301	114.7%

Key Factors

- Consol. net sales** Increased, as e-commerce and overseas operations compensated for the decrease in revenue from storefront operations
- Cost of sales** Cost of sales ratio improved due to an increase in the contribution from POLA's high price range products
 Cost of sales ratio 2020Q1 : 16.4% ⇒ 2021Q1 : 14.7%
- SG&A expenses** Labor expenses: down ¥129 mil. YoY
 Sales commissions: down ¥ 1,031 mil. YoY
 ⇒ Resulted from a sales decline at POLA consignment sales channel.
 Sales related expenses: down ¥365 mil. YoY
 ⇒ Reduced due to expense rationalization
 Administrative expenses, etc.: up ¥177 mil. YoY
- Operating income** Operating margin 2020Q1: 4.6% ⇒ 2021Q1: 9.9%

Consolidated P&L Changes Analysis

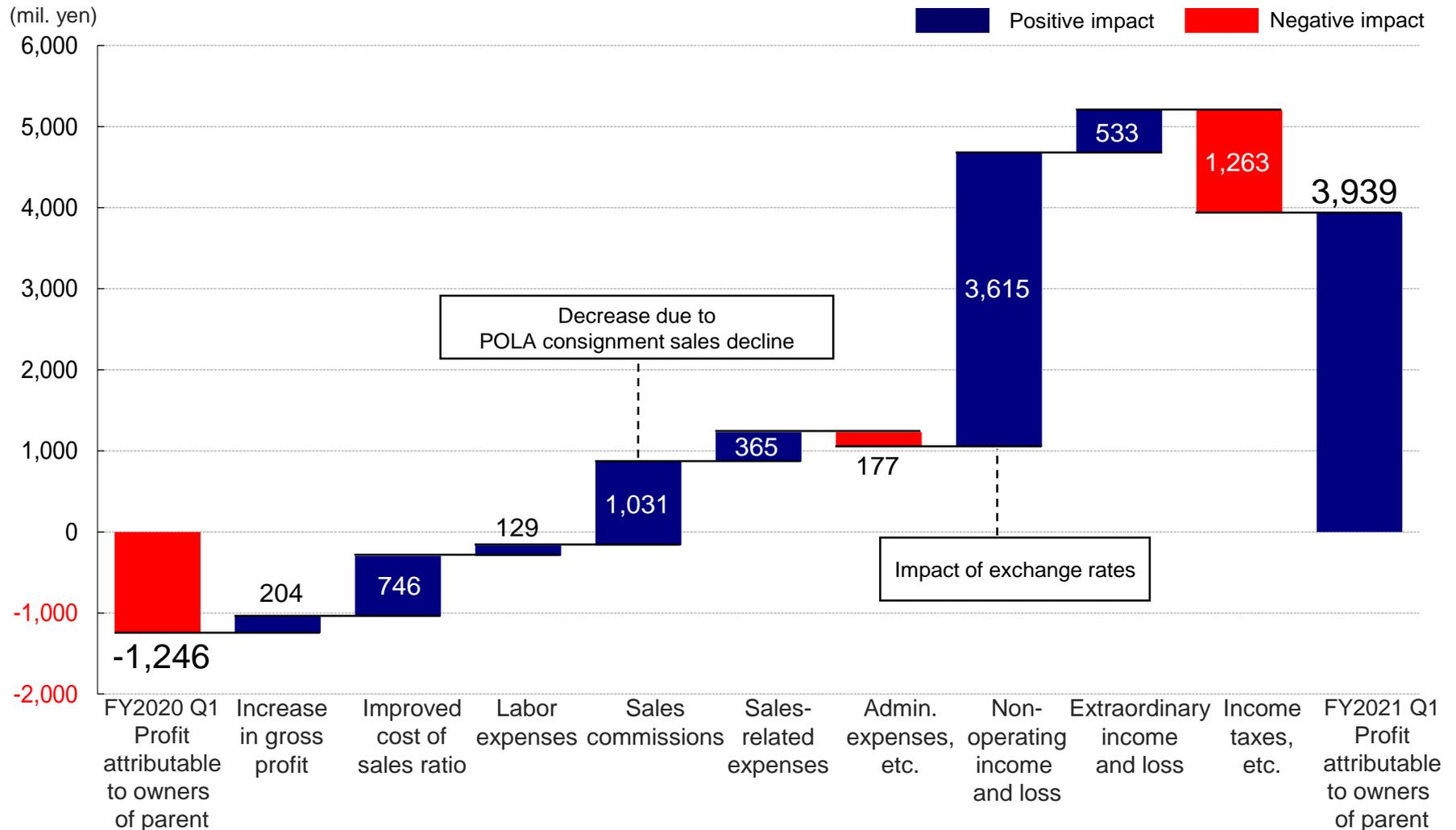
Operating Income to Profit Attributable to Owners of Parent

(mil. yen)	FY2020	FY2021	YoY Change	
	Q1 Results	Q1 Results	Amount	%
Operating income	2,006	4,307	2,301	114.7%
Non-operating income	88	1,518	1,429	-
Non-operating expenses	2,248	62	(2,186)	(97.2%)
Ordinary income	(154)	5,763	5,917	-
Extraordinary income	0	0	0	(74.9%)
Extraordinary losses	744	210	(533)	(71.7%)
Profit before income taxes	(898)	5,552	6,450	-
Income taxes etc.	352	1,600	1,247	353.8%
Profit attributable to non-controlling interests	(4)	11	15	-
Profit attributable to owners of parent	(1,246)	3,939	5,186	-

Key Factors

- Non-operating income: Foreign exchange gain ¥1,396 mil.
- Extraordinary losses: Impairment loss related to storefront operations ¥185 mil.

An increase in gross profit, a change in the business structure, and the impact of the exchange rate boosted profit attributable to owners of parent by ¥5,186 million YoY



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

(mil yen)	FY2020	FY2021	YoY Change	
	Q1 Results	Q1 Results	Amount	%
Consolidated net sales	43,316	43,561	245	0.6%
Beauty care	42,082	42,445	363	0.9%
Real estate	636	530	(106)	(16.7%)
Others	597	585	(11)	(2.0%)
Operating income	2,006	4,307	2,301	114.7%
Beauty care	1,700	4,190	2,490	146.5%
Real estate	289	206	(83)	(28.8%)
Others	4	13	8	161.3%
Reconciliations	11	(102)	(113)	-

Segment Results Summary

- Beauty care** Revenue increased year on year, due to an increase primarily in POLA overseas
 Operating income increased significantly due to an increase in gross profit
 and changes in POLA's channel structure
- Real estate** Occupancy rate has been maintained at a high level
- Others** Revenue declined in the building maintenance business

Beauty Care Business Results by Brands

(mil. yen)	FY2020	FY2021	YoY Change	
	Q1 Results	Q1 Results	Amount	%
Beauty care net sales	42,082	42,445	363	0.9%
POLA	25,057	26,330	1,273	5.1%
ORBIS	11,304	10,450	(854)	(7.6%)
Jurlique	1,297	1,672	374	28.9%
H2O PLUS	284	167	(116)	(41.1%)
Brands under development	4,137	3,825	(312)	(7.6%)
Beauty care operating income	1,700	4,190	2,490	146.5%
POLA	1,592	4,123	2,531	158.9%
ORBIS	1,707	1,152	(554)	(32.5%)
Jurlique	(1,117)	(441)	675	-
H2O PLUS	(170)	(184)	(14)	-
Brands under development	(311)	(459)	(147)	-

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

Q1 Result

- Purchase per customer for consignment sales recovered to the same level as in the same period of the previous year, as a result of new product offerings, but revenue declined due to a decrease in customer numbers
- Revenue from domestic e-commerce increased substantially
- Mainland China (+120% YoY) and duty-free sales in Korea performed strongly
- Inbound traffic (tourists only) accounted for approximately 2% of revenue (down 3ppt YoY)

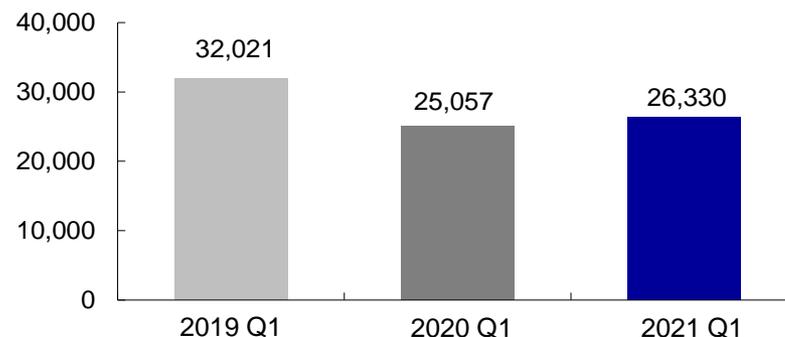
Q1	Results (mil. yen)	YoY Change
Net sales	26,330	5.1%
Operating income	4,123	158.9%
Key indicators		
Sales ratio	Consignment sales	68.0%
	Overseas	20.0%
	E-commerce	4.9%
	Dept. store, B2B	7.1%
Sales growth*	Consignment sales	down 3.9%
	Overseas	up 62.5%
	E-commerce	up 114.9%
	Dept. store, B2B	down 27.9%
Consignment sales channel	# of sales offices**	3,503 (down 277)
	# of PB**	625 (down 11)
	Purchase per customer*	up 1.5%
	# of customers*	down 5.8%
Number of stores overseas**		112 (up 2)

Topics

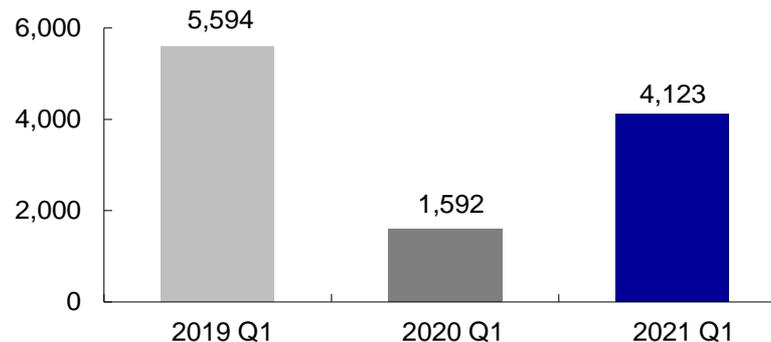
- Renewal of *POLA WRINKLE SHOT SERUM* (January)



Quarterly net sales (mil. yen)



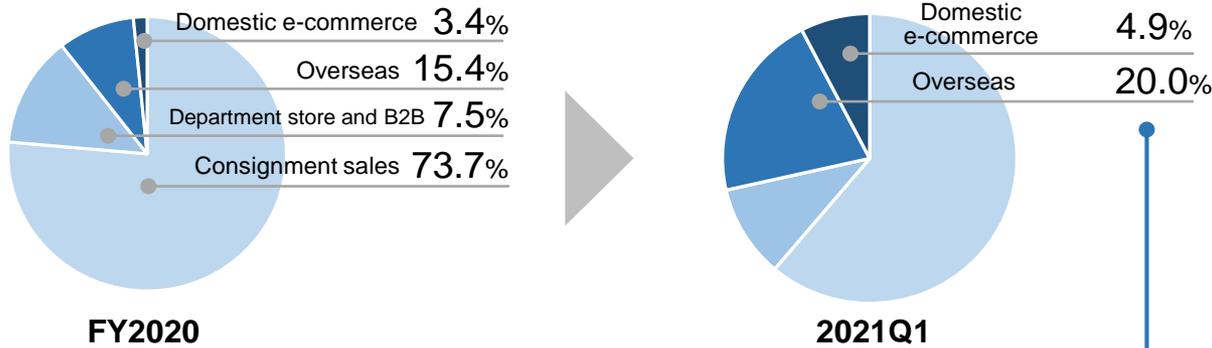
Quarterly operating income (mil. yen)



*YoY basis, ** vs Dec. 2020

Structural reform of sales channels is progressing, with overseas operations and domestic e-commerce driving POLA's revenue growth

【Sales Ratio by Sales Channel】



Domestic e-commerce

Strengthened sales promotion capitalizing on new products, achieving a YoY increase in revenue of **+115%**

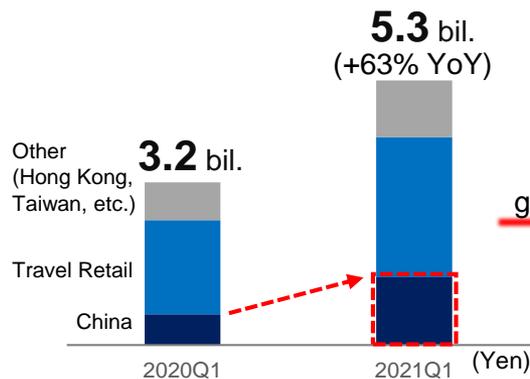


Consignment sales Department stores

Also leading to enhanced sales in other channels

Overseas

Overseas Net Sales Trend



In China, launched the new *B.A* in March, with progress exceeding the plan



Launch event for the new *B.A*

Q1 Result

- New mail-order (e-commerce and catalog) customer acquisition continued strongly at +38% YoY, but revenue declined due to the impact of a decrease in existing customers
- Focused on thorough communication in skincare, primarily for *ORBIS U*. and new brightening products

Q1	Results (mil. yen)	YoY Change
Net sales	10,450	(7.6%)
Operating income	1,152	(32.5%)
Key indicators		
Sales ratio	E-commerce ⁽¹⁾	60.5%
	(Proportion of domestic sales attributable to e-commerce)	63.1%
	Other mail-order	15.3%
Sales growth*	Stores and overseas	24.2%
	E-commerce	up 2.3%
	Other mail-order	down 23.6%
Mail-order** purchase per customer*	Stores and overseas	down 16.6%
		down 6.8%
		up 1.1%
Number of mail-order** customers*		up 1.1%
<i>ORBIS U</i> series ratio of sales ⁽²⁾		28%

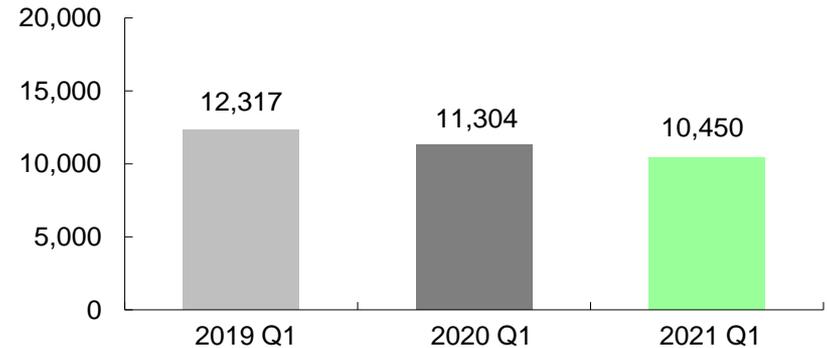
- (1) From FY2021, e-commerce includes sales from external e-commerce
 * YoY basis
 ** include e-commerce and catalog
- (2) Total of *ORBIS U*, *U white*, *U encore*, and *U*.

Topics

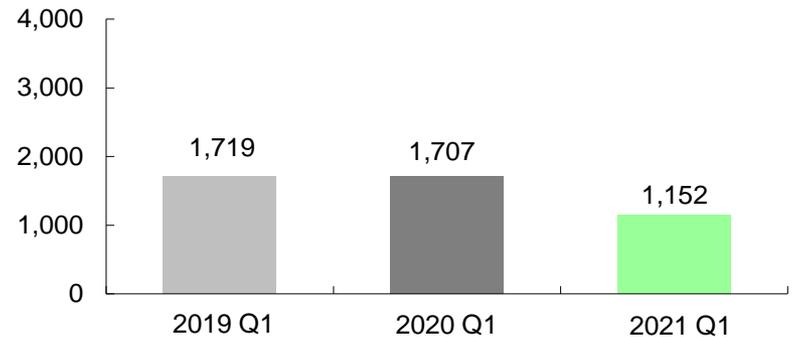
- Launched new brightening serum, *WHITE CLEAR ESSENCE* (February)



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Q1 Result

- Jurlique revenue increased and losses were improved, with growth in China, particularly in online sales, despite some store shutdowns due to lockdowns in Australia
- H2O PLUS revenue fell significantly in the amenities business with reduced deliveries due to shutdowns by business partners and restrictions on operations

Q1		Results (mil. yen)	YoY Change ⁽¹⁾
Jurlique	Net sales	1,672	28.9%
	OP income	(441)	675
H2O PLUS	Net sales	167	(41.1%)
	OP income	(184)	(14)

Key indicators

Jurlique

Sales ratio	Australia	17.6%
	Hong Kong	13.4%
	Duty free	14.3%
	China	33.3%
Sales growth ⁽²⁾	Australia	down 18.5%
	Hong Kong	down 10.2%
	Duty free	up 168.2%
	China	up 75.9%

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

(2) AUD basis, YoY

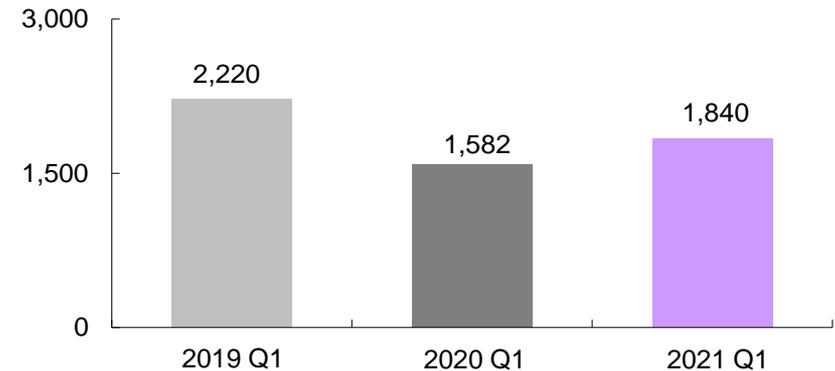
Topics

- Jurlique
Renewal of major skincare products (March)

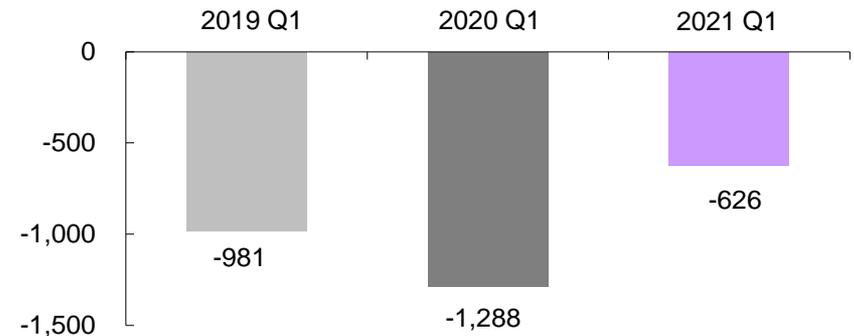


Activating Water Essence †

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Q1 Result

- THREE domestic e-commerce grew (+56% YoY)
Revenue from department stores and other offline channels decreased, compared to the high level achieved in the previous year
- DECENCIA revenue increased due to progressive new customer acquisition since the previous year, but income declined due to the continuation of proactive investment

Q1	Results (mil. yen)	YoY Change
Net sales	3,825	(7.6%)
Operating income ⁽¹⁾	(459)	(147)
ACRO Net sales	2,101	(16.3%)
ACRO OP income ⁽¹⁾	(659)	(111)
THREE Net sales	1,686	(20.9%)
THREE OP income ⁽¹⁾	(228)	(167)
DECENCIA Net sales	1,414	8.8%
DECENCIA OP income	182	(2.6%)

Key indicators

THREE

Sales ratio	Domestic storefronts, etc.	59.5%
	Domestic e-commerce	16.8%
	Overseas	23.7%
Sales growth ⁽²⁾	Domestic storefronts, etc.	down 19.5%
	Domestic e-commerce	up 55.7%
	Overseas	down 43.1%

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

(2) YoY basis

Note: Also includes OEM business.

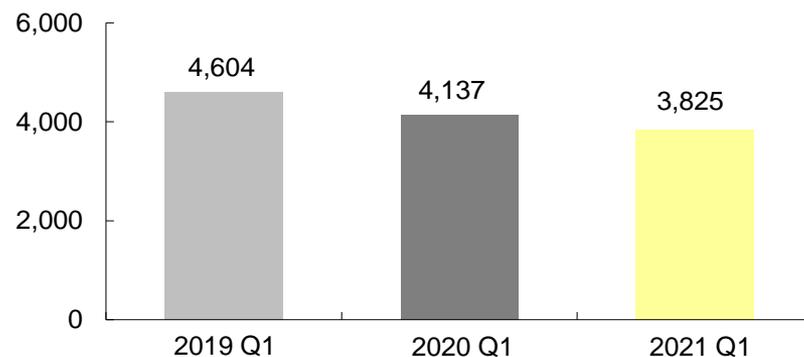
Topics

- DECENCIA
Launched wrinkle-improving face mask (March)

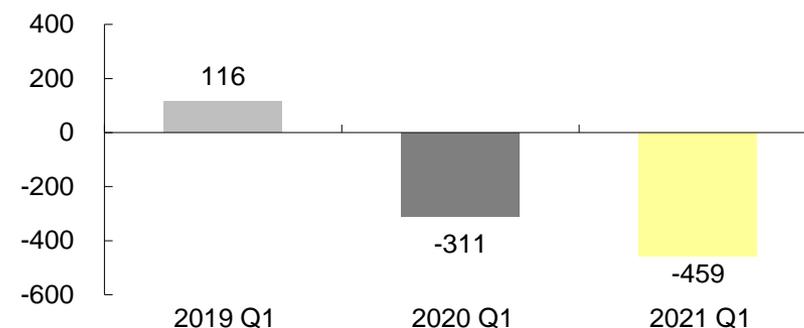
ayanasu wrinkle O/L face mask concentrate



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



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Forecasts for Fiscal 2021 (Unchanged)

(mil. yen)	FY2020	YoY Change	
	Full-year Results	Amount	%
Consol. net sales	176,311	(43,609)	(19.8%)
Beauty care	171,658	(43,228)	(20.1%)
Real estate	2,291	(327)	(12.5%)
Others	2,361	(53)	(2.2%)
OP income	13,752	(17,384)	(55.8%)
Beauty care	12,965	(17,228)	(57.1%)
Real estate	710	(310)	(30.4%)
Others	128	(2)	(1.8%)
Reconciliations	(51)	156	-
Ordinary income	12,579	(18,051)	(58.9%)
Net income attributable to owners of parent	4,632	(15,062)	(76.5%)

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

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

	FY2020	FY2021 (plan)
Shareholder returns	Annual ¥50 Consol. Payout ratio 238.8%	Annual ¥51 (Interim ¥20, Year-end ¥31) Consol. payout ratio 99.8%
Capital investment	¥8,464 mil.	¥11,000 mil. - ¥13,000 mil.
Depreciation	¥7,255 mil.	¥7,000 mil. - ¥8,000 mil.

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POLA

- Accelerate growth in overseas business
 - Focus on promoting the new *B.A.*, which is performing strongly, and strive to further accelerate growth in both storefront and e-commerce operations through strategic additional investment
 - Expand customer touchpoints, planning the opening of several new duty-free stores in Hainan during the second half
- Make investment to build a customer base in domestic e-commerce over the medium to long term, and refine segment communication to enhance LTV
- Launch a *Wrinkle Shot* limited-edition kit to reinvigorate customer activity (June)
- Launch the first multifunctional UV product that also provides brightening care in the *White Shot* series (April), and strengthen sales promotion in anticipation of seasonal demand for brightening products, through the coordination of advertising and online events



(Left) POLA WRINKLE SHOT SEASON SPECIAL KIT L
(Right) POLA WHITE SHOT SKIN PROTECTOR DX

ORBIS

- Launch cocktail graphy, the first ORBIS personalized skincare product (April)
 - A flat-rate service (once a month) that provides skin measurement through an IoT device, and delivers serum to customers
- Launch *WRINKLE WHITE UV PROTECTOR* (April), a sunscreen that brightens the skin and improves wrinkles, and expand skincare share within ORBIS
- Commence periodic sales, and increase the repeat purchasing rate through the promotion of inducement to periodic sales
- Promote shopping-around to increase the purchase per customer of existing customers



cocktail graphy



WRINKLE WHITE
UV PROTECTOR

Overseas Brands

Jurlique

- Renew the major skincare products, and develop them as hero products
- Focus on digital-based marketing, including livestreaming by KOL



Activating Water Essence +

H2O+

- In e-commerce, focus on acquiring new, high-LTV customers through Clean Beauty skincare



Brands Under Development

THREE

- For THREE, expand Holistic Care products, and launch new oil gel-type cleansing products from the *BALANCING* line (May)



THREE BALANCING CLEANSING OIL GEL

Amplitude

<Four Brands Under ACRO>

ITRIM

- E-commerce-only gift promotions, launch kit products, and strengthen e-commerce sales promotions

FIVEISM
x
THREE

- Shift online to improve the business structure, reduce fixed costs and improve profitability



(E-commerce limited)
ITRIM Elementary Facial Trial Kit

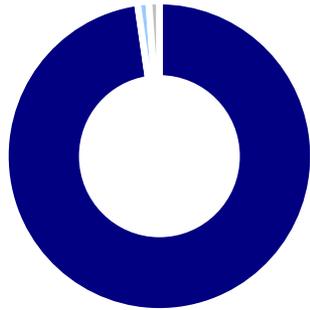
DECENCIA

- Improve the efficiency of customer acquisition, optimize the allocation of advertising expenses, and enhance profitability

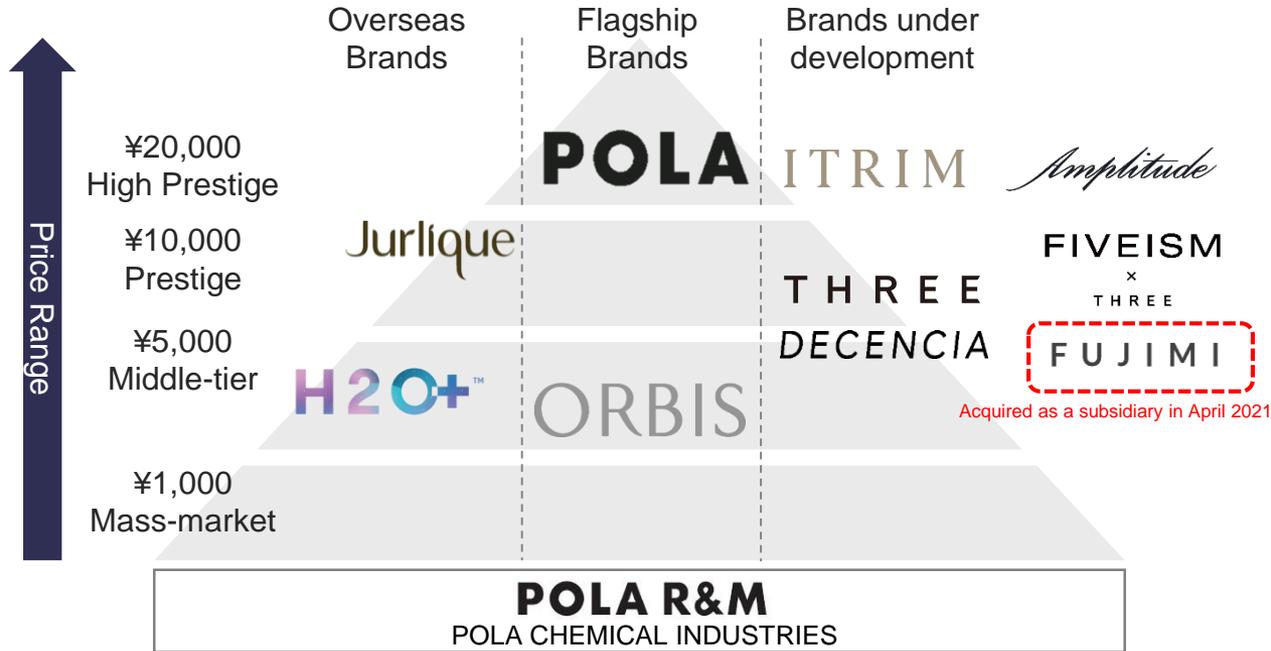


Beauty care is the core business of the Group, and 10 different cosmetics brands are operated under the Group umbrella

FY2020
Consol. Net Sales
¥176.3 bil.



- Beauty care business 98%
- Real estate business 1%
- Other businesses 1%
(building maintenance business)



Our strengths

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

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

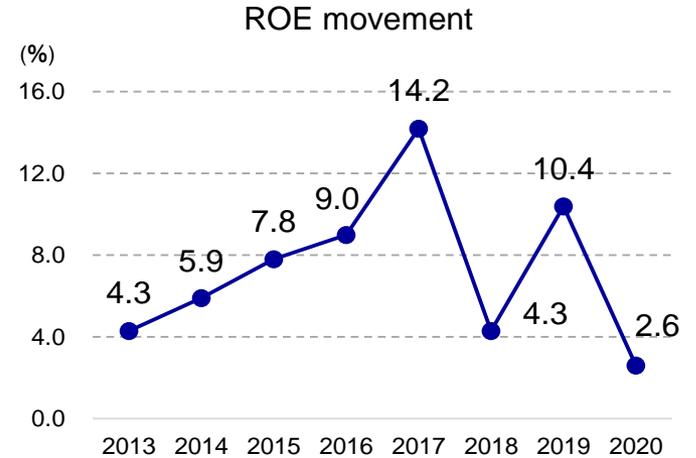
Initiatives to Improve Capital Efficiency

Target for 2023
ROE 12%
(Return on equity)

EPS
(Earnings per share)

BPS
(Book value per share)

- Operating income CAGR30%
- Achieve net income growth which is higher than operating income growth by decreasing overseas losses
- Improve shareholder return through dividends
- Optimize balance sheet
- Investment for future growth



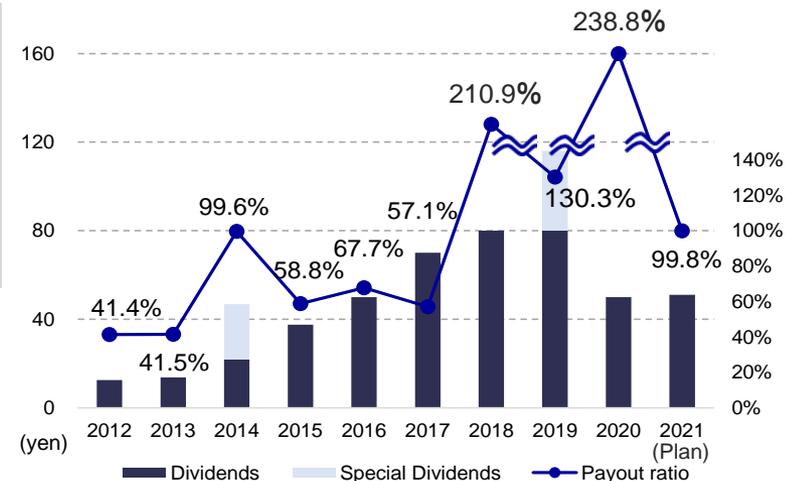
Improvement of Shareholder Return

Basic Policy :

- With a policy of consolidated payout ratio of **60% or higher**, enhance shareholder return by realizing stable profit growth
- Purchases of treasury stock shall be considered based on our investment strategies, as well as market prices and liquidity of the Company's shares

Dividends forecast for FY2021:

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



Management Indicators for 2023

Net Sales	■ Consolidated net sales	⇒ ¥215.0 to 225.0 bil. in FY2023 CAGR 7 to 9%
	■ Overseas sales ratio	⇒ 20 to 25% in FY2023 (15% in FY2020) CAGR 20 to 25%
	■ Domestic e-commerce sales ratio	⇒ 30% in FY2023 (24% in FY2020)
Operating Income	■ Operating margin	⇒ 15% or higher in FY2023
	■ Operating income	⇒ CAGR 30% or higher
Capital Efficiency	■ ROE	⇒ 12% in FY2023
Shareholder Returns	■ Consolidated payout ratio	⇒ 60% or higher

Strategy 1. Evolve domestic direct selling

Strategy 2. Grow overseas businesses profitably

Strategy 3. Profit contribution from brands under development

Strategy 4. Strengthen operations

Strategy 5. Expand new brands and domains of “beauty”

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

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

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