POLA ORBIS HOLDINGS

Financial Results of 2020
2021 – 2023 Medium-term Management Plan

POLA ORBIS HOLDINGS INC.
Representative Director and President
Satoshi Suzuki

We will now begin the financial results briefing for the fiscal year ended December 31, 2020, and Medium-term Management Plan for 2021-2023.

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Today's presentation will be comprised of two parts.

The first part of the presentation will cover our financial results for the fiscal year ended December 2020, and the second part will outline our new medium-term management plan for 2021 to 2023.

Part I Fiscal 2020 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Forecast for Fiscal 2021

Now, let's start with the financial results briefing for the fiscal year ended December 2020.

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Q4 Key Topics

Cosmetics Market

- The overall size of the Japanese cosmetics market, including exports, shrank due to the impact of COVID-19
- Inbound demand continued to drop significantly due to a decrease in foreign visitors to Japan
- As a new way of life continues to take root, the shift to e-commerce is accelerating, driven by the change in contactless behavior brought about by COVID-19
- The outlook for the net domestic market in 2021 remains unclear, due to the renewed spread of COVID-19 and the declaration of another state of emergency by the Japanese government on January 8

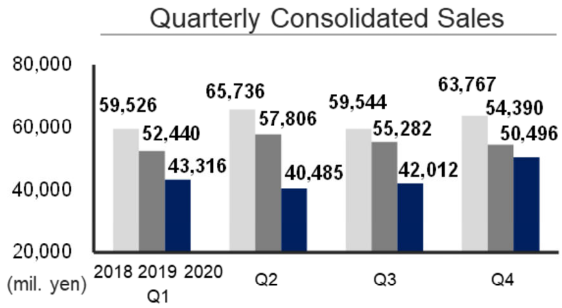
*Source: Ministry of Economy, Trade and Industry, Ministry of Internal Affairs and Communications, Japan Tourism Agency, Japan Department Stores Association, and Intage SLI

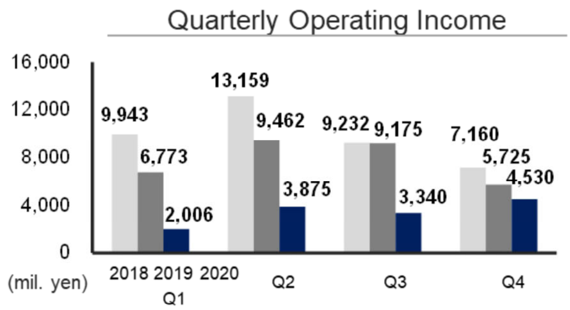
Our Group

- Storefront operations struggled due to COVID-19, and consolidated revenue and income decreased
- Domestic e-commerce sales of POLA and THREE grew substantially
- POLA overseas revenue increased, with high growth continuing in China (+60% YoY)
- ORBIS revenue decreased, but sales of skincare products were strong, with structural improvement
- Losses in overseas brands were improved through structural reforms and fixed cost reductions
- Continued overall cost rationalization and made progress in workstyle reforms

Ratio of Inbound Sales to Consolidated Net Sales

FY2018 (Full year)	Approx. 7%
FY2019 (Full year)	Approx. 6%
FY2020 (Full year)	Approx. 2%





The overall cosmetics market shrank due to the impact of COVID-19. Inbound demand continued to decline significantly. In terms of channels, the shift to ecommerce accelerated, driven by the change in behavior oriented toward non-contact.

The outlook for domestic consumption, excluding inbound demand, remains unclear, partly due to the extension of the State of Emergency Declaration.

Under these circumstances, our Group incurred YoY declines in sales and income on a consolidated basis, as the domestic storefront operations were severely impacted by store closures under the Declaration of a State of Emergency and the continued tendency of consumers to refrain from going out.

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Impact of COVID-19

Our Group's Business Situation in 2020

Consignment Sales Department stores

- Shutdowns and shortened opening hours were introduced at some stores with the declaration of a state of emergency in April-May
- Conditions remained difficult for new customer acquisition, with consumers continuing to refrain from outdoor activities and personal contact

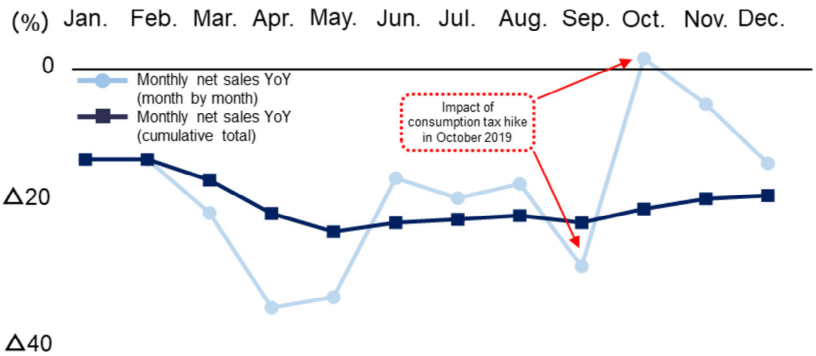
Domestic e-commerce

- Actively promoted e-commerce sales for POLA and brands under development, which are primarily storefront operations, and grew sales: POLA +60% YoY, THREE +90% YoY
- New customer acquisition was strong for ORBIS and DECENCIA, with double-digit revenue and income growth for DECENCIA

Overseas

- The business environment for travel retail remained difficult due to a significant decrease in international flights, except for China and Korea
- In China, both online and offline markets recovered, and POLA grew by 60% YoY

Monthly Progress (YoY Change in Consolidated Monthly Net Sales)



- Some signs of a recovery after the state of emergency was lifted, but failed to recover to the levels seen prior to COVID-19
- The speed of recovery slowed in the fourth quarter, with the renewed spread of COVID-19

Regarding the impact of COVID-19 in 2020, we provide an overview of the businesses and monthly sales trends.

The department store channel and consignment sales channel were greatly affected by the State of Emergency Declaration in April to May and struggled to attract new customers in particular.

Under these circumstances, we actively promoted ecommerce sales for POLA and the brands under development, which are primarily storefront operations. Domestic ecommerce sales of POLA and THREE grew significantly, by 60% and 90% YoY, respectively.

DECENCIA fared well in acquiring new customers as well as expanding brand recognition. With the strength of the ecommerce and subscription business model, it achieved double-digit growth in both sales and income.

Overseas, the Chinese market recovered, and POLA's sales grew 60% YoY.

As shown in the graph, consolidated monthly net sales bottomed out in April and May, and the pace of recovery has been very slow since then.

Planned Variance Analysis

(mil. yen)	FY2019 Results	FY2020 Results	YoY change Amount	YoY change %	Oct 30, 2020 Plan	vs. Plan (Oct 30, 2020) Amount	vs. Plan (Oct 30, 2020) %
Consol. net sales	219,920	176,311	(43,609)	(19.8%)	175,000	1,311	0.7%
Operating income	31,137	13,752	(17,384)	(55.8%)	10,000	3,752	37.5%
Ordinary income	30,630	12,579	(18,051)	(58.9%)	8,500	4,079	48.0%
Profit attributable to owners of parent	19,694	4,632	(15,062)	(76.5%)	1,200	3,432	286.0%

Average exchange rates: 1.00 AUD = 73.66 JPY, 1.00 USD = 106.81 JPY, 1.00 CNY = 15.48 JPY

	Variance from Oct 30 Plan	Main causes of Variance
Consolidated net sales	¥1,311 mil. (+0.7%)	■ ORBIS（approx. + ¥400 mil.） ■ Jurlique（approx. + ¥400 mil.） ■ Brands under development（approx. + ¥400 mil.）
Operating income	¥3,752 mil. (+37.5%)	■ POLA: Improved profit structure due to an increase in overseas sales ratio, and cost reductions (approx. + ¥1,600 mil.) ■ ORBIS: Increase in gross profit and optimization of sales promotion expenses (approx. + ¥900 mil.) ■ Jurlique: Increase in gross profit (approx. + ¥200 mil.) ■ Brands under development: Increase in gross profit and optimization of costs (approx. + ¥400 mil.) ■ Reconciliations: Rationalization of corporate expenses (approx. + ¥400 mil.)
Ordinary income	¥4,079 mil. (+48.0%)	■ Reflect the impact of exchange rates in addition to increase in operating income (approx. + ¥300 mil)
Profit attributable to owners of parent	¥3,432 mil. (+286.0%)	■ Exceeded plan due to the increase in ordinary income

Next, I would like to explain the differences between the results and the plan.

As disclosed on February 8, consolidated net sales were generally in line with the plan, but operating income and the items below exceeded the planned amounts significantly.

In addition to an increase in gross profit due to a variance in sales from the plan, this was due to an improvement in the profit structure by expansion of the ratio of overseas sales in POLA and Company-wide cost reductions.

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Consolidated P&L Changes Analysis
Net Sales to Operating Income

(mil. yen)	FY2019 Results	FY2020 Results	YoY Change Amount	YoY Change %
Consolidated net sales	219,920	176,311	(43,609)	(19.8%)
Cost of sales	35,925	29,979	(5,945)	(16.6%)
Gross profit	183,995	146,331	(37,663)	(20.5%)
SG&A expenses	152,857	132,578	(20,278)	(13.3%)
Operating income	31,137	13,752	(17,384)	(55.8%)

Key Factors

- **Consol. net sales**: Decreased mainly as a result of lower revenue from brands, especially storefront operations, due to the impact of COVID-19
- **Cost of sales**: Cost of sales ratio deteriorated due to lower sales ratio from POLA
  Cost of sales ratio FY2019 : 16.3% ⇒ FY2020 : 17.0%
- **SG&A expenses**: ¥1,283 mil. for transfer of labor expenses, etc. to loss related to COVID-19
  Labor expenses: down ¥1,141 mil. YoY
  Sales commissions: down ¥ 12,380 mil. YoY
  ⇒ Resulted from a sales decline at POLA.
  Sales related expenses: down ¥5,003 mil. YoY
  Administrative expenses, etc.: down ¥1,753 mil. YoY
- **Operating income**: Operating margin FY2019: 14.2% ⇒ FY2020: 7.8%

Now, let me explain the consolidated profit and loss situation.

The cost of sales ratio increased due to a decrease in the sales composition of POLA, whose cost of sales ratio is low.
SG&A expenses decreased mainly in personnel expenses as we reclassified expenses to cope with COVID-19 as extraordinary loss. In terms of selling-related expenses, the entire Group worked to reduce and streamline them, particularly fixed costs.
As a result, the operating income margin was 7.8%.

As we managed to achieve the operating income margin equivalent to the average of listed companies even amid the COVID-19 pandemic, I believe that we demonstrated agility of our profit and loss structure.

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

(mil. yen)	FY2019 Results	FY2020 Results	YoY Change Amount	YoY Change %
Operating income	31,137	13,752	(17,384)	(55.8%)
Non-operating income	394	344	(50)	(12.9%)
Non-operating expenses	901	1,517	615	68.2%
Ordinary income	30,630	12,579	(18,051)	(58.9%)
Extraordinary income	286	880	593	206.9%
Extraordinary losses	1,104	4,291	3,186	288.5%
Profit before income taxes	29,813	9,169	(20,643)	(69.2%)
Income taxes etc.	10,111	4,527	(5,583)	(55.2%)
Profit attributable to non-controlling interests	6	9	2	43.1%
Profit attributable to owners of parent	19,694	4,632	(15,062)	(76.5%)

Key Factors

- Extraordinary income: Subsidies including the employment adjustment subsidy, a special measure for COVID-19: ¥776 mil.
- Extraordinary losses: Jurlique impairment loss (on property, plant and equipment and intangible assets at the head office, stores, etc.): ¥1,535 mil.
  Loss related to COVID-19: ¥1,283 mil.

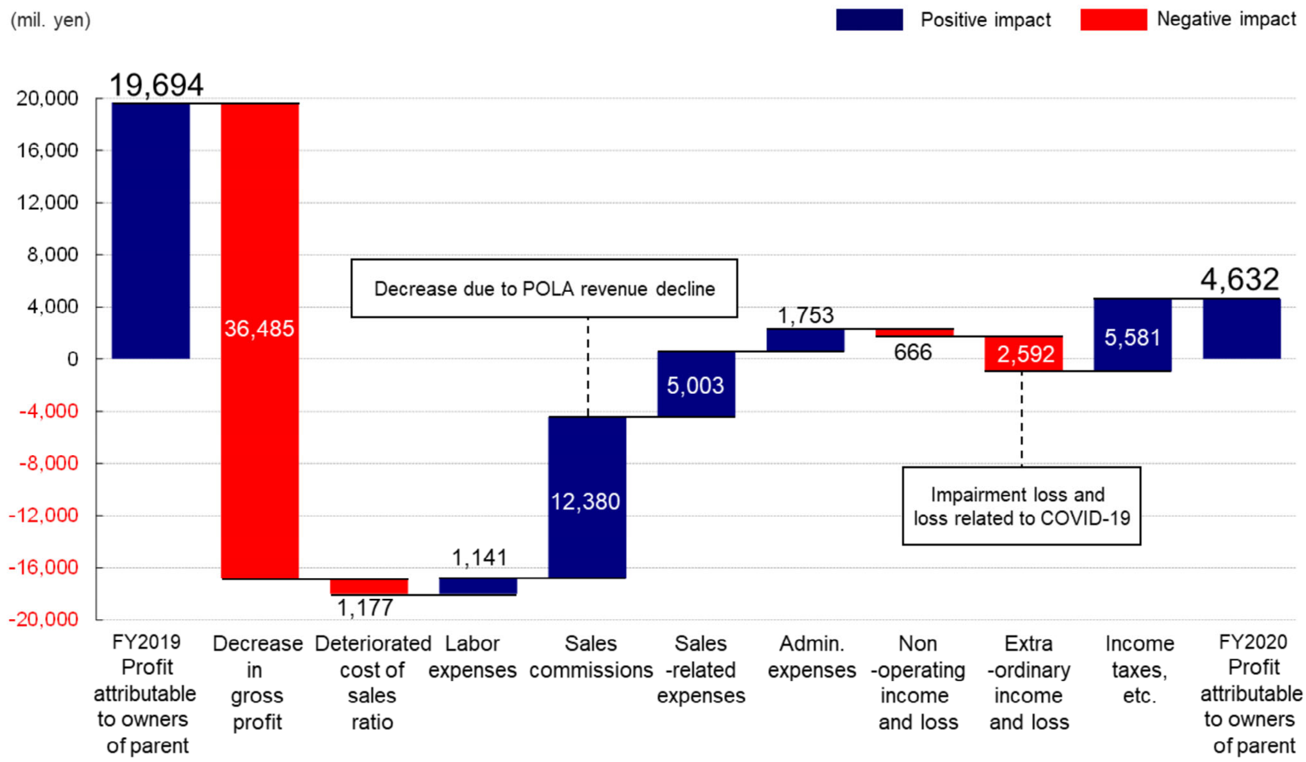
The increase in extraordinary income was due to subsidies related to COVID-19, totaling around ¥700 mil.

The increase in extraordinary loss was due to an impairment loss related to Jurlique and the reclassification of expenses related to COVID-19, which were recorded in the third quarter.

The decrease in income taxes was due to a decline in income before income taxes.

Factors Impacting Profit Attributable to Owners of Parent

A decline in gross profit, resulting from decreased revenue,
pushed down profit attributable to owners of parent by -76.5% YoY



The graph shows the factors that impacted profit attributable to owners of parent.

Part I Fiscal 2020 Consolidated Performance

Next, let's look at the status of our segments.

Segment Results

(mil yen)	FY2019 Results	FY2020 Results	YoY Change Amount	YoY Change %
Consolidated net sales	219,920	176,311	(43,609)	(19.8%)
Beauty care	214,886	171,658	(43,228)	(20.1%)
Real estate	2,619	2,291	(327)	(12.5%)
Others	2,415	2,361	(53)	(2.2%)
Operating income	31,137	13,752	(17,384)	(55.8%)
Beauty care	30,193	12,965	(17,228)	(57.1%)
Real estate	1,021	710	(310)	(30.4%)
Others	130	128	(2)	(1.8%)
Reconciliations	(207)	(51)	156	-

Segment Results Summary

- Beauty care: Revenue decreased year on year due to a significant revenue decline in POLA, ORBIS and THREE
  Operating income decreased mainly due to a decline in gross profit
- Real estate: Occupancy rate has been maintained at a high level
- Others: Revenue and income declined in the building maintenance business

The results by segment were as you see.

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Beauty Care Business Results by Brands

(mil. yen)	FY2019 Results	FY2020 Results	YoY Change Amount	YoY Change %
Beauty care net sales	214,886	171,658	(43,228)	(20.1%)
POLA	135,502	102,888	(32,613)	(24.1%)
ORBIS	50,726	45,415	(5,310)	(10.5%)
Jurlique	7,765	6,444	(1,320)	(17.0%)
H2O PLUS	1,470	722	(747)	(50.9%)
Brands under development	19,421	16,186	(3,235)	(16.7%)
Beauty care operating income	30,193	12,965	(17,228)	(57.1%)
POLA	25,529	10,927	(14,602)	(57.2%)
ORBIS	9,252	7,329	(1,923)	(20.8%)
Jurlique	(2,968)	(2,489)	479	-
H2O PLUS	(825)	(724)	100	-
Brands under development	(794)	(2,076)	(1,282)	-

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

As for the results by brand, sales unfortunately fell below the previous year's levels in all brand categories due to the impact of COVID-19.

The main reason for the decrease in operating income was a decrease in gross profit.

On the other hand, as a result of the cost structure reform, overseas brands were able to reduce their losses in spite of the decline in sales.

I will deliver brand analyses on the following pages.

POLA

Brand Analysis (1)

FY2020 Results

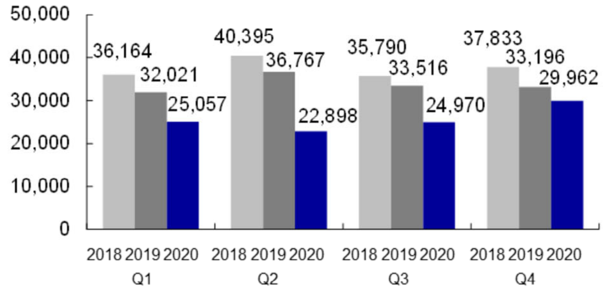
- Struggled to acquire new customers at domestic storefront operations
- Domestic e-commerce performed strongly; acquired purely new customers
- Initial sales of the renewed *B.A* series were strong, with progress exceeding the plan
- Sales in China and Korea remained strong (+60% YoY in China and Korea)
- Inbound traffic (tourists only) accounted for 3% of revenue (down 6ppt YoY)

Q4		Results (mil. yen)	YoY Change
Net sales		102,888	(24.1%)
Operating income		10,927	(57.2%)
Key indicators			
Sales ratio	Consignment sales		73.7%
	Overseas		15.4%
	EC		3.4%
	Dept. store, B2B		7.5%
Sales growth*	Consignment sales		down 26.8%
	Overseas		up 31.1%
	EC		up 63.4%
	Dept. store, B2B		down 56.5%
Consignment sales channel	# of sales offices**		3,780 (down 176)
	# of PB**		636 (down 39)
	Purchase per customer*		down 0.1%
	# of customers*		down 26.0%
Number of stores overseas**			110 (up 26)

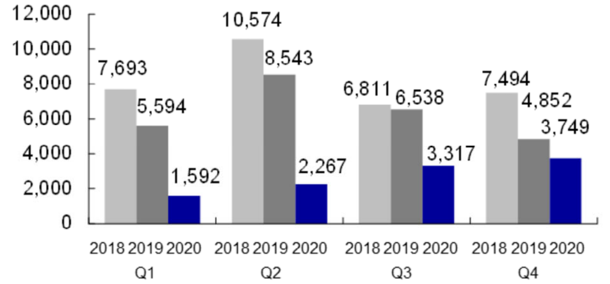
Topics

- Full renewal of the POLA top series *B.A* (September-October)
  Won numerous best cosmetics awards

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



*YoY , ** vs Dec. 2019

First of all, the POLA brand struggled to acquire new customers at domestic storefront operations, in addition to a decline in demand from inbound and buyers.

However, the domestic e-commerce business grew 60% YoY due to the acquisition of new customers. In terms of products, initial sales of the renewed B.A series were strong, exceeding the plan. Overseas, sales in China and South Korea were very strong, expanding 60% YoY in both countries.

ORBIS

Brand Analysis (2)

FY2020 Results

- New mail-order (online and catalog) customer acquisition progressed well (+40% YoY)
- Online revenue recorded double-digit growth for the three months of Q4
- The newly-released *ORBIS U.* performed well, and structural reforms are progressing steadily, with an increase in the ratio of skincare

Q4		Results (mil. yen)	YoY Change
Net sales		45,415	(10.5%)
Operating income		7,329	(20.8%)
Key indicators			
Sales ratio	Online		56.4%
	Other mail-order		19.4%
	Stores and overseas		24.2%
Sales growth*	Online		down 0.1%
	Other mail-order		down 14.6%
	Stores and overseas		down 25.4%
Mail-order** purchase per customer*			down 10.3%
Number of mail-order** customers*			up 6.8%
ORBIS U series ratio of sales (1)			26%

(1) Total of *ORBIS U*, *U white*, *U encore*, and *U.*

* YoY basis

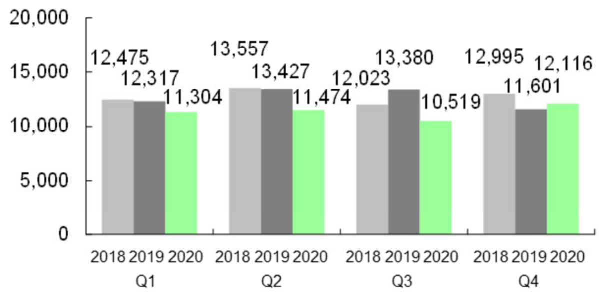
** include online and catalog

Topics

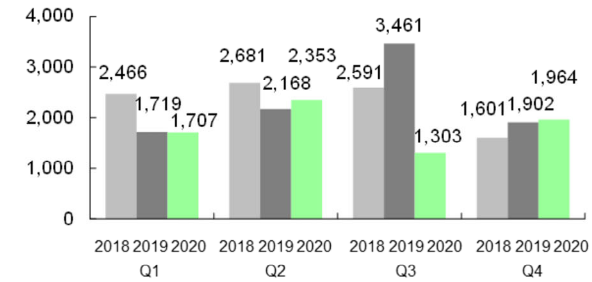
- New series

Launched *ORBIS A* (October)

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Although the ORBIS brand incurred falls in sales and income, the number of new customers increased a sharp 40% YoY, and we will continue to encourage repeat purchases.

In addition, the newly launched ORBIS U., the high-end line of ORBIS U series, performed well, achieving the plan. The ratio of skincare products to total sales increased as targeted, and the structural reform has been progressing steadily.

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Brand Analysis (3) Overseas Brands

FY2020 Results

- Losses were ameliorated through structural reforms and fixed cost reductions, despite a decline in revenue
- Jurlique experienced some store shutdowns due to lockdowns in Australia; online sales in China performed well, with the business model shift to direct ownership
- H2O PLUS e-commerce revenue increased, but revenue fell significantly in the amenities business with reduced deliveries due to shutdowns by business partners

Q4		Results (mil. yen)	YoY Change[1]
Jurlique	Net sales	6,444	(17.0%)
	OP income	(2,489)	479
H2O PLUS	Net sales	722	(50.9%)
	OP income	(724)	100

Key indicators		
Jurlique		
Sales ratio	Australia	19.3%
	Hong Kong	17.0%
	Duty free	9.3%
	China	34.4%
Sales growth[2]	Australia	down 46.3%
	Hong Kong	down 25.3%
	Duty free	down 33.8%
	China[3]	up 108.1%

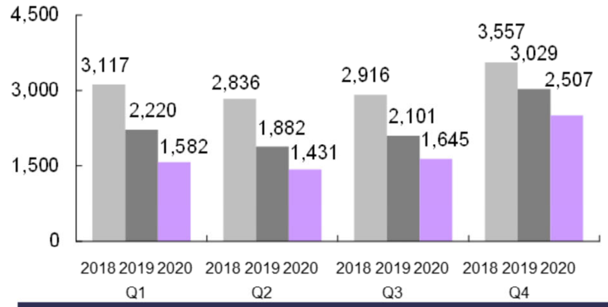
(1) For operating income, the YoY difference is shown as an amount (mil. yen)
(2) AUD basis, YoY
(3) Including the impact of the shift from dealer licensing to directly-owned shops from 2020

Topics

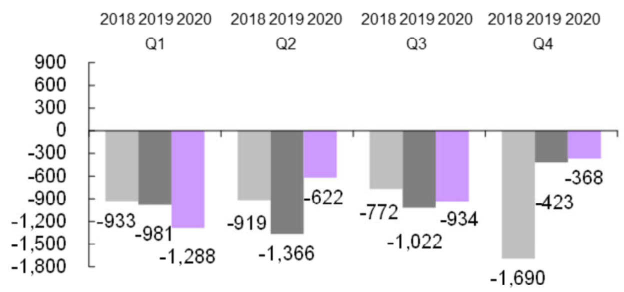
- Jurlique
  Launch new body care (October)

Body Exfoliating Gel M

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Sales of Jurlique brand products decreased mainly due to shutdowns at stores in Australia and duty-free shops.
On the other hand, we were able to improve our losses due to the results of our business structure reform, including the closure of unprofitable stores and streamlining of the headquarters. In China, where we shifted the business model to direct ownership in 2020, e-commerce sales performed well, focusing on the use of live streaming and social media.

In the H2O PLUS brand, the amenities business saw a decrease in revenue due to shutdowns by business partners, but the brand managed to improve losses by reducing fixed costs.

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Brand Analysis (4) Brands Under Development

FY2020 Results

- Department store sales struggled with a slow recovery in traffic
- THREE domestic e-commerce grew (YoY +90%)
- DECENCIA achieved double-digit revenue and income growth, due to new customer acquisition and reinvigoration of existing customers

Topics

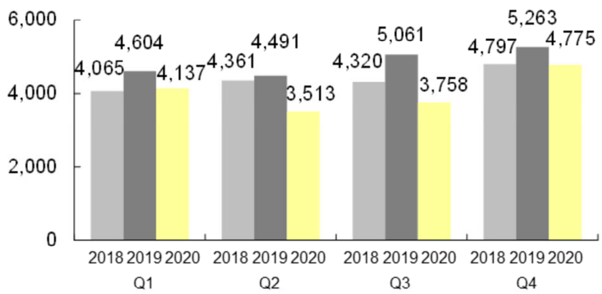
- Won best cosmetics awards

Q4	Results (mil. yen)	YoY Change
Net sales	16,186	(16.7%)
Operating income[1]	(2,076)	(1,282)
ACRO Net sales	8,926	(26.9%)
ACRO OP income[1]	(2,952)	(1,124)
(THREE Net sales)	7,138	(35.5%)
(THREE OP income)[1]	(971)	(1,443)
DECENCIA Net sales	5,495	17.3%
DECENCIA OP income	678	16.7%

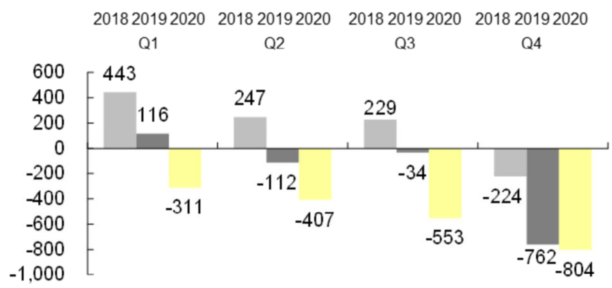
Key indicators		
THREE	# of stores in Japan (vs. Dec. 2019)	125(up 4)
	# of stores overseas (vs. Dec. 2019) (in 7 countries & regions)	61 (unchanged)
	Overseas sales ratio	22%

(1) The operating income YoY change is shown as the amount (mil. yen)
Note: Also includes OEM business.

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



In terms of the brands under development, the THREE brand and other brands, which are mainly storefront operations, continued to struggle due to a decline in the number of visitors to department stores and restrictions on touch-up.

E-commerce brand DECENCIA achieved double-digit growth in both revenue and income thanks to the acquisition of new customers and promotions tailored to seasonality and existing customers' attributes.

The rate of increase in income was low compared to the increase in revenue, but this was due to investments made to acquire customers for growth in the next fiscal year.

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Part I Fiscal 2020 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Forecast for Fiscal 2021

Next, I will explain our outlook for the fiscal year ending December 2021.

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Forecasts for Fiscal 2021

(mil. yen)	FY2020 Full-year Results	YoY Change Amount	YoY Change %	FY2021 Full-year Plan	YoY Change Amount	YoY Change %
Consol. net sales	176,311	(43,609)	(19.8%)	190,000	13,688	7.8%
Beauty care	171,658	(43,228)	(20.1%)	185,900	14,241	8.3%
Real estate	2,291	(327)	(12.5%)	2,000	(291)	(12.7%)
Others	2,361	(53)	(2.2%)	2,100	(261)	(11.1%)
OP income	13,752	(17,384)	(55.8%)	19,000	5,247	38.2%
Beauty care	12,965	(17,228)	(57.1%)	18,850	5,884	45.4%
Real estate	710	(310)	(30.4%)	600	(110)	(15.6%)
Others	128	(2)	(1.8%)	50	(78)	(61.0%)
Reconciliations	(51)	156	-	(500)	(448)	-
Ordinary income	12,579	(18,051)	(58.9%)	19,000	6,420	51.0%
Net income attributable to owners of parent	4,632	(15,062)	(76.5%)	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.

We forecast a 7.8% YoY rise in net sales and a 38.2% rise in operating income.

In shareholder returns, we plan to increase the annual dividend payment by ¥1 to ¥51 per share.

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Part II 2021 – 2023 Medium-term Management Plan

1. Overview of the Previous Medium-term Management Plan
2. 2021 – 2023 Medium-term Management Plan
3. Appendix

We will now explain our medium-term management plan for 2021 to 2023.
First, I would like to summarize the previous medium-term management plan.

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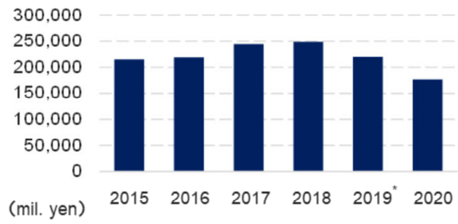
Overview of 2017-2020 Medium-term Management Plan

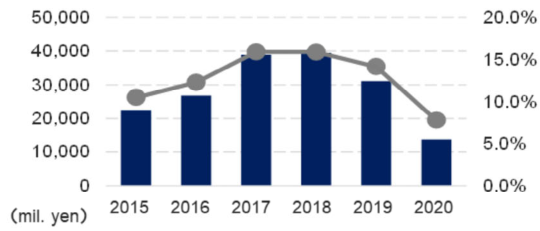
【Management Indicators】

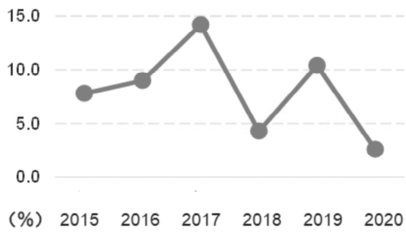
FY2020 Results

Indicator	Target	FY2020 Results
Net sales	¥250.0 bil.	¥176.3 bil.
Operating income	Operating margin 15 % or higher	Operating margin 7.8 %
ROE	12 %	2.6 %



*Including -¥12.3 bil. from the transfer of the pharmaceuticals business





In terms of business performance, we failed to achieve our targets in any of the indicators, partly due to the transfer of the pharmaceutical business and a decrease in demand from inbound and buyers.

POLA ORBIS HOLDINGS

Overview of 2017-2020 Medium-term Management Plan

【Growth Strategies】

	Strategies	Evaluation	
1	Sustain stable growth of flagship brands to lead Group earnings	Fell short	- Could not cover the decrease in POLA inbound & buyers - Acquired new customers and achieved unit price increases for ORBIS
2	Bring overseas operations solidly into the black overall	Failed	- Achieved strong growth for POLA in mainland China and on the travel retail market - Failed to achieve a profit in 2020, despite progress on structural reforms for overseas brands
3	Expand brands under development, create new brands, pursue M&A activity	Fell short	- Expanded THREE business overseas, and set DECENCIA on a growth trajectory - Up-front investment phase for new brands
4	Strengthen operations (reinforce R&D, human resources and governance)	Achieved	- Creation of new quasi-drugs progressed steadily - Renewed R&D structure, establishing MIRC and FRC to generate new value - Established a Nomination and Compensation Advisory Committee chaired by an Outside Director
5	Enhance capital efficiency and enrich shareholder returns	Fell short	- Achieved ROE target in 2017, but have fallen short since, due to a decline in EPS - Paid dividends at a payout ratio of 60% or higher

Fell short of target management indicators,
partly due to the transfer of the pharmaceuticals business and the impact of COVID-19
Although challenges remain to turn a profit in overseas operations, we achieved several positive results including a wider brand awareness and customer base, overseas development for POLA, progress in rebranding ORBIS and the creation of new brands

On the strategy side, Strategy 2 was particularly severe.

As for the improvement of losses at the overseas brands, the structural reform in both Jurlique and H2O PLUS began to show some results, but we were not able to achieve our initial plan of returning to profitability by 2020.

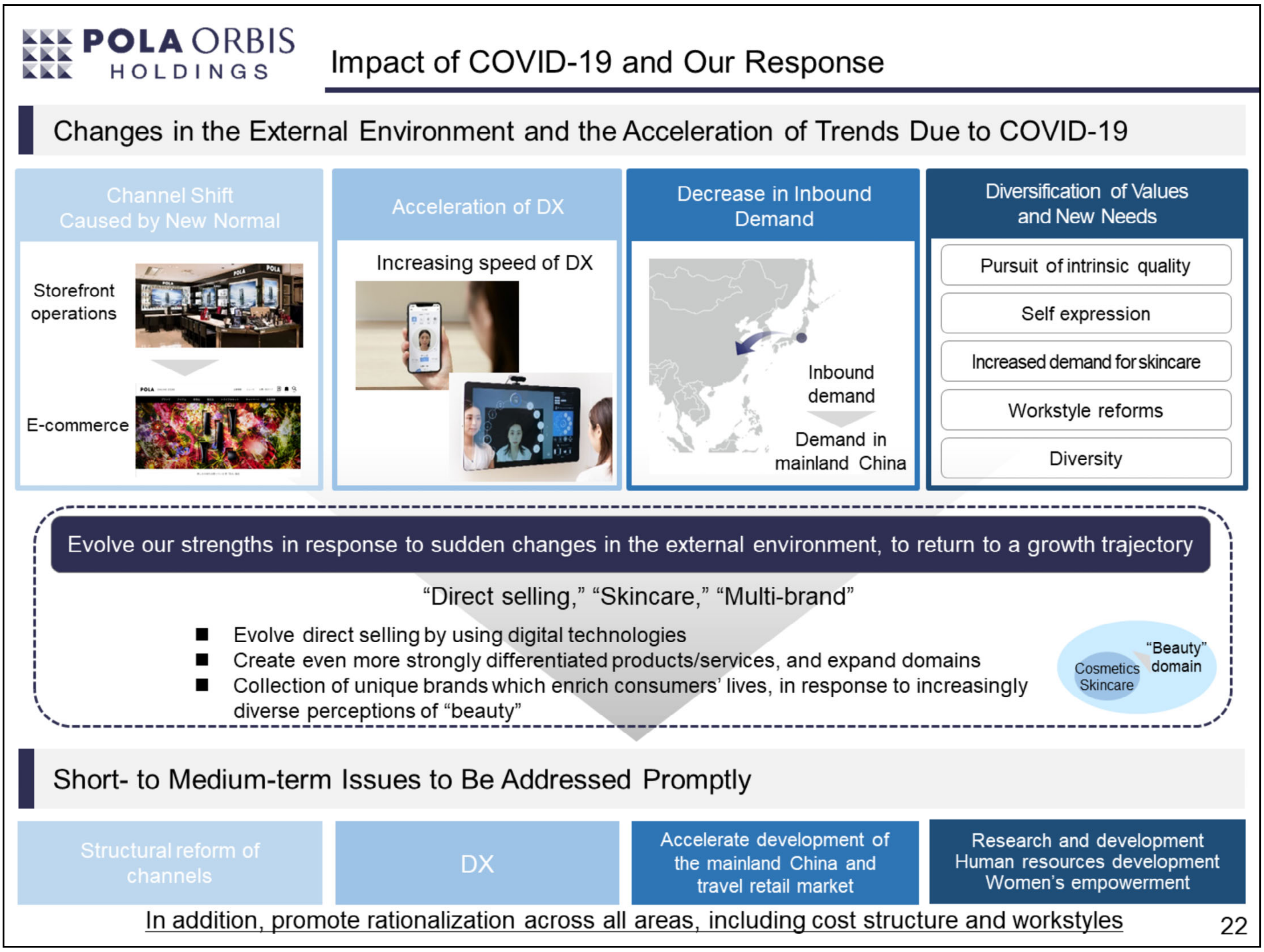
Strategies 1, 3, and 5 also did not yield satisfactory results. However, we showed certain achievements in the four-year period of the previous medium-term plan as POLA was recognized as a brand and the customer base expanded with the launch of the Wrinkle Shot.

Part II 2021 – 2023 Medium-term Management Plan

Next, I would like to explain the new medium-term management plan starting in 2021.

Originally, we had planned to announce our long-term vision for 2029, the 100th anniversary of our founding, at this time, but we have decided to postpone it for one year. In the midst of an uncertain business environment due to the major external changes caused by COVID-19, we wanted to first solidify our current businesses and focus on resolving our issues.

In the three years from 2021, in addition to resolving short- and medium-term issues, we hope to solidify the concept of a business portfolio that will lead to long-term growth.



Before I go into the specifics of each strategy, I would first like to share our thoughts on the impact of COVID-19 on our businesses and our responses to it.

COVID-19 has brought about a major paradigm shift like the new normal, such as social distancing and non-contact, as well as in terms of the channels. It has also had a significant impact on people's values.

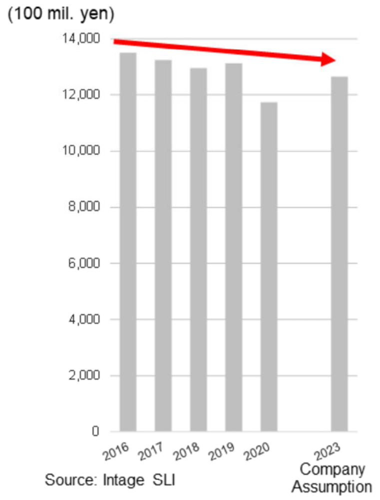
We are undergoing rapid changes in the environment that we have never experienced before, and we believe that now is the perfect time to further evolve our strengths like direct selling, skincare, and multi-brand products.

To this end, in addition to channel structure reform and the implementation of DX as short- and medium-term issues, we will also work to promote the development of human resources and diversity, such as an increase in women in the workplace.

In addition, we will promote the rationalization of our cost structure and working methods more than ever, not just for a short time.

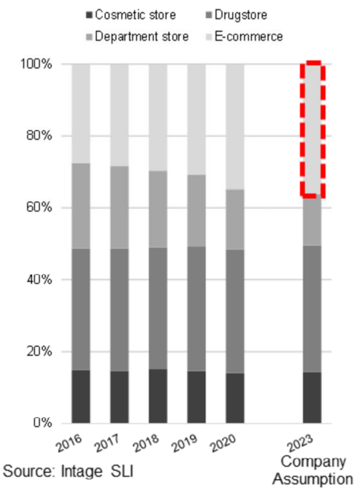
Trends in the Cosmetics Market

Domestic cosmetics market



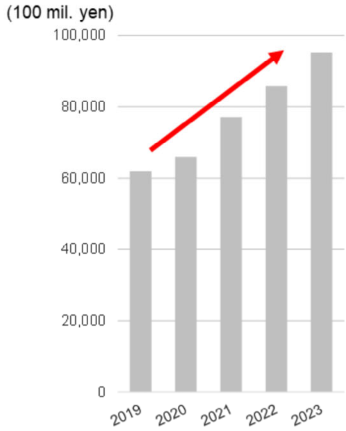
Source: Intage SLI
Estimated based on data published in Sep. 2020

Percentage by Route



Source: Intage SLI
Estimated based on data published in Sep. 2020

China Cosmetics Market



Source: Euromonitor
Aug. 2020 Data published

	2020	2021 Onwards (Company Assumption)
Domestic	- Shrank due to the significant impact of COVID-19 - Accelerating shift to e-commerce channels	- Slight downwards trend, excluding inbound - Changes in channel structure continue
Inbound	- Sudden drop in inbound demand	- No recovery anticipated in 2021 compared to 2020 - Medium-term Management Plan reflects expected growth vs. 2019 of approx. 30% in 2022 and approx. 60% in 2023
Overseas	- China recovered early on, and competition became more intense, with brisk duty-free sales in Hainan, etc.	- China will remain a growth market - Impact of travel restrictions on travel retail will continue

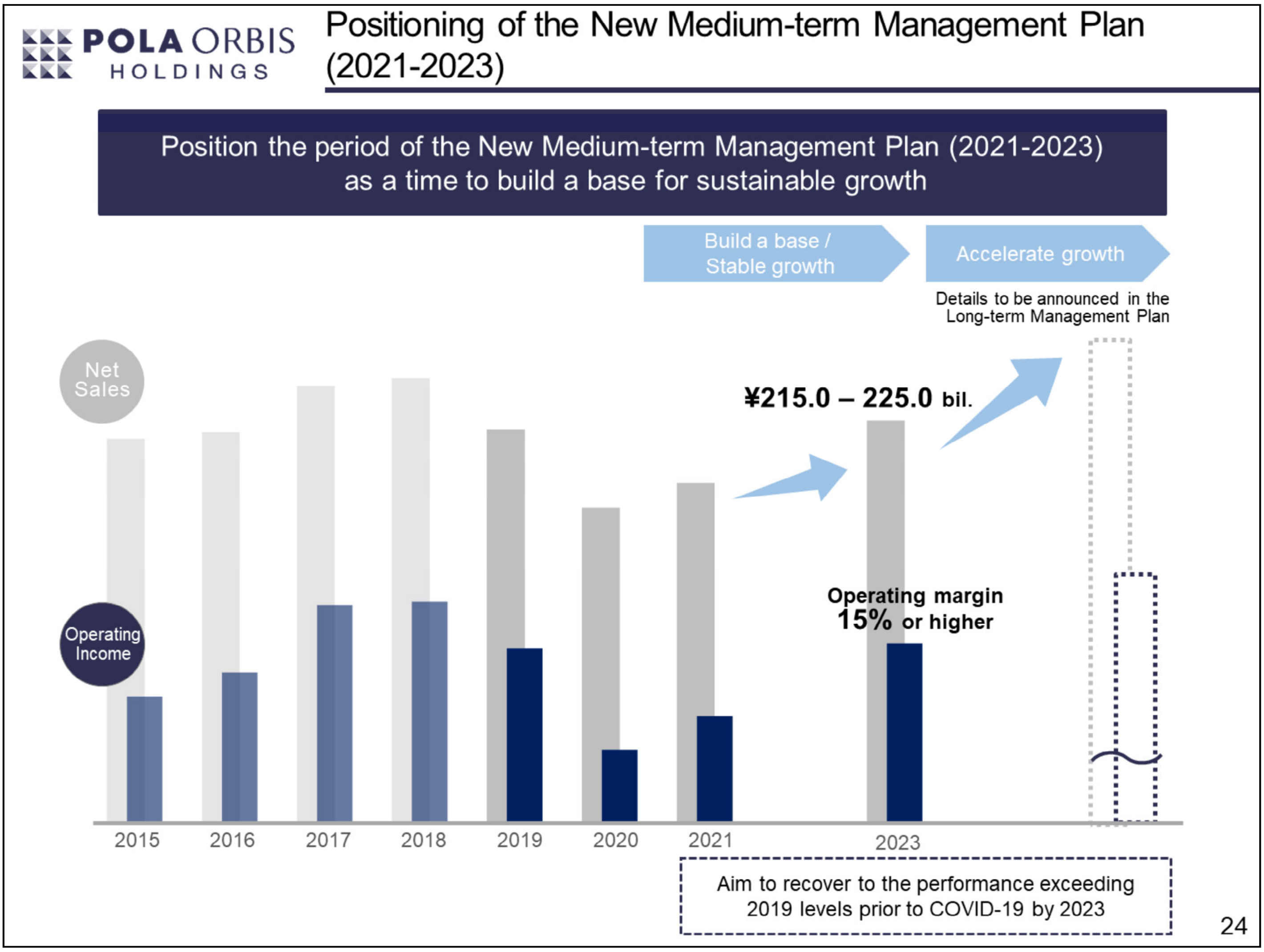
*Market data collection methods differ among survey companies

Next, I would like to talk about market trends.

The domestic market, excluding inbound consumption, is on a slight downward trend. The shift to e-commerce will make progress by route and by channel, and we estimate that this trend will continue.

As for our outlook for inbound demand, we do not expect a recovery for the current year compared to last year. Our medium-term management plan reflects the severe expectations that inbound demand will be about 30% of the 2019 level in 2022 and about 60% in 2023.

As for the overseas markets, the cosmetics market in China is expected to continue to grow at a high rate.



As I explained earlier, the new medium-term management plan from 2021 will be positioned as a period of planning to achieve recovery to the pre-COVID-19 levels, in a bid to realize sustainable growth.
For 2023, the final year of the plan, we intend to challenge the 2019 performance levels before COVID-19.

Next, I will explain the specific measures of the new medium-term management plan.

POLA ORBIS HOLDINGS

2021 – 2023 Medium-term Management Plan

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 CAGR 20 to 25% (15% in FY2020)
	■ 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”

Here is the overall picture of the new medium-term management plan.

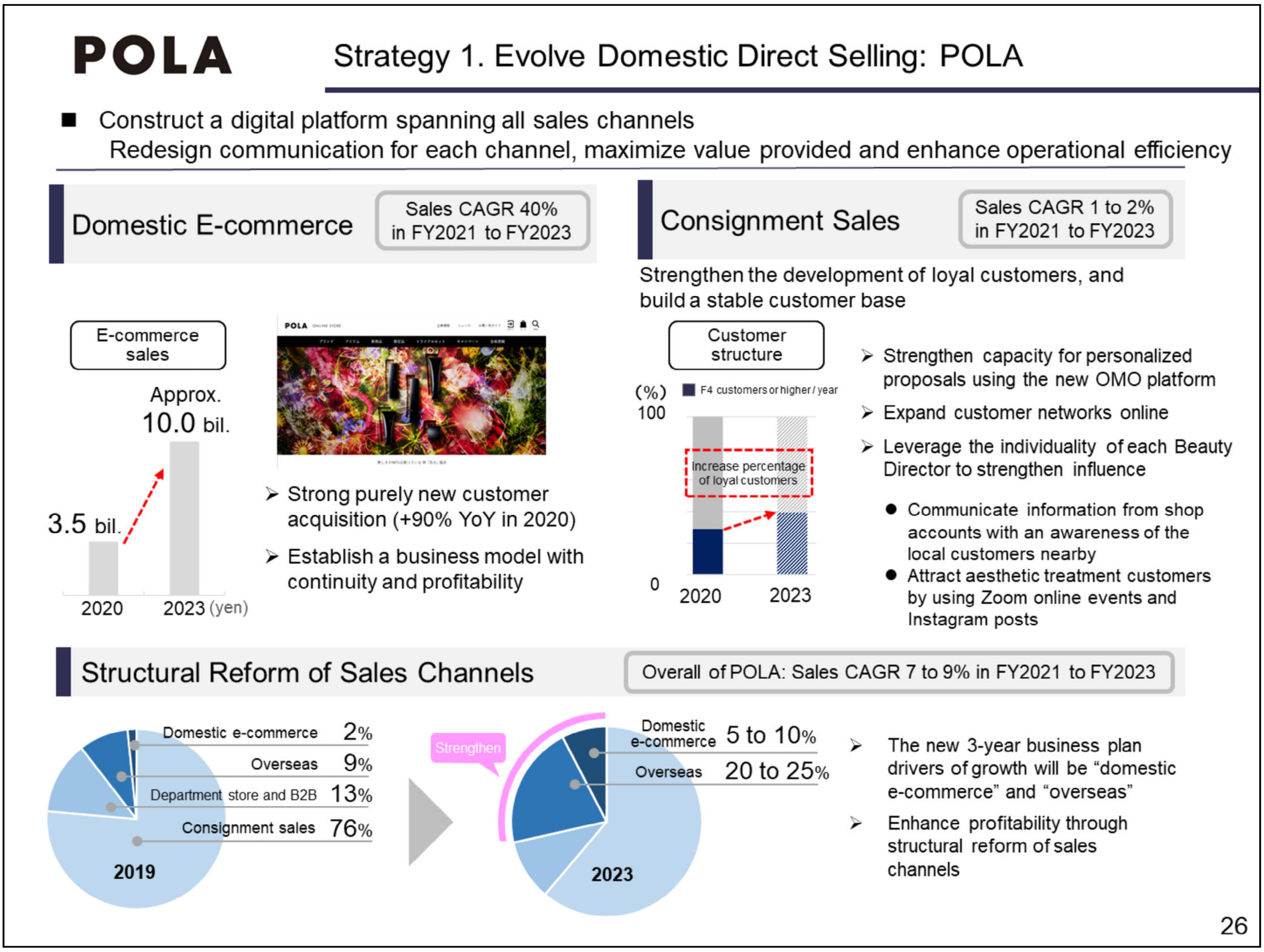
We are aiming for a CAGR in sales of 7% to 9% for a total of ¥215 bil. to ¥225 bil.

We have also set the overseas sales ratio and domestic ecommerce sales ratio as important indicators.

We hope to achieve an operating margin of at least 15% above our 2019 level.

The target ROE is 12%, and the dividend payout ratio is 60% or more, like previously.

In order to achieve these management indicators, we will work on the five key strategies as shown below.



Strategy 1. In POLA's domestic business, we will integrate online and offline operations to build a cross-channel digital platform. By integrating customer management and communication, which have been separated by channel, we will increase engagement with customers, which is our original strength.

In the e-commerce business, which is a key target area, we will acquire a large number of new customers for skincare with items that are highly differentiated from competitors’ products, and build a business model with high grades of continuity and profitability. We aim to achieve sales of ¥10 bil. in 2023.

In the consignment sales channel, we will enhance our engagement with customers by way of digital technology.

As I look at last year's successful case studies of the proactive use of online counseling, as well as the individuality of the stores and beauty directors in sending out messages, leading customers to visit their stores, I strongly feel the independence and self-reliance of the individual business operators, even amid the COVID-19 pandemic.

We will shift POLA to a more profitable channel structure that will achieve long-term growth.

ORBIS

Strategy 1. Evolve Domestic Direct Selling: ORBIS

- "Establish a presence as a skincare brand" and "use the app as the core communication method"
- Maximize LTV, achieve a swift return to a growth trajectory and build a stable earnings structure

Operating margin: 20% FY2020: 16%	Percentage of net sales through e-commerce: 70%* (FY2021-FY2023 net sales CAGR 8-10%) FY2020: 59%*

*Percentage of domestic sales

Expand Skincare Market Share

Main skincare series

Special care

ORBIS U *ORBIS U.* (Left) *WRINKLE WHITE ESSENCE* (Right) *WHITE CLEAR ESSENCE*

- Acquire skincare customers and encourage repeat purchases
- Enhance high value-added special care, and release new brightening serum

Strengthen Unit Economics

- Regular purchase program
- Evolve communities for loyal customers, and turn customers into fans

Accelerate DX

- Purchase history
- Personal analysis/history
- Campaign notifications
- New product introductions

- Data coordination centered around the app, and stronger customer engagement
- Launch personalized skincare through ORBIS original skin measurement IoT device
- Accelerate the resource shift to strategic fields
  - Digital marketing and e-commerce investment
  - Catalog and points expenses

Skin Mirror
skin measurement IoT device

Next is ORBIS.
The business structure has been improving due to the strong performance of the ORBIS U series, which received many best cosmetic awards last year. From the current fiscal year onward, the Company will increase the composition of skincare products by introducing high value-added items, such as new brightening products.

We will further accelerate DX. Using the app as the core communication method, we aim to maximize the lifetime value with personalized communication. This spring, we plan to launch a personalized skincare product using IoT devices. We will also shift the focus of our investment to the digital field to increase the e-commerce ratio to 70%.

Even amid the COVID-19 pandemic, we will make use of our advantage as a pioneer in e-commerce and ORBIS' exclusive skills in efficient cost allocation to achieve the long-term target of the operating margin at 20%.

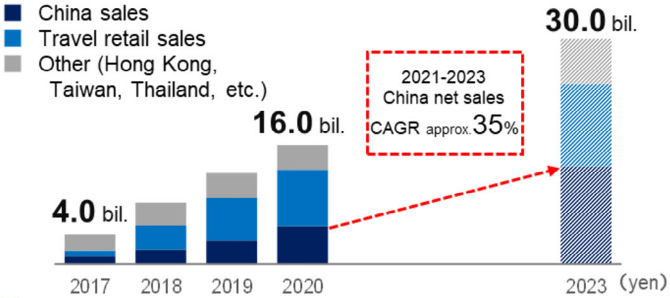
POLA ORBIS HOLDINGS

Strategy 2. Grow Overseas Businesses Profitably: POLA

China and travel retail will drive growth

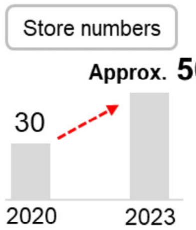
Overseas Net Sales Trend

Sales CAGR 20 to 25% in FY2021 to FY2023



Travel Retail

Establish a new company to integrate the Group's travel retail businesses



- Share expertise on travel retail development, and improve operational efficiency
- Strengthen negotiations to accelerate new store openings in the wake of COVID-19

⇒ Aim to maximize competitiveness in high-growth channels

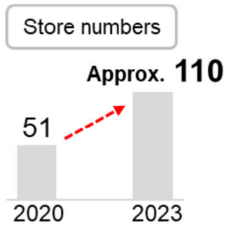
China

Develop loyal customers, enhance LTV and achieve profitable growth through the approach: Price appeal < Value appeal

Online

- Expand investment and strengthen digital communication

Offline



- Continue proactive store openings in premium and prestige locations
- Develop unique channels including directly-owned and partnership channels

28

Next is Strategy 2, overseas businesses.

Over the past three years, POLA's overseas businesses have quadrupled in size. The growth driver was the popularity of the brands gained from inbound consumption and other sources. We aim to achieve overseas net sales of ¥30 bil. for 2023.

Our particular focus will be on China. Of course, competition is intensifying, but we will thoroughly promote the value of POLA's unique high-value-added products and facial esthetic treatments in our stores. In e-commerce in China, we will actively utilize digital marketing, such as live commerce, to spread brand awareness. In offline operations, we will focus on brand engagement to strengthen the fostering of repeat customers. The goal is to double the size of the current store network to 110 stores.

We will also focus on travel retail throughout Asia. We have established a new company to oversee the Group's travel retail business, and begun activities to accelerate growth after COVID-19.

Strategy 2. Grow Overseas Businesses Profitably: Overseas Brands

- Cost structure reforms aimed at returning to profit have generally concluded, and measures to enhance cost efficiency will continue to be implemented
- Expand the top line to achieve a profit for Jurlique in 2022, and H2O PLUS in 2023

Jurlique

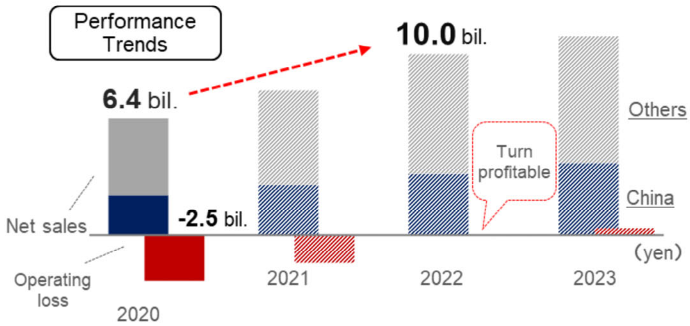
2019 - 2020

- Rebuild the business base
  - Lower the breakeven point through cost structure reform and maximum fixed cost reductions
  - Shift from wholesale to retail business
  - Business model change in China

2021 - 2023

- Expand the top line
  - Focus on the China market
  - Concentrate marketing on hero products
  - Strengthen digital marketing
  - Close unprofitable stores, and shift online

(Left) *Nutri-Define* series
(Right) *Activating Water Essence*



Sales CAGR 15 to 20% in FY2021-FY2023

E-commerce sales ratio
Overall approx.40%
(China approx.50%)

Breakeven net sales
2022 approx.10.0 bil. yen

H2O+

- Strengthen appeal as a Clean Beauty category, and establish brand positioning
- Launch strategic products, and acquire new customers

Hydration Age Renew Collection

The return of Jurlique and H2O PLUS to profitability was left over from the previous medium-term management plan.

In Jurlique, we have been promoting a cost structure reform by closing unprofitable stores and reducing fixed costs. We are beginning to see the results of our efforts. For example, in China, where we have shifted the business model to direct ownership, earnings surpassed the year-before levels, even excluding the effect of the reform. With China as a key market, we will improve profitability by increasing the e-commerce ratio, and in terms of products, we will concentrate marketing on our skincare hero products to improve the rate of repeat purchases.

For H2O PLUS, we will focus on acquiring customers in the US skin care market, mainly through e-commerce. We will launch a new anti-aging series and work to promote it in the Clean Beauty category, which is expected to grow.

POLA ORBIS HOLDINGS

Strategy 3. Profit Contribution From Brands Under Development

- Regrow businesses and improve profitability
- 2023: turn a profit across ACRO (embark on radical structural reforms)

THREE Amplitude ITRIM FIVEISM × THREE

- Channel shift
  - ➢ Clarify the role of customer touchpoints
    Selection and concentration on “convenient e-commerce” and “brand experience stores”
    Strategically cut down the number of stores and improve store efficiency
  - ➢ Global shift
- Product shift
  - ➢ THREE: Expand share in the Holistic Care category
  - ➢ Amplitude, ITRIM, and FIVEISM × THREE:
    Focus on key categories, control SKU
- Reduce cost ratio

THREE new base makeup series

(Left) *Amplitude Complete Fit Powder Foundation*
(Right) ITRIM new series *Ruriwhite*

DECENCIA

- Expand brand recognition in the sensitive skin market, enhance the ratio of purchase by designation
- Optimize advertising expenses, aim for an operating margin of 20% in the long term
- Strengthen overseas development, primarily in China

(Left) *ayanasu moist barrier mist*
(Right) *ayanasu wrinkle O/L face mask concentrate*

Next is Strategy 3, brands under development.

ACRO, which is developing THREE and new brands, will embark on fundamental structural reforms. In terms of channels, we will strategically reduce the number of stores and replace them with e-commerce. On the product side, we will narrow down SKUs and reduce the cost of sales ratio to achieve both renewed brand growth and improved profitability.

Next is DECENCIA, where the theme is to expand brand awareness in the sensitive skin market. By streamlining advertising costs, we aim to become a highly profitable brand specializing in e-commerce with an operating margin of 20% in the long term.

POLA ORBIS HOLDINGS

Strategy 4. Strengthen Operations: R&D

Direction of Research and Development

Strengthen “**basic research**” and “**research of new dosage forms**” that creates new value

Establish a TDC (Technical Development Center) to strengthen research of new dosage forms and take on the production function for high value-added products

- ✓ Link “research,” “development” and “production,” to achieve a system to launch differentiated products in a shorter time frame
- ✓ Focus research and development on high value-added products, and enhance the efficiency of outsourcing

<Research and Development Structure>

MIRC <Research Integration>	**FRC** <Basic Research>	**TDC** <Technical Development>
■ Establish a Group R&D strategy ■ Coordinate with advanced research bodies ■ Curation ■ Incubation	■ Cultivate advanced sciences ■ Develop new materials, and create pipelines ■ Develop into new domains, create seeds	■ Technological development linking research, development and production ■ Specialize in developing highly-differentiated, high value-added products

Approach to Investment in Research and Development

- ■ Invest approximately 2% of consolidated net sales, on an ongoing basis
- ■ Focus on investment in basic research to create new value in the medium to long term

Next is Strategy 4, strengthening the management base.

In research and development, we will establish the Technical Development Center (TDC) to strengthen the technological development function of the entire Group. The aim is to link research, development, and production to develop high-value-added products using cutting-edge technology in a shorter period of time than before.

In 2018, the Group revamped its R&D structure, establishing MIRC to oversee the Group's R&D strategy and FRC to conduct fundamental research. The development of new materials and creation of pipelines by FRC are well underway.

By adding the TDC to them, we intend to increase the speed of commercialization, so that we can continuously create products that are unparalleled.

Next, I will explain our sustainability policy, which supports our management foundation.

We have established a Sustainability Statement with the aim of achieving the Group's business growth and realizing sustainable society. In response to the rapid changes in society, we have renewed our Sustainability Plan.

In addition to KPIs such as CO_2 emissions, water consumption, and exhaust emissions, we have also set new KPIs, such as the number of new businesses created, with emphasis on promoting diversity and developing human resources that make the most of individual employees.

Some of these KPIs will be linked to the Company-wide goals and medium- to long-term incentive compensation for executives to enhance their viability.

POLA ORBIS HOLDINGS

Strategy 5. Expand New Brands and Domains of “Beauty”

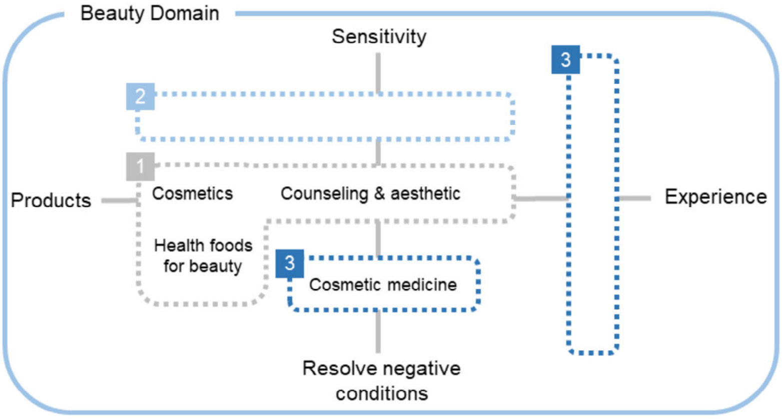
- Strengthen our portfolio through initiatives including new brand creation and M&A, which utilized CVC and alliances
- Begin consideration of business expansion into new domains, for medium- to long-term growth

Business Expansion to Create New Value

1 Resolve current issues

2 Expand product offerings in existing businesses

3 Create new value beyond the bounds of cosmetics



【Initiatives】

CVC	POLA ORBIS CAPITAL ■ Target: focus on D2C, beauty tech, and retail tech (from 2018 onward) ■ Aim: Synergy between existing brands, new brand creation through collaboration, and M&A
Business Development Project	■ Form a task force with the aim of considering participation in the cosmetic medicine market Aim to acquire users who demand new value from cosmetic procedures
Internal Ventures	■ Renew the existing system of regularly soliciting ideas, and establish a new Brand Development Studio responsible for validation and investment decisions, introducing a new “idea ⇔ hypothesis validation scheme” and making it a standard <Reference> Launched a medical elastic stocking from the internal venture encyclo (December 2020)

Next is Strategy 5.

To achieve medium-to-long-term business growth, we will strengthen our portfolio and consider business expansion into new domains.

In the beauty domain, we will expand the range of products and services. One specific initiative that has already started is the formation of an internal task force with the aim of entering the field of cosmetic medicine.

In addition, in the CVC business, we will focus on D2C, beauty tech, and others, and actively engage in open innovation in cooperation with our investment partners.

As announced at the same time as the release of our financial results, we have decided to acquire 100% of the shares of our CVC investment partner, tricot, Inc. The next page describes this transaction.

POLA ORBIS HOLDINGS

Share Acquisition of tricot, Inc. as a Wholly-owned Subsidiary

Conclusion of a share transfer agreement to acquire all the shares of tricot, Inc., a CVC investee

tricot

Acquire the brand and its products that accurately capture changing values of beauty, the ability to respond to changes, and human resources with expertise

- Strengthen portfolio
- Accelerate medium- to long-term strategy

Summary

Name	tricot, Inc.
Established	April 24, 2018
Capital	96 mil. yen
Representative	Kana Hanafusa
Business	"FUJIMI" personalized beauty care brand, etc.

Products

FUJIMI
Personalized supplement

FUJIMI
Personalized face mask

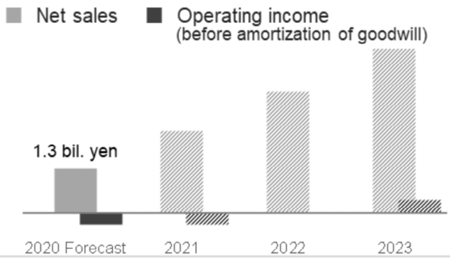
Features & Advantages

- More than 99% in-house marketing
- Focus on marketing by fabless
- Data-driven management pivoting on an in-house production system
- Customer base by subscription model
- High repeat ratio and LTV
- Expect profit contribution in early stage since gross profit is high

Expected Synergies

1. Effective use of R&D strength, existing technologies and formulas
2. Effective, low-cost procurement & production, flexible product supply
3. D2C brand launch and digital marketing expertise
4. Further synergy generation through personnel exchange and development

Performance Trend and 3-Year Plan Concept



Achieved monthly sales of ¥200 mil. in Jan. 2021 (+770% YoY)

Become profitable by 2022

The effect of the acquisition on the Company's consolidated financial results is still under investigation, and has therefore not been reflected in the plan (consolidation expected to commence from FY2021 2Q: April) 34

The outline of the acquisition is as described in the release, but I would like to explain the purpose of the acquisition and expected synergy here.

tricot, Inc. is a fast-growing venture that develops the FUJIMI brand, focusing on personalized supplements. The Company's business model of selling personalized products on subscription, based on unique beauty diagnoses, and its fully in-house marketing capabilities are regarded as highly competitive in the future.
We expect to combine tricot's expertise in the fields of D2C brand launch and digital marketing with the our Group's R&D capabilities to make our brand portfolio more unique.

In the graph on the lower right graph, we showed tricot's business performance and three-year plan. As of January of this year, monthly sales were approximately ¥200 mil., and we expect the company to turn profitable in the next fiscal year.

The impact of this acquisition on consolidated financial results is not yet reflected in the disclosed guidance, as it is currently under scrutiny.

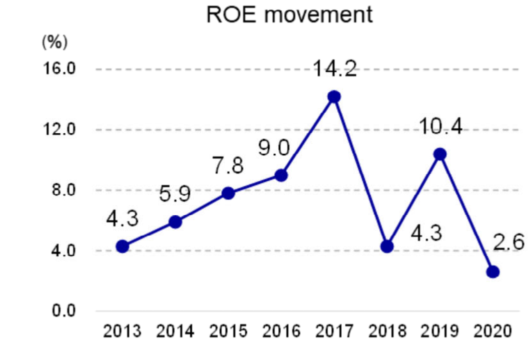
POLA ORBIS HOLDINGS

Improvement in Capital Efficiency and Shareholder Returns

Initiatives to Improve Capital Efficiency

Target for 2023
ROE 12%
(Return on equity)
=
EPS (Earnings per share)
- Operating income CAGR30%
- Achieve net income growth which is higher than operating income growth by decreasing overseas losses

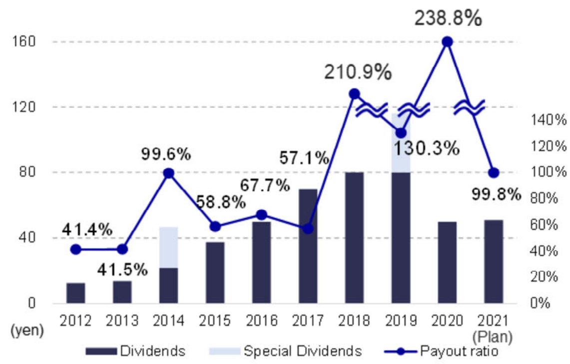
BPS (Book value per share)
- Improve shareholder return through dividends
- Optimize balance sheet
- Investment for future growth



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%



Finally, I would like to talk about capital efficiency and shareholder returns.

The ROE target for 2023 is 12%, as I have already said.

The annual dividend payment will be ¥51 per share, an increase of ¥1, resulting in a dividend payout ratio of 99.8%.

Our approach to the acquisition of treasury stock remains the same as before.

This is the end of the explanation. Thank you very much.

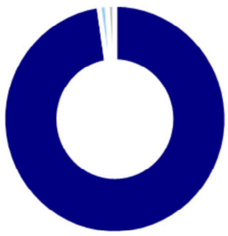
Part II 2021 – 2023 Medium-term Management Plan

1. Overview of the Previous Medium-term Management Plan
2. 2021 – 2023 Medium-term Management Plan
3. Appendix

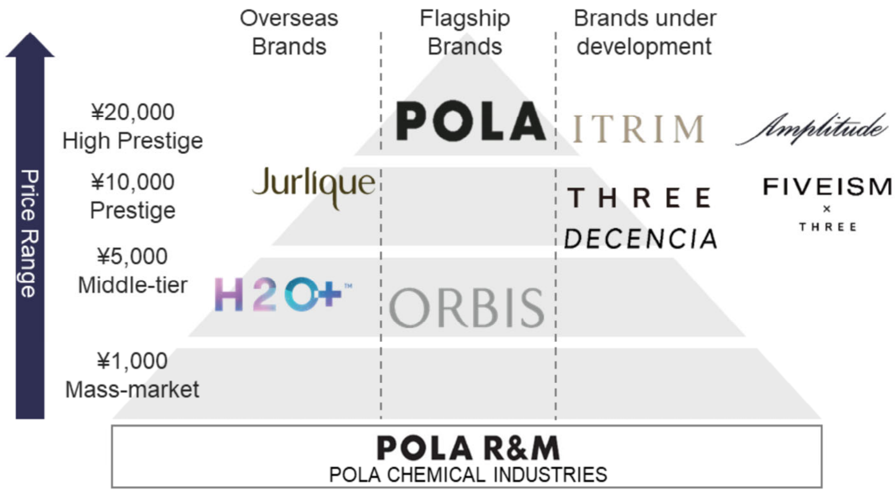
(Appendix) About POLA ORBIS Group

Beauty care is the core business of the Group, and 9 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

(Appendix) Beauty Care Business Brand Portfolio

	Sales ratio*	Brand	Concept and products	Price	Main sales channel
Flagship brands	60%	POLA Since 1929	■ High-prestige skincare ■ Leading-edge technology in aging-care and skin-whitening fields	Approx. ¥10,000 or higher	■ JP: Consignment sales through Beauty Directors, department stores and e-commerce ■ Overseas: Department stores, directly-operated stores, DFS(1) and cross-border e-commerce
	26%	ORBIS Since 1984	■ Aging-care brand to draw out people's intrinsic beauty	Approx. ¥1,000~ ¥3,000	■ JP: Mail-order (online and catalog) and directly-operated stores ■ Overseas: E-commerce, cross-border e-commerce, and DFS(1)
Overseas Brands	4%	Jurlique Acquired in 2012	■ Premium natural skincare brand from Australia	Approx. ¥5,000 or higher	■ 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	■ Skincare with concept of innovation and power of pure water	Approx. ¥4,000 not sold in Japan	■ US: E-commerce, hotel amenities
Brands under develop-ment	9%	THREE Since 2009	■ Skincare made with natural ingredients from Japan and fashion-forward make-up	Approx. ¥5,000 or higher	■ JP: Department stores, directly-operated stores and e-commerce ■ Overseas: Department stores, DFS(1) and cross-border e-commerce (Operated by ACRO INC.)
		Amplitude Since 2018	■ High prestige quality makeup from Japan	Approx. ¥5,000~ ¥10,000	■ JP: Department stores and e-commerce ■ Overseas: DFS(1) and cross-border e-commerce (Operated by ACRO INC.)
		ITRIM Since 2018	■ Premium skincare made from finely selected organic ingredients	Approx. ¥20,000	■ JP: Department stores and e-commerce ■ Overseas: DFS(1) and cross-border e-commerce (Operated by ACRO INC.)
		FIVEISM × THREE Since 2018	■ Industry's first men's cosmetics focusing on makeup	Approx. ¥2,000~ ¥12,000	■ JP: Department stores, directly-operated stores and e-commerce ■ Overseas: DFS(1) and cross-border e-commerce (Operated by ACRO INC.)
		DECENCIA Since 2007	■ Skincare for sensitive skin	Approx. ¥5,000～ ¥10,000	■ JP: E-commerce, department store ■ Overseas: Cross-border e-commerce

*Sales ratio in the beauty care business as of FY2020

(1) Duty free stores

POLA ORBIS HOLDINGS

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

(mil. yen)	FY2018 Results	FY2019 Results	FY2020 Results	2019 vs 2020 YoY change 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)