Fiscal 2019
Supplementary Material

POLA ORBIS HOLDINGS INC.
Representative Director and President
Satoshi Suzuki

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

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Progress of Mid-term Management Plan
4. Forecasts and Initiatives for Fiscal 2020
5. Appendices

FY2019 Key Topics

Cosmetics Market

- The Japanese cosmetics market including exports showed steady growth.
- Inbound demand trended downward on impact of China's e-commerce law and foreign currency despite increase in foreign visitors to Japan.
- Over the full year, the net domestic market benefitted from last-minute demand driven by the consumption tax hike, and performance is forecast to land between largely unchanged or a minor increase from the previous year.
The adverse effects since October are gradually easing but expected to extend until at least 1Q/2020.
- The severe conditions of the net domestic market during 2020 are expected to continue. (1H adverse effects of last-minute demand before the consumption tax hike will continue and 2H last-minute demand will be a hurdle)

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

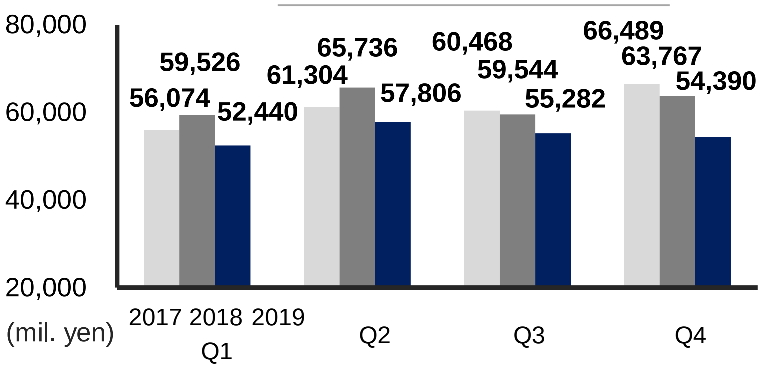
Our Group

- Consolidated net sales and operating income decreased on decreased revenues from POLA. (last-minute demand largely offset by decrease due to adverse effects in 4Q)
- POLA overseas income increased significantly mainly on performance in mainland China and duty-free shops.
- ORBIS new products were favorable, advanced customer structure improvements and shift to online sales.
- Jurlique closed unprofitable stores and downsized main office functions.
- For brands under development, THREE overseas sales and new brands drove growth.

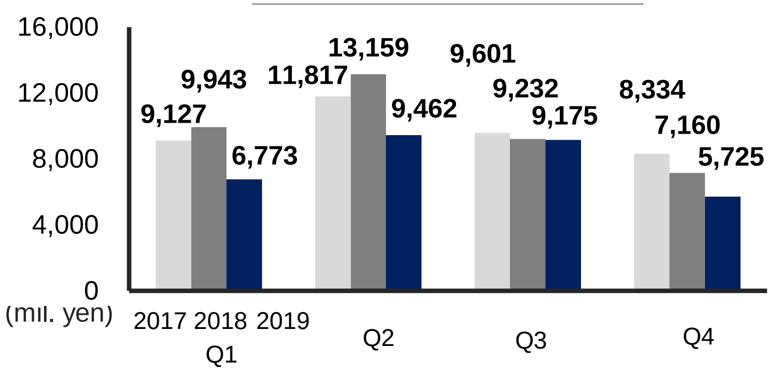
Ratio of Inbound Sales to Consolidated Net Sales

FY2017 (Full year)	Approx. 7%
FY2018 (Full year)	Approx. 7%
FY2019 (Full year)	Approx. 6%

Quarterly Consolidated Sales



Quarterly Operating Income



POLA ORBIS HOLDINGS

Consolidated P&L Changes Analysis
Net Sales to Operating Income

(mil. yen)	FY2018 Results	FY2019 Results	YoY Change Amount	YoY Change %
Consolidated net sales	248,574	219,920	(28,654)	(11.5%)
Cost of sales	41,521	35,925	(5,596)	(13.5%)
Gross profit	207,052	183,995	(23,057)	(11.1%)
SG&A* expenses	167,556	152,857	(14,699)	(8.8%)
Operating income	39,496	31,137	(8,358)	(21.2%)

Note: YoY change in consolidated net sales and OP income excluding the pharmaceuticals business were down 6.9% and down 19.9% respectively.

*Selling, General and Administrative Expenses

Key Factors

- **Consol. net sales** Sales declined year on year mainly due to decreased revenues from POLA (- ¥ 14,681 mil.), which experienced a decrease in demand from buyers primarily for beauty health food products (Inner Lock, etc.), in addition to the impact of the transfer of the pharmaceuticals business, which had recorded ¥12,319 mil. in FY2018.
- **Cost of sales** The cost of sales ratio improved because of the transfer of the pharmaceuticals business on a consolidated basis.
  Cost of sales ratio FY2018：16.7% ⇒ FY2019：16.3%
- **SG&A expenses** Labor expenses : down ¥ 2,103 mil. YoY
  -> Resulted from the transfer of the pharmaceuticals business.
  Sales commissions : down ¥ 7,287 mil. YoY
  -> Resulted from a sales decline at POLA.
  Sales related expenses : down ¥ 4,395 mil. YoY
  -> POLA selling expenses decreased, Jurlique cost structure improvements.
  Administrative expenses, etc. : down ¥912 mil. YoY
  -> Decrease in Jurlique one-off cost incurred in FY2018.
- **Operating income** Operating margin FY2018：15.9% ⇒ FY2019：14.2%

POLA ORBIS HOLDINGS

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

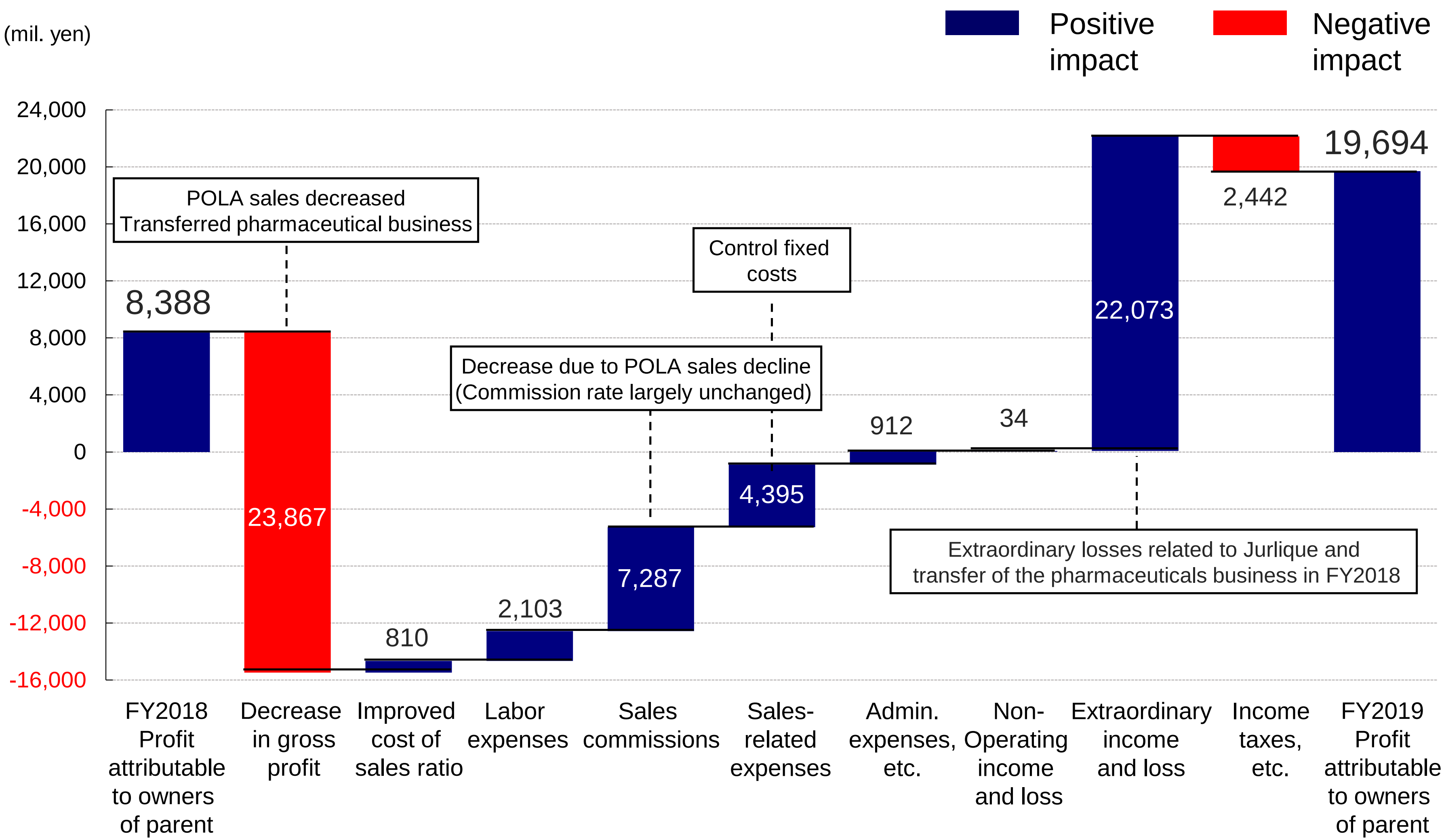
(mil. yen)	FY2018 Results	FY2019 Results	YoY Amount	YoY %
Operating income	39,496	31,137	(8,358)	(21.2%)
Non-operating income	476	394	(81)	(17.0%)
Non-operating expenses	1,017	901	(115)	(11.4%)
Ordinary income	38,954	30,630	(8,324)	(21.4%)
Extraordinary income	28	286	258	909.1%
Extraordinary losses	22,919	1,104	(21,814)	(95.2%)
Profit before income taxes	16,064	29,813	13,748	85.6%
Income taxes	7,675	10,111	2,436	31.7%
Profit attributable to non-controlling interests	0	6	6	–
Profit attributable to owners of parent	8,388	19,694	11,306	134.8%

Key Factors

- Extraordinary loss : Difference due to extraordinary losses related to Jurlique and transfer of the pharmaceuticals business in FY2018: -¥21,387 mil.
- Income taxes, etc. : Effective tax rate 33.9%

Factors Impacting Profit Attributable to Owners of Parent

Net income attributable to owners of parent was +134.8% YoY on impact of having recorded extraordinary losses in FY2018



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Segment Results

(mil yen)	FY2018 Results	FY2019 Results	YoY Amount	YoY %
Consolidated net sales	248,574	219,920	(28,654)	(11.5%)
Beauty care	231,207	214,886	(16,321)	(7.1%)
Real estate	2,707	2,619	(87)	(3.2%)
Others	14,659	2,415	(12,244)	(83.5%)
Operating income	39,496	31,137	(8,358)	(21.2%)
Beauty care	38,294	30,193	(8,100)	(21.2%)
Real estate	1,001	1,021	19	2.0%
Others	796	130	(665)	(83.6%)
Reconciliations	(596)	(207)	388	–

Segment Results Summary

- Beauty care: Although THREE and new brands net sales increased, POLA and Jurlique revenues decreased significantly, resulting in lower Beauty Care net sales compared to FY2018. Operating income decreased on gross profits and up-front investments in new brands.
- Real estate: Occupancy rate has been maintained at a high level.
- Others: Others segment as a whole fell below the same period of last year for both sales and operating income due to the transfer of the pharmaceuticals business.

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Beauty Care Business Results by Brands

(mil. yen)	FY2018 Results	FY2019 Results	YoY Change Amount	YoY Change %
Beauty care net sales	231,207	214,886	(16,321)	(7.1%)
POLA	150,183	135,502	(14,681)	(9.8%)
ORBIS	51,051	50,726	(324)	(0.6%)
Jurlique	10,386	7,765	(2,620)	(25.2%)
H2O PLUS	2,041	1,470	(571)	(28.0%)
Brands under development	17,544	19,421	1,877	10.7%
Beauty care operating income	38,294	30,193	(8,100)	(21.2%)
POLA	32,574	25,529	(7,045)	(21.6%)
ORBIS	9,340	9,252	(87)	(0.9%)
Jurlique	(3,763)	(2,968)	794	-
H2O PLUS	(552)	(825)	(272)	-
Brands under development	695	(794)	(1,489)	-

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

Brand Analysis (1)

FY2019 Result

- Inbound and buyers decreased, particularly for beauty health foods
- Domestic business struggle to capture and maintain new demand
- Demand decreased on adverse effects of last-minute demand, impact expected to continue in FY2020.
- Strong overseas, growth continued in mainland China and Korea
- Inbound traffic (tourists) accounted for 9% of net sales (down 2ppt YoY)

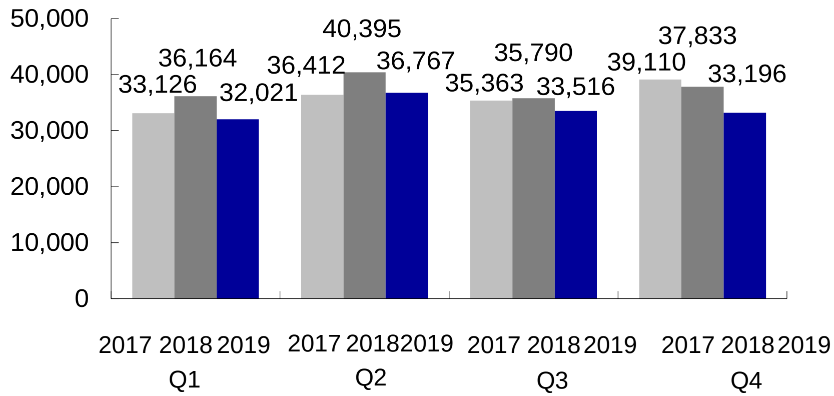
Q4		Results (mil. yen)	YoY Change
Net sales		135,502	(9.8%)
Operating income		25,529	(21.6%)
Key indicators			
Sales ratio	Consignment sales		76.4%
	Overseas		8.9%
	Dept. store, B2B[1] , EC		14.7%
Sales growth*	Consignment sales		down 15.8%
	Overseas		up 47.7%
	Dept. store, B2B[1] , EC		up 4.0%
Consignment sales channel	# of sales offices**		3,956 (down 222)
	# of PB[2]**		675(up 6)
	Purchase per customer*		down 0.8%
	# of customers*		down 12.1%
Number of stores overseas**			84(up 34)

(1) B2B: Hotel amenity business (2) PB: POLA THE BEAUTY stores
*YoY , ** vs Dec. 2018

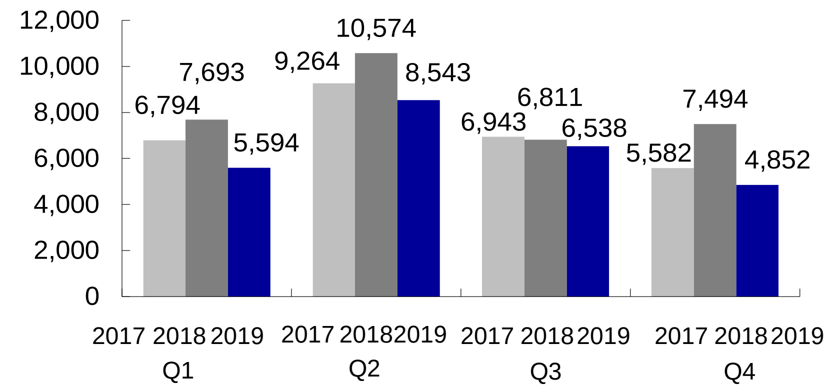
Topics

- *B.A Grandluxe III* launch (November)
  Won best cosmetics awards from beauty magazines

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)

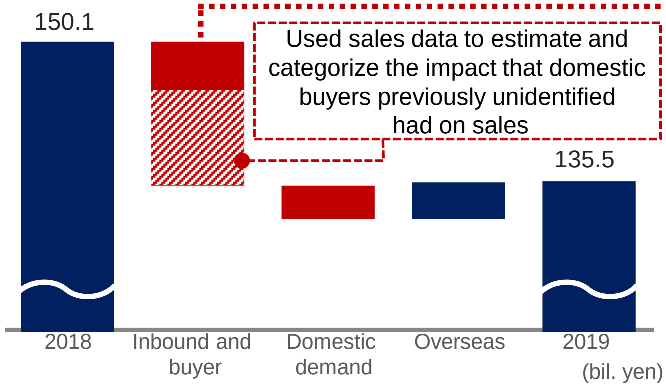


Brand Analysis (1) Analysis of Change in POLA Net Sales

POLA

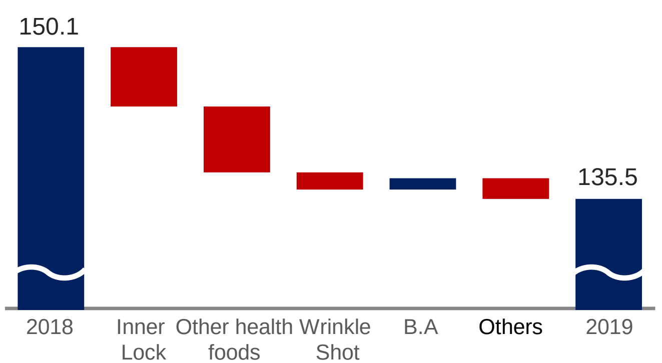
Analysis of change by channel/product

Channel structure



Overseas sales not enough to cover decrease in inbound and buyers. Domestically, POLA struggled to capture new demand and create repeat customers

Product structure



Mainly due to decrease in health foods
Unable to recover via new cosmetic products

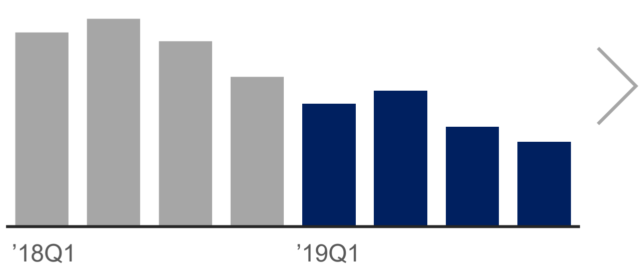
About inbound and buyer demand

POLA net sales decline of ¥14.6 bil.

-¥15.0 bil. (estimated)

Past peak in revenue decrease but downward trend continuing

[Transitions in inbound & buyer net sales (quarter)]



2020 outlook

Impact of external environment changes

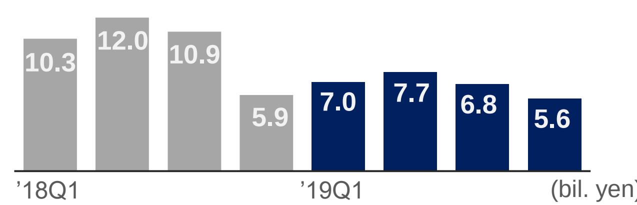
✓ Changes in consumer behavior

✓ Novel coronavirus

(Ref.) About net sales of health foods products

Health food sales declines appear to have leveled off

[Transitions in health food net sales (quarter)]
*Including Inner Lock



Future issues will be to accelerate overseas expansion and rebuild the domestic customer base

ORBIS

Brand Analysis (2)

FY2019 Result

- Shifted to highly profitable online sales
- Flagship products comprise approx. 30% of sales, contributing to improved customer structure（*ORBIS U* and *DEFENCERA*）

Topics

- Opening duty-free store in Korea to improve brand recognition in Asia (December)

Shilla Seoul shop

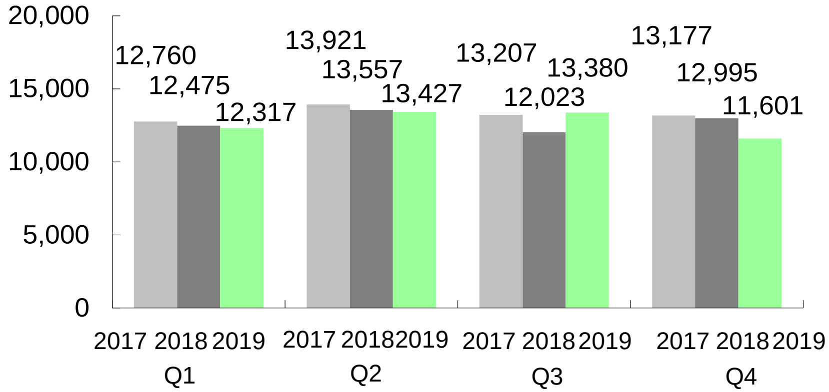
Q4	Results (mil. yen)	YoY Change
Net sales	50,726	(0.6%)
Operating income	9,252	(0.9%)

Key indicators		
Sales ratio	Online	50.6%
	Other mail-order	20.4%
	Stores and overseas	29.0%
Sales increase*	Online	up 3.8%
	Other mail-order	down 11.9%
	Stores and overseas	up 0.7%
Mail-order[(1)] purchase per customer*		up 4.0%
Number of mail-order[(1)] customers*		down 5.1%
ORBIS U series ratio of sales [(2)]		25%

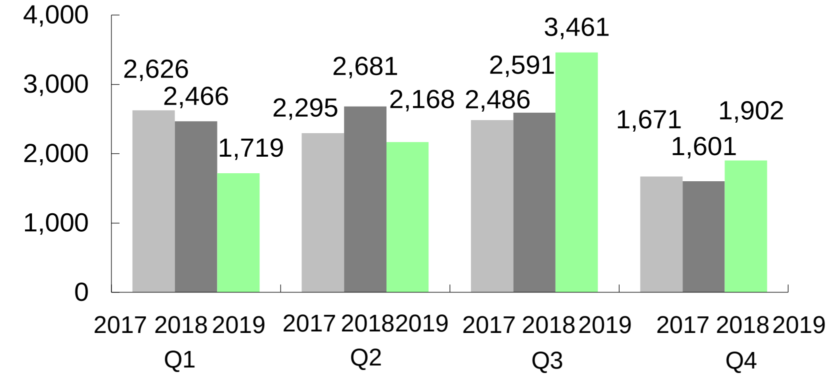
(1) Mail-order includes online and other mail-order
(2) Series consists of ORBIS U, U encore, and U white

* YoY basis

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Brand Analysis (3)

FY2019 Result

- Jurlique closed unprofitable stores in China to optimize channels and downsized main office functions
- H2O PLUS used SNS/EC platform

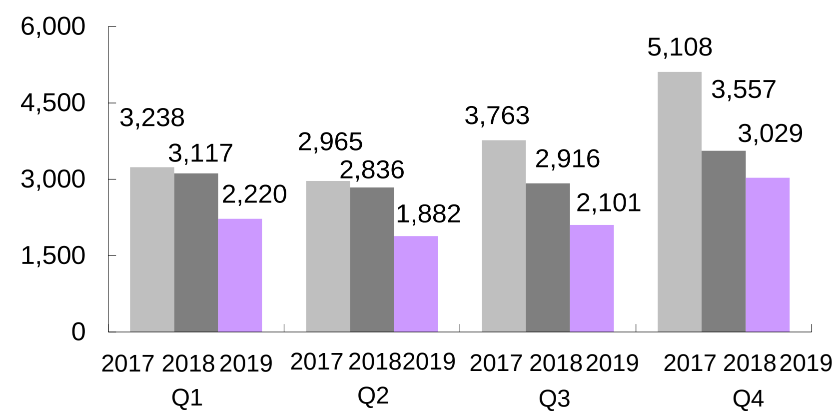
Q4		Results (mil. yen)	YoY Change[1]
Jurlique	Net sales	7,765	(25.2%)
	OP income	(2,968)	+794
H2O PLUS	Net sales	1,470	(28.0%)
	OP income	(825)	(272)
Key indicators			
Jurlique			
Sales ratio	Australia		33%
	Hong Kong		21%
	Duty free		13%
	China		11%
Sales growth[2]	Australia		down 19%
	Hong Kong		down 2%
	Duty free		down 35%
	China		down 41%

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

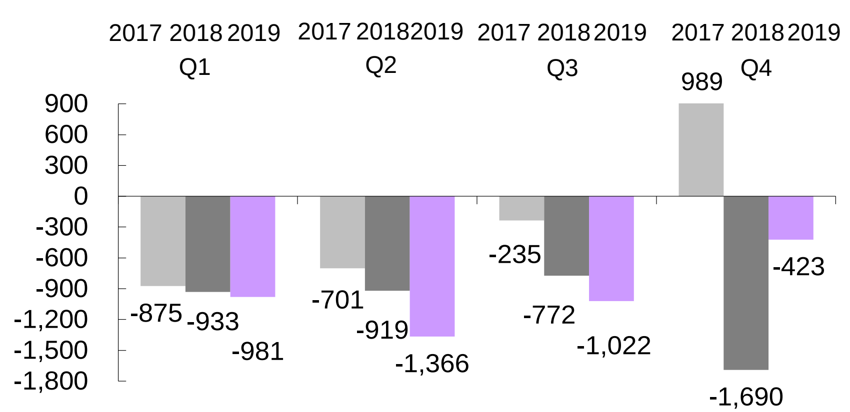
Topics

- Selecting and reducing Jurlique shops in China
  - Stores in China (end of FY2019): 52 shops (YoY change -37)
  - Shift from dealer licensing to directly-owned shops to control brand

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Brand Analysis (4) Brands Under Development

FY2019 Result

- ACRO income decreased on up-front investments in new brands
- THREE overseas channels drove growth (up approx. 25%)
- DECENCIA new products (anti-wrinkle for sensitive skin) and department store skin diagnosis popular

Q4	Results (mil. yen)	YoY Change
Net sales	19,421	+10.7%
Operating income	(794)	(1,489)
ACRO Net sales	12,215	+16.5%
ACRO OP income(1)	(1,828)	(1,311)
(THREE Net sales)	11,059	+7.2%
(THREE OP income)	472	(53.2%)

Key indicators		
THREE	# of stores in Japan (vs. Dec. 2018)	121(up 10)
	# of stores overseas (vs. Dec. 2018) (in 8 countries & regions)	61(up 6)
	Overseas sales ratio	28%

(1) YoY difference is shown as an amount (mil. yen)

■ Brand Portfolio of Brands Under Development

Company	ACRO INC.	DECENCIA INC.
Brand	THREE, ITRIM, Amplitude, FIVEISM × THREE (New Brands Launched in September 2018)	DECENCIA

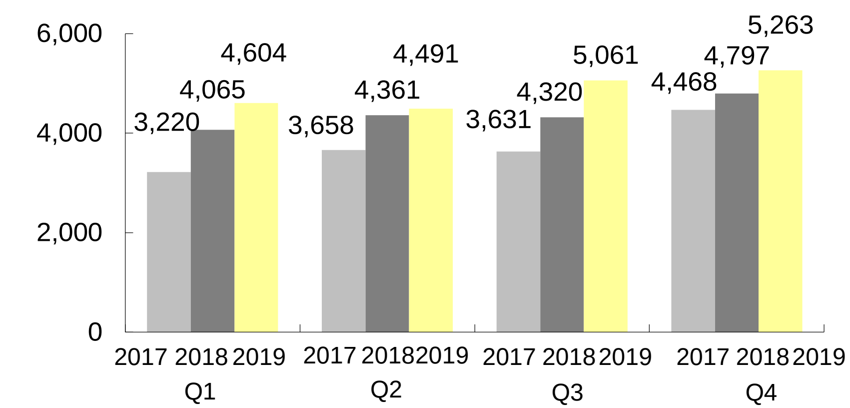
Note: Apart from the portfolio above, Brands Under Development includes the OEM business.

Topics

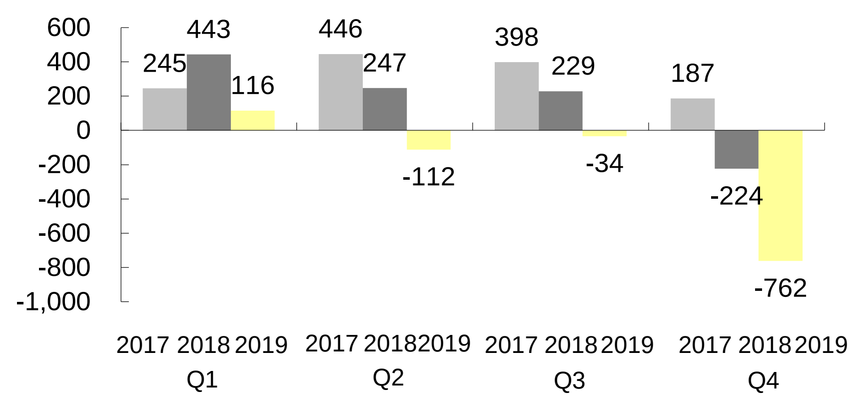
- Won best cosmetics awards

THREE DECENCIA Amplitude ITRIM

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



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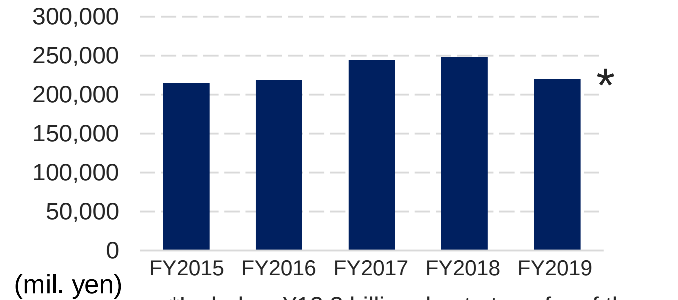
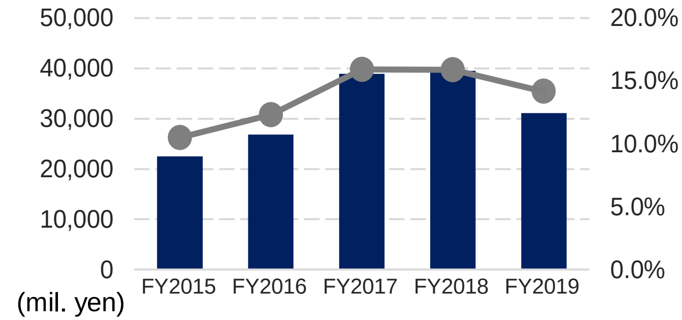
【Management Indicators for 2020】

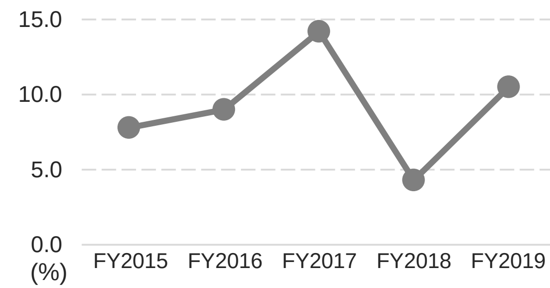
FY2019

Indicator	Target for 2020	FY2019
Net sales	¥250.0 bil. or higher CAGR 3-4%	¥219.9 bil.* 2017-19 CAGR 0.2 %
OP income	OP margin 15% or higher CAGR 10%	OP margin 14.2 % 2017-19 CAGR 5.1 %
ROE	12 % or higher	10.4 %



*Includes -¥12.3 billion due to transfer of the pharmaceuticals business





Conditions make it difficult to achieve targets due to the transfer of the pharmaceuticals business and the impact of decreased sales by POLA

Progress of 2017–2020 Medium-term Management Plan

【Growth Strategies】

	Strategies	Evaluation	
1	Sustain stable growth of flagship brands to lead Group earnings	Behind	- POLA inbound & buyers decreased, rebuild customer base - Capture new demand for ORBIS, increase per-customer spending
2	Bring overseas operations solidly into the black overall	Behind	- Maintain strong growth for POLA in mainland China and on the duty free market - Jurlique losses to expand, will continue store closures to promote selection and concentration. Will shift sales channels H2O PLUS
3	Expand brands under development, create new brands, pursue M&A activity	On track	- Maintain THREE business growth, need to shore up DECENCIA - Expand customer touchpoints for new brands, up-front investment phase
4	Strengthen operations (reinforce R&D, human resources and governance)	On track	- Form global joint research network - Adopt performance-linked, share-based compensation plan for directors
5	Enhance capital efficiency and enrich shareholder returns	Slightly behind	- Improve EPS to increase ROE - Achieve sustainable enhanced shareholder returns, including special dividends

Urgent issue is rebuilding of POLA domestic business
Increasing urgency to expand overseas channels while working to rebuild stable platform for domestic growth

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Forecasts for Fiscal 2020

(mil. yen)	FY2019 Full-year Results	YoY Change Amount	YoY Change %	FY2020 Full-year Plan	YoY Change Amount	YoY Change %
Consol. net sales	219,920	(28,654)	(11.5%)	217,000	(2,920)	(1.3%)
Beauty care	214,886	(16,321)	(7.1%)	212,400	(2,486)	(1.2%)
Real estate	2,619	(87)	(3.2%)	2,300	(319)	(12.2%)
Others	2,415	(12,244)	(83.5%)	2,300	(115)	(4.8%)
OP income	31,137	(8,358)	(21.2%)	31,200	62	0.2%
Beauty care	30,193	(8,100)	(21.2%)	30,750	556	1.8%
Real estate	1,021	19	2.0%	800	(221)	(21.7%)
Others	130	(665)	(83.6%)	150	19	14.9%
Reconciliations	(207)	388	–	(500)	(292)	–
Ordinary income	30,630	(8,324)	(21.4%)	30,700	69	0.2%
Net income attributable to owners of parent	19,694	11,306	134.8%	20,000	305	1.5%

Assumed exchange rates : 1.00 AUD = 78 JPY(PY 75.82) 1.00 USD = 107 JPY (PY 109.05) 1.00 CNY = 15.5 JPY(PY 15.78)

	FY2019	FY2020(Plan)
Shareholder returns	Annual ¥116 (include Commemorative ¥36) Consol. payout ratio 130.3%	Annual ¥80 (Interim ¥35, Year-end ¥45) Consol. payout ratio 88.5%
Capital investment	¥10,091 mil.	¥12,000 - ¥13,000 mil.
Depreciation	¥7,377 mil.	¥7,000 - 8,000 mil.

Impact of novel coronavirus

(mil. yen)	FY2019	YoY Change	
	Full-year Results	Amount	%
Consol. net sales	219,920	(28,654)	(11.5%)
OP income	31,137	(8,358)	(21.2%)

FY2020	YoY Change	
Full-year Plan	Amount	%
217,000	(2,920)	(1.3%)
31,200	62	0.2%

Certain assumptions have been applied to reflect the downward impact (estimated) of novel coronavirus on original plans

[Assumptions] ①Channel Inbound & buyer, duty-free shops, mainland China and Hong Kong shops
②Brand POLA, Jurlique, THREE
③Period Approx. 6-month period through June 2020

	Original assumptions indicates YoY differences, vs. FY2019		Forecasts
Net sales	¥226,500 mil. (+¥6,580 mil. +3%)	-¥9,500 mil.	¥217,000 mil (-¥2,920 mil. -1.3%)
Operating income	¥34,300 mil. (+¥3,163 mil. +10%)	-¥3,100 mil.	¥31,200 mil (+¥62 mil. +0.2%)

Forecasting decrease in net sales

Forecast operating income to be largely unchanged YoY due to major review of SG&A expenses

(These are currently available estimates. We will continue to investigate and update.)

Core themes from 2020 onward

Resolve issues

Rebuild stable domestic growth platform

POLA
- Link brick & mortar and online sales
  Business structure reforms for increasing customers

ORBIS
- Enhance brand marketing
  Increase rate of target customers

Amplitude, ITRIM, FIVEISM × THREE
- Increase touchpoints
  Increase brand awareness, capture new demand

Profit contributions from business structure reforms

Jurlique
- Store selection and concentration
  Increase business profitability, reduce fixed cost

H2O+
- Increase ratio of EC
  ORBIS Initiative

DECENCIA
- Diverge from existing customer generation methods

Growth opportunities

Build channel structure to accelerate growth in Asia

POLA
- Shops styled after POLA THE BEAUTY

ORBIS
- Increase customer touchpoints, including duty free stores, etc.

THREE
- Accelerate development of duty free stores, cross-border e-commerce

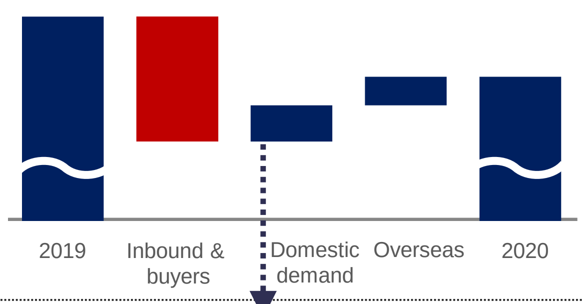
Jurlique
- Shift from dealer sales to direct sales model

Generate new value

mirc multiple intelligence research center, frc frontier research center
- Beauty-related research strategy not bound to cosmetics sector

POLA ORBIS GROUP
- New business utilizing CVC, alliances, internal ventures

Business structure reforms to rebuild domestic customer base



Inbound & buyers	Use recent trends to reflect impact of novel coronavirus
Domestic demand	Business structure reforms to rebuild customer base
Overseas	Accelerate store openings to increase brand presence Reflect impact of novel coronavirus in certain channels

Link online sales into strong existing brick & mortar network across all channels

Consignment sales channels
- ✓ Improve customer experience with focus on aesthetic treatment
- ✓ Improve shop efficiency to establish stable revenue business

Department store channels
- ✓ Global customer development and brand promotion
- ✓ Capture first aging care customers

EC channel
- ✓ Fundamental review of roles to create growth business
- ✓ Utilize external platforms

Online communication
- ✓ Enhance CRM communications
- ✓ Link channels, including driving EC traffic to shops
- ✓ Link from new customers to loyal base

Improve profit by reducing costs and reforming expense structure

Achieve sustainable growth on domestic market by developing new business models and domains

POLA business plan (Overall)

2020-2022 Net sales CAGR: **1-2%**

2020-2022 Operating income CAGR: **2-5%**

POLA

Needs-based shop expansion with focus in China

New store opening pace of 30 shops/year   Net sales CAGR of 20% or higher

Department stores
(mainly sales)

End of 2022: 45 shops (+24*)

*Shops in mainland China

Shops styled after POLA THE BEAUTY

End of 2022: 35 shops (+27*)

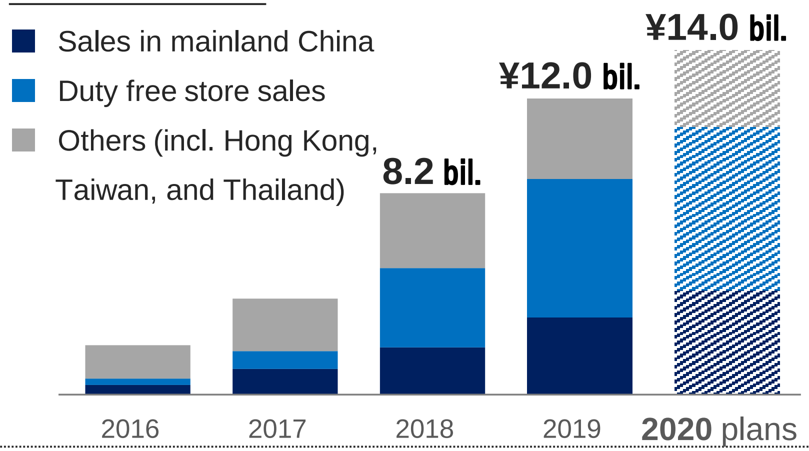
*Shops in mainland China

Overseas duty free stores
(Brand presence)

End of 2022: 30 shops (+15*)

* vs Dec.2019

Overseas sales



POLA overseas business plan

2020-2022 net sales CAGR: **20%** and higher
(new store opening goals: **+30** shops/year)

2022 operating margin: **20%**

ORBIS

Initiatives Going Forward

Customer structure improvement, China market development for increased sales & profits

■ Expand flagship products to strengthen product structure

ORBIS CLEANSING CREAM
(Feb. 2020 launch)

Product expansion

ORBIS U

Brand value | Functionality

ORBIS U + *DEFENCERA*

Ratio of sales **30%**

New customer ratio **60%**

(FY2019 actual)

ORBIS DEFENCERA

Product expansion

WRINKLE WHITE ESSENCE
(Sep. 2019 launch)

■ Strengthen brand communication, experience (app, concept shops, personal proposals, etc.)

Concept shop: Omotesando, Tokyo
(Planned for June 2020)

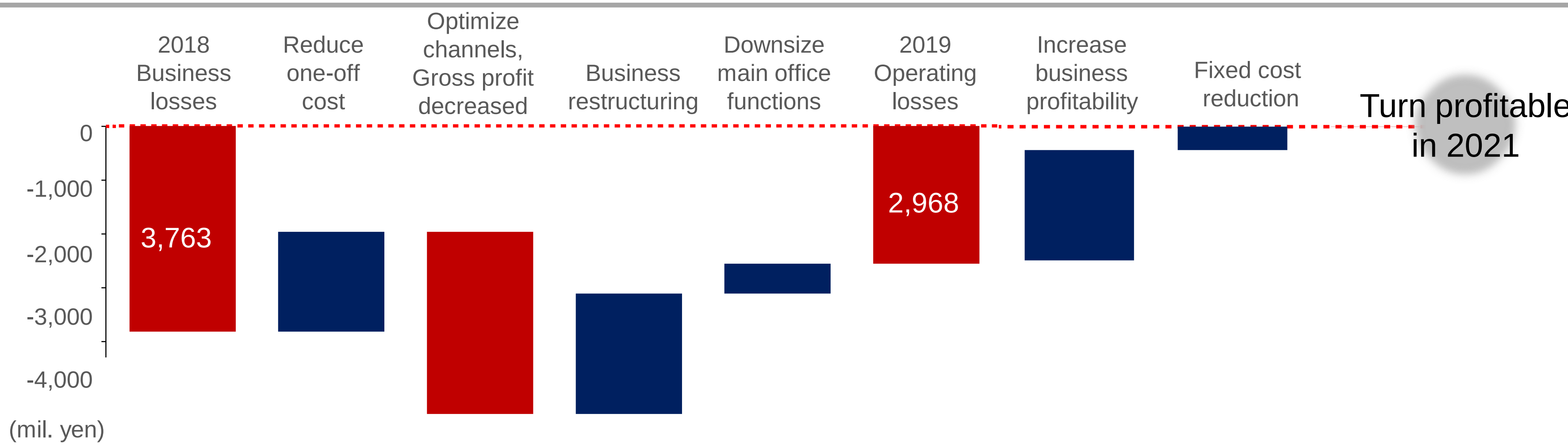
Foundation color analysis

ORBIS business plan

2020-2022 net sales CAGR: **2-3%**
2022 operating margin: **20%**

■ Expand customer touchpoints for China market development (duty free stores, etc.)

Jurlique Improve business profitability, reduce fixed costs, reduce losses



2019 initiatives

- ✓ Business consolidation towards restructuring
- ✓ Concentrate on retail channels
- ✓ Fixed cost reduction for main office functions

Moving forward

Increase business profitability

- ✓ Closures of unprofitable stores, strengthen e-commerce
- ✓ Increase skin care ratio
- ✓ Increase income from directly-owned stores and department stores

Fixed cost reduction

- ✓ Optimize business to reduce personnel
- ✓ Sustained reduction of main office costs

H2O+ EC shift to reform business structure

- **Establish, implement web strategy through ORBIS Initiative**
- **Establish brand positioning** ”Japan-designed Clean Skincare”

Overseas brand business plan

Projected return to profitability in 2022 (total for 2 brands)

Initiatives Going Forward

Expand brand value promotional content and increase customer touchpoints

Develop brand together with core fans

■ **Promote brand value**

- Promote Holistic Care
  Basic series innovation
- New content development
  ART/CURATION

■ **Enhance customer engagement, increase repeat customers**

- Storefront customer service
  Improve counseling
- Link online / brick & mortar
  Closed strategy

Enhance growth and profitability

■ **Accelerate expansion into Chinese consumer markets**

- Accelerate duty-free shop new store opening
- Expand cross-border EC
- Engage in mainland China markets
  *Evaluating

■ **Cost reductions to improve business structure**

- Development / procurement process
- SKU optimization
- Improve skin care sales ratio

THREE business plan

2020-2022 net sales CAGR: **5-10%**
2022 operating margin: **10%**

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Initiatives Going Forward

DECENCIA Reform structure to capture customers, increase profits

- **Review investment domain allocation, build structure to generate search-based sales**
  - ✓ Increase new customers likely to become repeat customers
    Enhance engagement strategies for existing customers
  - ✓ Offline promotions (skincare assessment at department stores, etc.)
  - ✓ Develop sensitive skin cosmetics that respond to latent needs of customers
- **Growth drivers in addition to domestic EC**

ISETAN Shinjuku Store

ayanasu
wrinkle O／L concentrate

Amplitude ITRIM FIVEISM × THREE Increase brand awareness, expand customers

Amplitude
ITRIM
FIVEISM × THREE

- ✓ Apply product strengths towards store openings and speedy overseas development
- ✓ Expand product categories and create brand experience opportunities
- ✓ Foster enhanced culture and expand channels

Brands under development business plan

2021
Recover profitability for brands under development
(New brand profitability to take 3-5 years)

Initiatives Going Forward Research Strategy and New Business Strategy

≪ Business expansion steps to achieve sustainability≫

Short-term → Long-term

1. Resolve current issues (Overseas expansion / new material development)
2. Expand commodities for existing businesses
3. New value creation in the beauty domain that transcends the cosmetics domain

Research strategy

Apply advanced science and develop new domains

- ✓ Expand new material pipelines, create new functional materials, research new dosage form
- ✓ Joint research with domestic and overseas research labs
- ✓ Apply advanced digital technology

About research development expenses

Ratio to net sales: **2**% or more
Increase researcher personnel: **10 researchers**/year

mirc multiple intelligence research center

frc frontier research center

New value creation through open innovation

- ✓ Promote innovation by utilizing research personnel (wandering researchers)

New business strategy

Create new business through CVC, alliance, internal ventures

- ✓ Use CVC searches for alliances with existing brands
- ✓ Use internal venture structure to continuously validate short-term costs of new businesses

Further improvement in Capital Efficiency and Shareholder Returns

About our policy on shareholder returns

« Basic Policy »

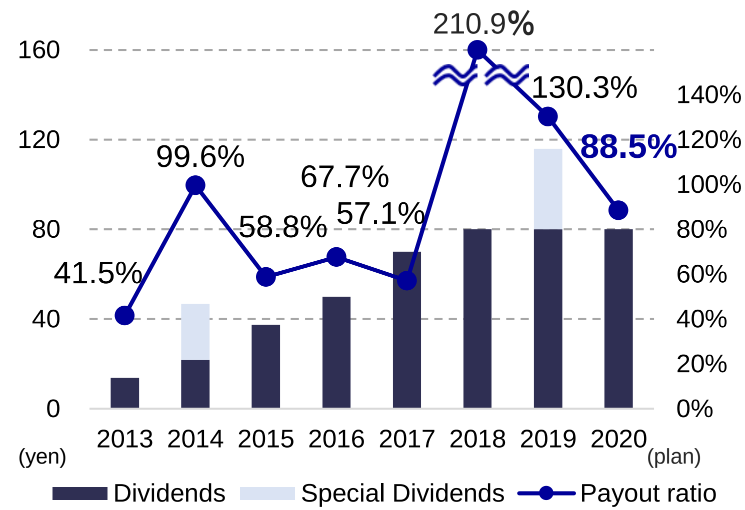
With a policy of consolidated payout ratio of **60%** or higher, enhance shareholder return by realizing stable profit growth	Purchases of treasury stock shall be considered based on our investment strategies, as well as market prices and liquidity of the Company's shares

FY2020 policy on shareholder returns

■ Excluding commemorative dividend, keep normal dividend

Dividend per share (Forecast)	Annual **¥80** Interim ¥35, Year-end ¥45 Consol. payout ratio 88.5%
Acquisition of treasury stock	Determine based on business environment

Transitions in annual dividends, consolidated payout ratio

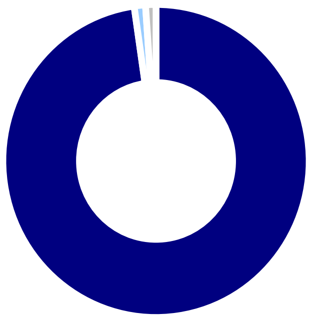


1. Highlights of Consolidated Performance
2. Segment Analysis
3. Progress of Mid-term Management Plan
4. Forecasts and Initiatives for Fiscal 2020
5. Appendices

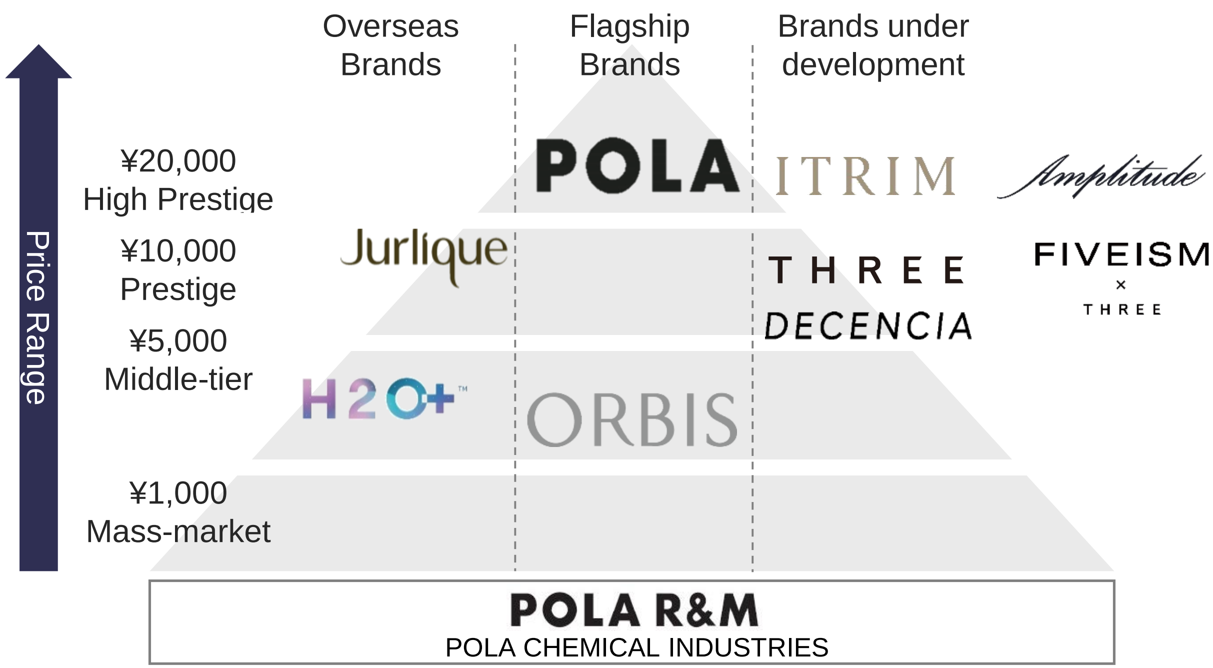
(Appendix) About POLA ORBIS Group

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

FY2019
Consol. Net Sales
¥219.9 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

POLA ORBIS HOLDINGS

(Appendix) Beauty Care Business Brand Portfolio

	Sales ratio*	Brand	Concept and products	Price	Main sales channel	
Flagship brands	63%	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 store counters and online ■ Overseas:Department store counters, duty free stores and cross-border e-commerce	
	23%	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:Online and cross-border e-commerce	
Overseas Brands	4%	Jurlique Acquired in 2012	■ Premium natural skincare brand from Australia	Approx. ¥5,000 or higher	■ AU:Department store counters, directly-operated stores and online ■ Overseas:Department store counters, directly-operated stores, duty free stores 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: Online, 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 store counters, specialty stores, directly-operated stores and online ■ Overseas:Department store counters, duty free stores 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 online	
		ITRIM Since 2018	■ Premium skincare made from finely selected organic ingredients	Approx. ¥20,000	■ JP:Department stores and online	
		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 online	
		DECENCIA Since 2007	■ Skincare for sensitive skin	Approx. ¥5,000～ ¥10,000	■ JP:Online and department store	

*Sales ratio in the beauty care business as of FY2019

(Appendix) Improvement in Capital Efficiency and Shareholder Returns

Initiatives to Improve Capital Efficiency

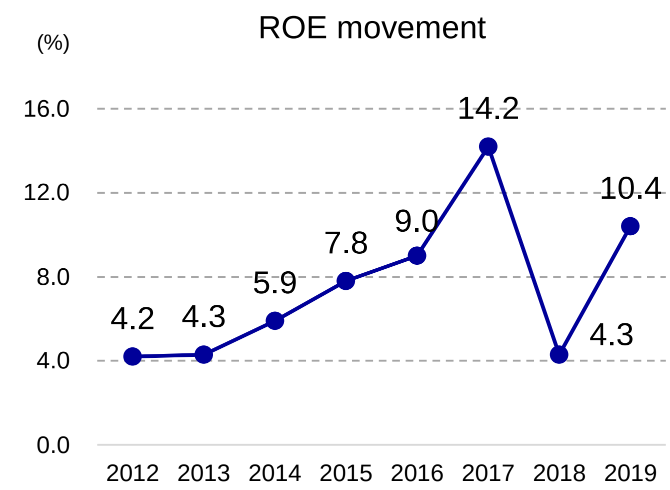
Target for 2020
ROE 12%
(Return on equity)

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

EPS:
- Operating income CAGR10%
- Achieve net income growth which is higher than operating income growth by decreasing overseas losses

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

Achieved the target for 2020 at the year of 2017

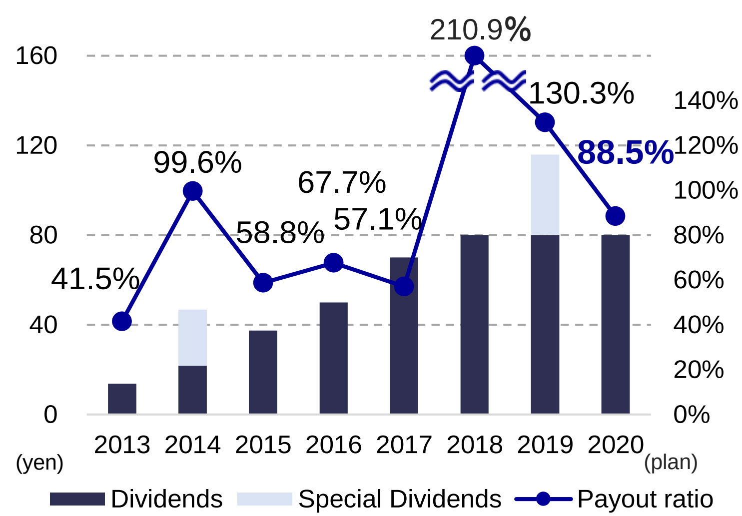


Improvement of Shareholder Return

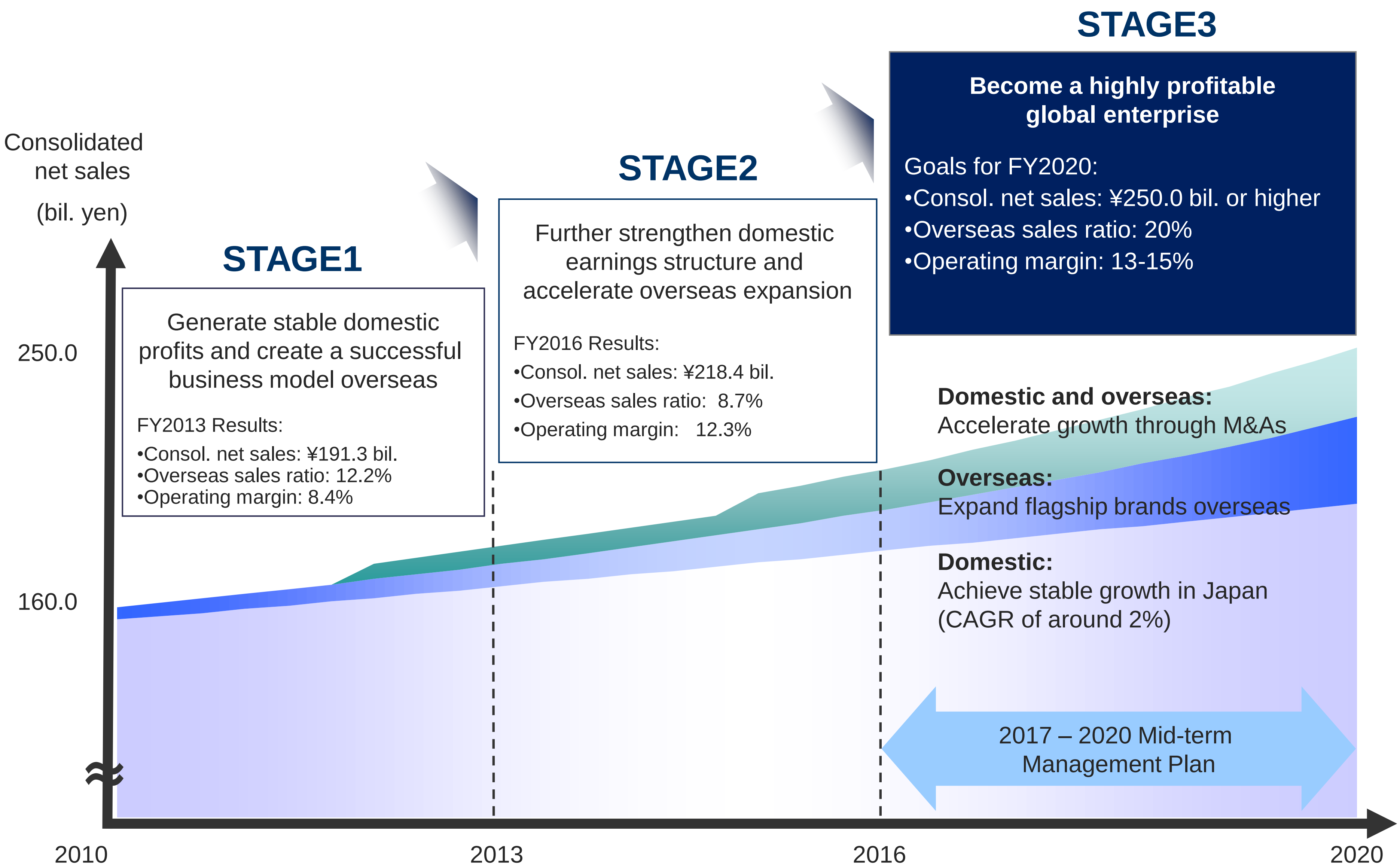
Basic Policy :

- 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 FY2020:
- Dividend per share : **¥80**
  (Interim ¥35, Year-end ¥45)
- Consol. payout ratio : 88.5%



(Appendix) Long-term Vision



(Appendix) 2017 – 2020 Medium-term Management Plan

**The final stage of the long-term vision for 2020.
Aim to improve profitability in Japan, promote a solid shift toward overall profitability from overseas operations and build a brand structure for next-generation growth.**

Consolidated net sales

- Consol. net sales: CAGR 3 to 4% (¥250.0 bil. in FY2020)

Capital efficiency

- Target for ROE: 12% in FY2020

Operating income

- Operating income: CAGR 10% or higher
- Operating margin: 15% or higher in FY2020

Shareholder returns

- Consolidated payout ratio: 60% or higher from FY2017

Japan

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

Overseas

Strategy 2. Bring overseas operations solidly into the black overall

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

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

Strategy 5. Enhance capital efficiency and enrich shareholder returns

(Appendix) Beauty Care Business Results for FY2017 – FY2019 by Brands

(mil. yen)	FY2017 Results	FY2018 Results	FY2019 Results	2018 vs 2019 YoY Change Amount	%
Consolidated net sales	244,335	248,574	219,920	(28,654)	(11.5%)
Beauty care net sales	227,133	231,207	214,886	(16,321)	(7.1%)
POLA	144,012	150,183	135,502	(14,681)	(9.8%)
ORBIS	53,066	51,051	50,726	(324)	(0.6%)
Jurlique	12,772	10,386	7,765	(2,620)	(25.2%)
H2O PLUS	2,303	2,041	1,470	(571)	(28.0%)
Brands under development	14,978	17,544	19,421	1,877	10.7%
Consol. operating income	38,881	39,496	31,137	(8,358)	(21.2%)
Beauty care operating income	38,121	38,294	30,193	(8,100)	(21.2%)
POLA	28,584	32,574	25,529	(7,045)	(21.6%)
ORBIS	9,080	9,340	9,252	(87)	(0.9%)
Jurlique	(505)	(3,763)	(2,968)	794	-
H2O PLUS	(317)	(552)	(825)	(272)	-
Brands under development	1,278	695	(794)	(1,489)	-

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