# First Quarter of Fiscal 2015
# Supplementary Material

POLA ORBIS HOLDINGS INC.

Director and Vice President
Management Planning, Accounting and
Global Business Strategy

Naoki Kume

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Forecasts and Initiatives for Fiscal 2015
4. Appendix

# Q1 Key Topics

## Cosmetic Market

- Japanese cosmetic market in FY2015Q1 received negative impact from surge in demand prior to the tax hike in the same quarter last year.
- Thanks to demand from inbound tourists and Chinese New Year travelers, department stores in urban areas in Japan performed well*.
- In China, overall cosmetic market sustained growth. However, the market competition among global and Japanese players continued to intensify. Consumption also continued to scatter towards the rural area and online channel. Costs such as labor expense and rent are still on the rising trend.

*Source: Sales of Department Stores Outlook published by Japan Department Stores Association

## Our Group

- Due to surge in demand in the last Q1, FY2015Q1 sales and operating income were down YoY, but in-line with expectations.
- POLA performed in-line with expectation with successful launch of skin-whitening products such as WHITE SHOT series. On the other hand, sales of high-end products, such as B.A, that were popular prior to the tax hike last year, were negative.
- ORIBS performed in-line with expectations overall, thanks to the newly launched CLEAR series and new customer acquisitions through social media.
- Jurlique's sales slowed down in China compared to 2014 due to the rebound from new product launch in the same quarter last year. On the other hand, Australia continued to achieve growth.
- At H2O PLUS, sales and operating income were down due to the fewer number of department store counters in China.
- Within brands under development category, THREE and decencia sustained the strong trends since last year. Due to the significant increase in sales, there were no notable impact from surge in demand in the same quarter last year.

## (Reference) Impact from surge in demand prior to the tax hike in FY2014Q1

- Impact from surge in demand in FY2014Q1 ⇒ Consolidated net sales: approx. ¥7.4 bil.*, Operating income: ¥3.5 bil.*
- Year-on-year comparison excluding the impact ⇒ Consolidated net sales: approx. 106%, Operating income: Approx. 150%

*Company estimates

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

| (mil. yen) | FY2014 Q1 Result | FY2015 Q1 Result | YoY Amount | YoY % | Vs. FY2013Q1 Amount | Vs. FY2013Q1 % |
|---|---|---|---|---|---|---|
| Consolidated net sales | 50,213 | 45,392 | (4,820) | (9.6%) | 4,154 | 10.1% |
| Cost of sales | 9,666 | 8,703 | (962) | (10.0%) | 572 | 7.0% |
| Gross profit | 40,547 | 36,689 | (3,858) | (9.5%) | 3,582 | 10.8% |
| SG&A* expenses | 35,093 | 33,779 | (1,314) | (3.7%) | 2,273 | 7.2% |
| Operating income | 5,453 | 2,909 | (2,544) | (46.6%) | 1,308 | 81.7% |

Since there were surge in demand prior to the tax hike in FY2014Q1, vs. FY2013Q1 figures are shown as reference.
*SG&A expenses: Selling general and administrative expense

## Key Factors

- **Consol. net sales**: Domestic brands' sales and operating income were down YoY due to the impact from surge in demand in the last Q1.
  Within overseas brands, Jurlique showed growth in Australia.
  Overseas sales ratio: 12.6%
- **Cost of sales**: Achieved slight improvement due to the increase in sales following the implementation of the point system at ORBIS.
  (On actual basis, cost of sales slightly increased.)
  Cost of sales FY2014Q1: 19.25% ⇒ FY2015Q1: 19.17%
- **SG&A expenses**:
  Labor expenses: down ¥293 mil. YoY
  Sales commissions: down ¥1,874 mil. YoY
  Sales related expenses: up ¥926 mil. YoY (including ORBIS' point expense)
  Administrative expenses: down ¥73mil. YoY
- **Operating income**: Beauty care: down ¥2,575 mil. YoY

POLA ORBIS HOLDINGS

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

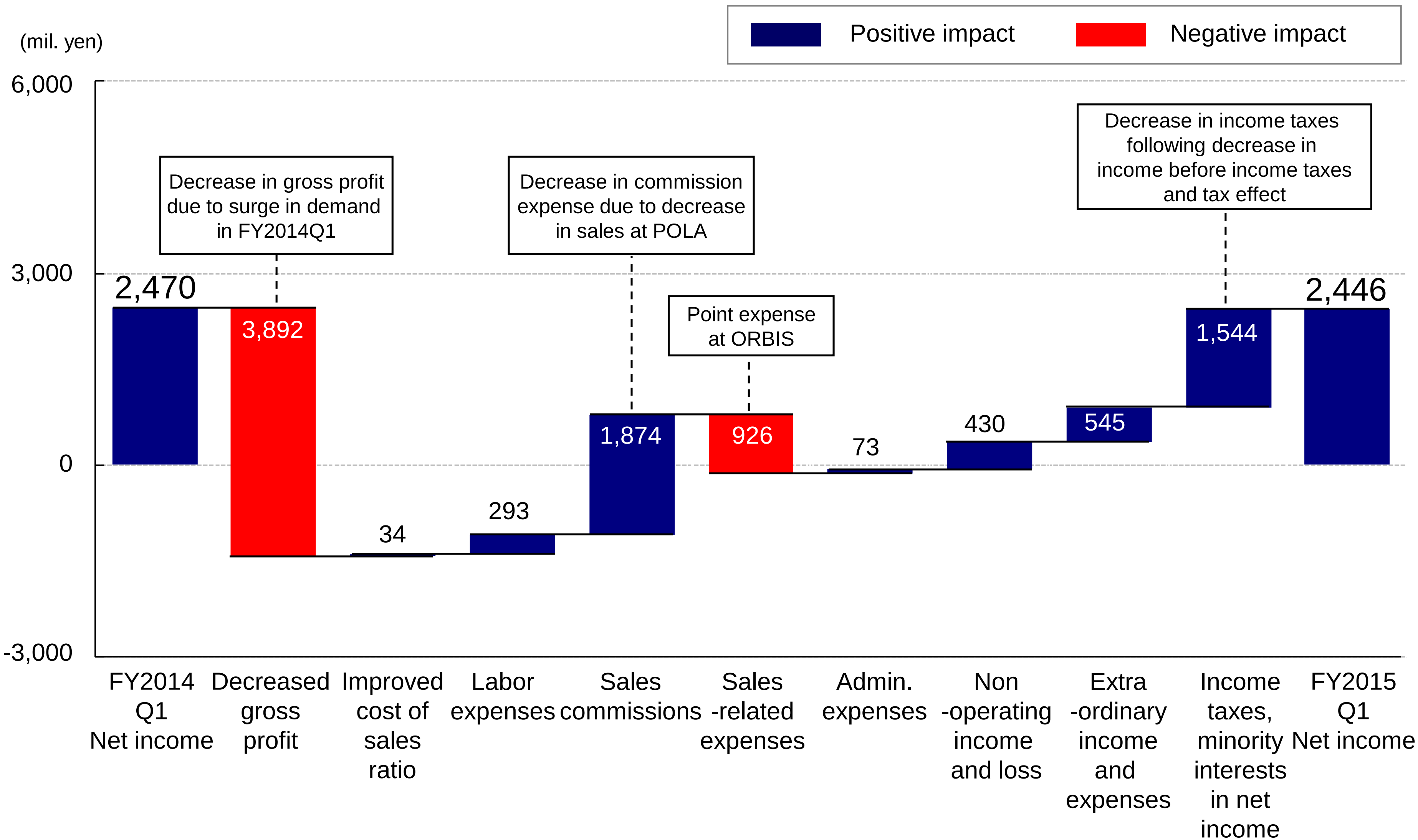
| (mil. yen) | FY2014 Q1 Result | FY2015 Q1 Result | YoY Amount | YoY % | vs. FY2013Q1 Amount | vs. FY2013Q1 % |
|---|---|---|---|---|---|---|
| Operating income | 5,453 | 2,909 | (2,544) | (46.6%) | 1,308 | 81.7% |
| Non-operating income | 151 | 195 | 44 | 29.4% | (368) | (65.3%) |
| Non-operating expenses | 444 | 58 | (386) | (86.8%) | 36 | 172.3% |
| Ordinary income | 5,160 | 3,047 | (2,113) | (41.0%) | 902 | 42.1% |
| Extraordinary income | 19 | 544 | 525 | - | 331 | 155.4% |
| Extraordinary loss | 63 | 43 | (19) | (31.1%) | (1,009) | (95.9%) |
| Income before income taxes | 5,116 | 3,548 | (1,568) | (30.6%) | 2,243 | 172.0% |
| Income taxes | 2,696 | 1,106 | (1,590) | (59.0%) | 1,063 | - |
| Minority interests in net income / loss of consol. subsidiaries | (50) | (4) | 46 | - | (8) | - |
| Net income | 2,470 | 2,446 | (23) | (1.0%) | 1,188 | 94.4% |

Key Factors

- ■ Non-operating income and expenses Q1: Gain from favorable foreign exchange up ¥447 mil. YoY
- ■ Extraordinary income Q1: Reversal of foreign currency translation adjustments following the completion of liquidating ORBIS Korea which pullout in FY2014 ¥538 mil.
- ■ Income taxes Q1: Decrease in income taxes following decrease in income before income taxes and tax effect ¥1,487 mil.

# Factors Impacting Net Income

Gross profit significantly decreased due to the impact from surge in demand in the same quarter last year. On the other hand, net income only decreased by 1% as a result of fewer sales commission expense and tax expense.



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# Segment Results

| (mil. yen) | FY2014 Q1 Result | FY2015 Q1 Result | YoY Amount | YoY % | vs. FY2013Q1 Amount | vs. FY2013Q1 % |
|---|---|---|---|---|---|---|
| Consolidated net sales | 50,213 | 45,392 | (4,820) | (9.6%) | 4,154 | 10.1% |
| Beauty care | 47,110 | 42,268 | (4,841) | (10.3%) | 3,709 | 9.6% |
| Real estate | 762 | 728 | (33) | (4.5%) | 9 | 1.3% |
| Others | 2,341 | 2,395 | 54 | 2.3% | 435 | 22.2% |
| Operating income | 5,453 | 2,909 | (2,544) | (46.6%) | 1,308 | 81.7% |
| Beauty care | 5,266 | 2,691 | (2,575) | (48.9%) | 1,218 | 82.7% |
| Real estate | 341 | 317 | (24) | (7.0%) | (3) | (1.1%) |
| Others | (16) | (68) | (52) | - | 63 | - |
| Reconciliations | (138) | (30) | 108 | - | 29 | - |

## Segment Results Summary

■ Beauty Care Both at POLA and ORBIS, sales and operating income were down YoY due to surge in demand in the same quarter last year.
Compared to FY2013Q1, sales were up 9.6% and operating income were up 82.7%.

■ Real Estate Maintained high occupancy rate, but remained flat due to the sales of property in FY2014.

■ Others In spite of the impact from surge in demand in the same quarter last year, pharmaceutical business achieved solid performance and sustained the level of FY2014Q1.
Building maintenance business achieved higher sales through reinforced sales activities.

# Beauty Care Business Results by Brands

| (mil. yen) | FY2014 Q1 Result | FY2015 Q1 Result | YoY Amount | YoY % | vs. FY2013Q1 Amount | vs. FY2013Q1 % |
|---|---|---|---|---|---|---|
| Beauty care net sales | 47,110 | 42,268 | (4,841) | (10.3%) | 3,709 | 9.6% |
| POLA | 26,412 | 22,092 | (4,319) | (16.4%) | 600 | 2.8% |
| ORBIS | 13,274 | 12,550 | (724) | (5.5%) | 1,650 | 15.1% |
| Jurlique | 3,702 | 3,967 | 264 | 7.1% | 865 | 27.9% |
| H2O PLUS | 1,319 | 1,017 | (301) | (22.9%) | (90) | (8.1%) |
| Brands under development | 2,401 | 2,641 | 239 | 10.0% | 683 | 34.9% |
| Beauty care operating income | 5,266 | 2,691 | (2,575) | (48.9%) | 1,218 | 82.7% |
| POLA | 2,750 | 968 | (1,782) | (64.8%) | 765 | 377.7% |
| ORBIS | 3,587 | 2,584 | (1,003) | (28.0%) | 488 | 23.3% |
| Jurlique | (640) | (481) | 159 | - | (19) | - |
| H2O PLUS | (206) | (291) | (85) | - | (268) | - |
| Brands under development | (224) | (88) | 136 | - | 252 | - |

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

POLA

# Brand Analysis (1)

## Q1 Result

- Sales was down YoY due to surge in demand in FY2014Q1, but new skin-whitening products have been successful.
- Operating income was down YoY due to fewer gross profits as a result of decrease in sales.
- Purchase per existing customer was down YoY due to the surge in demand, but on track to recovery.
- On the whole, POLA was in-line with expectation.

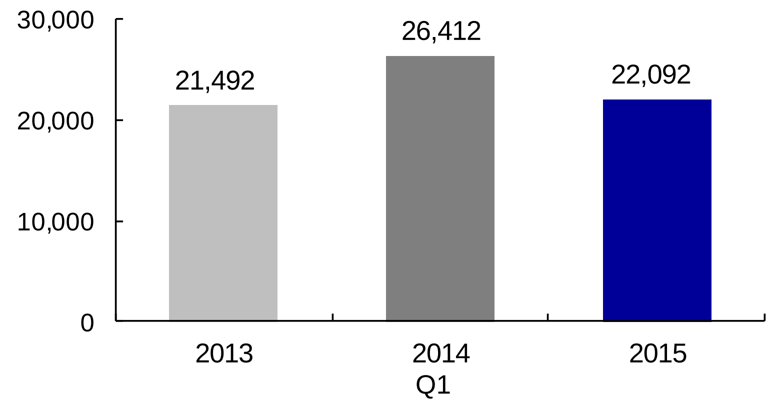
| Q1 | | Results (mil. yen) | YoY |
|---|---|---|---|
| Net sales | | 22,092 | (16.4%) |
| Operating income | | 968 | (64.8%) |
| **Key indicators** | | | |
| Number of sales offices (vs. Dec. 2014) | | | 4,771 (down 28) |
| Number of PB[1] (vs. Dec. 2014) | | | 620 (down 2) |
| Cosmetic sales ratio | PB | | 38.7% |
| | Esthe-inn | | 40.7% |
| | D2D[2] and other | | 20.6% |
| Sales growth* | PB | | down 9.8% |
| | PB (like-for-like) | | down 9.8% |
| | Esthe-inn | | down 19.8% |
| | D2D | | down 29.3% |
| Purchase per customer* | | | down 11.8% |
| Number of new customers* | | | down 10.2% |

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

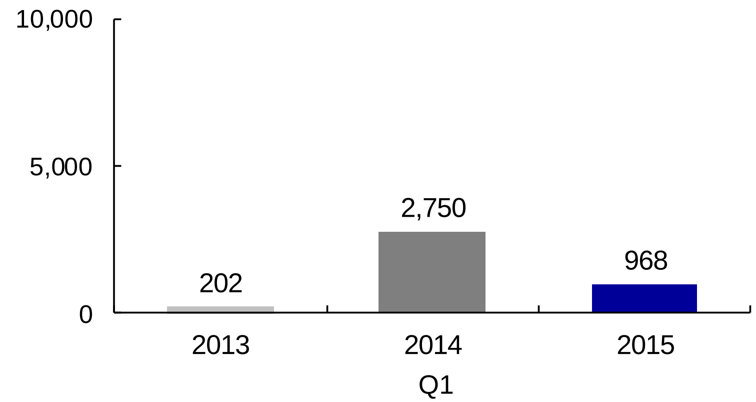
## Quarter topics

- WHITE SHOT series launched in February has been big hits.
- Received "Best of Best" Award" at Skin-Whitening product Grand Prix (MAQUIA and SPUR May issues).

Quarterly net sales (mil. yen)




Quarterly operating income (mil. yen)



# Brand Analysis (2)

## Q1 Result

- Sales were down YoY due to surge in demand in FY2014Q1 and launch of ORBIS=U series in February 2014.
- Operating income was down YoY due to fewer gross profit as a result of  decrease in sales.
- CLEAR series launched in March has been selling well.
- ORBIS continued to put efforts into customer acquisition through social media.
- On the whole, the brand was in-line with expectation.

| Q1 | | Results (mil. yen) | YoY |
|---|---|---|---|
| Net sales | | 12,550 | (5.5%)<br>Actual basis<br>(16%)(1) |
| Operating income | | 2,584 | (28.0%) |
| **Key indicators** | | | |
| Sales ratio | Online | | 43.1% |
| | Other mail-order | | 29.0% |
| | Store and overseas | | 27.9% |
| Sales increase* | Online | | up 1.9% |
| | Other mail-order | | down 14.3% |
| | Stores and overseas | | down 5.9% |
| Mail-order(2) purchase per customer* | | | up 9.7% |
| Number of mail-order(2) customers* | | | down 13.7% |
| Mail-order skincare purchase ratio* | | | down 2.3% |

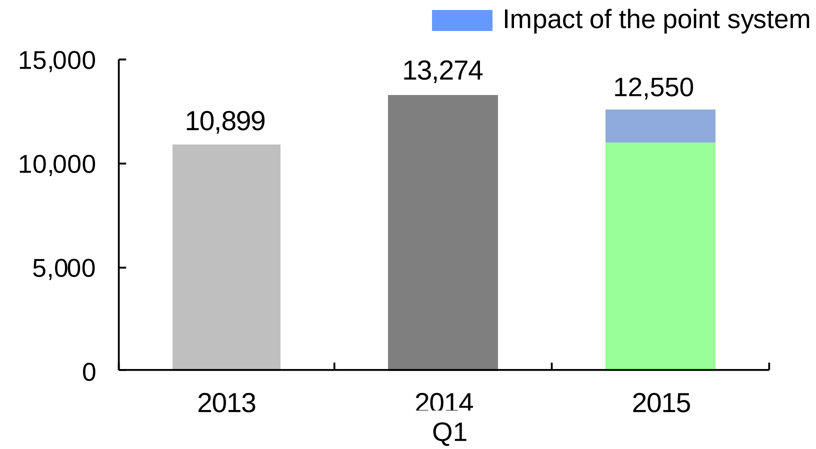
(1) Actual sale growth excluding the impact of the point system started on September 24th 2014.
(2) Mail-order includes online and other mail-order *YoY

## Quarter topics

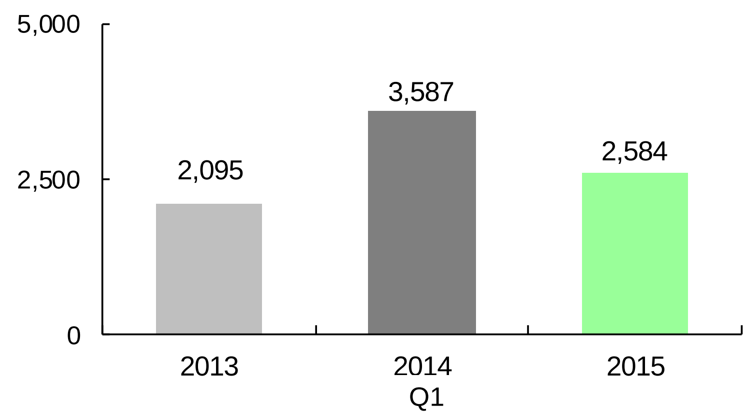
- In March, CEAR, acne treatment series infused with IFSCC* grand prix award winning knowledge and development, were launched.

*IFSCC: International Federation of Societies of Cosmetic Chemists.


Quarterly net sales (mil. yen)




Quarterly operating income (mil. yen)



# Brand Analysis (3)

Jurlique

## Q1 Result

- On the whole, sales was up 5% YoY on AUD basis.
- Same store sales trend was down 5% due to the impact of the new skin-whitening products launched in March 2014.
- As a result of increase in gross profit and cost control, operating income was up YoY.

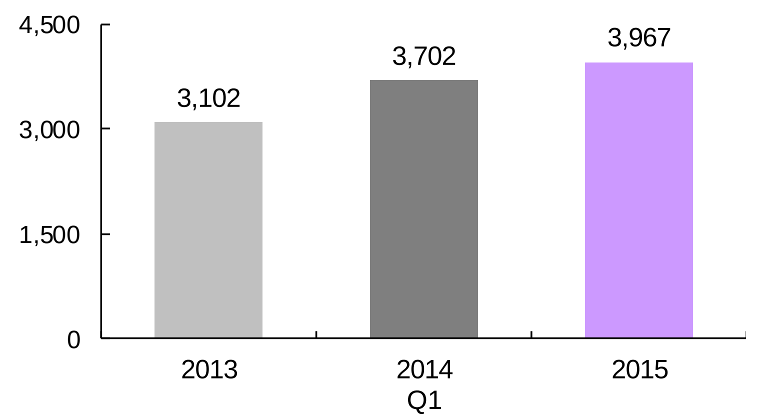
| Q1 | | Results (mil. yen) | YoY(1) |
|---|---|---|---|
| Net sales | | 3,967 | 7.1% |
| Operating income (before goodwill amortization) | | (284) | - |
| Operating income | | (481) | 159 |
| **Key indicators** | | | |
| Number of doors in China (vs. Dec. 2014) | | | 107 (up 4) |
| Sales ratio | China | | 27% |
| | Hong Kong | | 15% |
| | Duty free stores | | 18% |
| | Australia | | 23% |
| Sales growth(2) | China | | up 11% |
| | Hong Kong | | down 3% |
| | Duty free stores | | up 5% |
| | Australia | | up 18% |

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

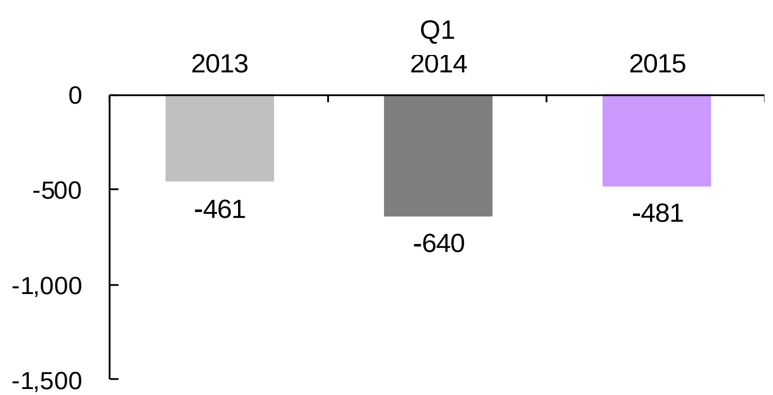
## Quarter topics

- Launched new Oil and moose cleansing products manufactured with over 95% natural ingredients.

Quarterly net sales (mil. yen)




Quarterly operating income (mil. yen)



# Brand Analysis (4)

## Q1 Result

- Sales was down 33% YoY on USD basis.
- Withdrawal of underperforming stores in China and fewer sales channel in North America caused weaker sales.
- Operating income was down YoY due to decrease in gross profit.

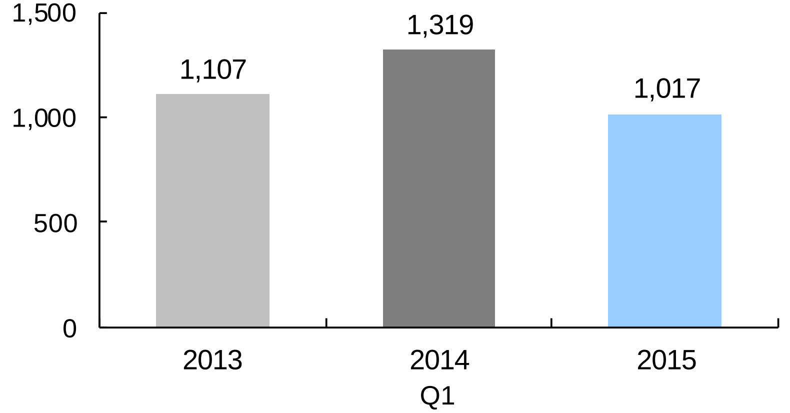
| Q1 | | Results (mil. yen) | YoY[1] |
|---|---|---|---|
| Net sales | | 1,017 | (22.9%) |
| Operating income | | (291) | (85) |
| **Key indicators** | | | |
| Number of doors in China (vs. Dec. 2014) | | | 343 (down 39) |
| Sales ratio | China | | 22% |
| | North America | | 65% |
| Sales growth[2] | China | | down 52% |
| | North America | | down 27% |

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

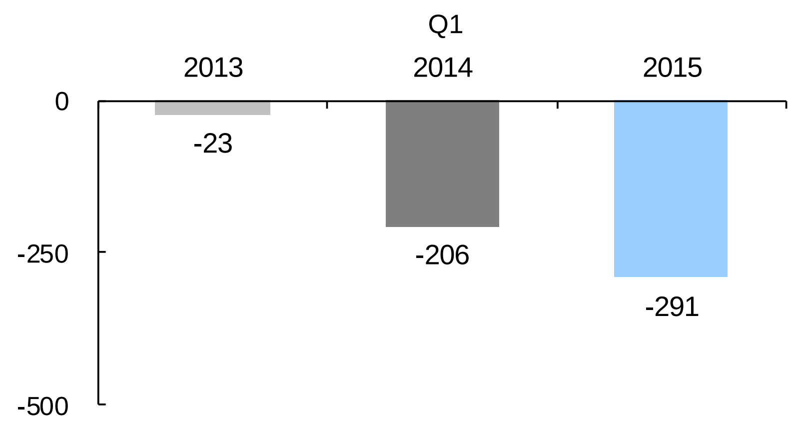
## Quarter topics

- Launched HIGH-SPEED FOAMING HYDRATION+.

Quarterly net sales (mil. yen)




Quarterly operating income (mil. yen)



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# Brand Analysis (5) Brands Under Development

## Q1 Result

- THREE and decencia continued to perform strongly and contributed to the brands under development category growth.
- THREE's sales was up approx. 30% YoY, thanks to successful launch of new products and new stores.
- Decencia increased sales by approx. 80% YoY due to favorable repeat ratio of new customers acquired last year. The brand achieved to break even on Q1 basis.
- Pdc struggled to secure shelf space and sales were down YoY.

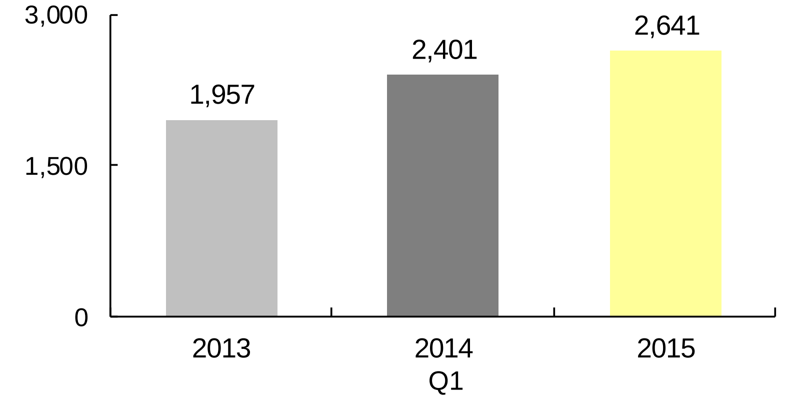
| Q1 | | Results (mil. yen) | YoY* |
|---|---|---|---|
| Net sales | | 2,641 | 10.0% |
| Operating income | | (88) | 136 |
| Key indicators | | | |
| THREE | Dept. store counters in Japan | | 28 |
| | Other stores in Japan | | 31 |
| | Overseas stores (Thailand, Taiwan and Indonesia) | | 15 |

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

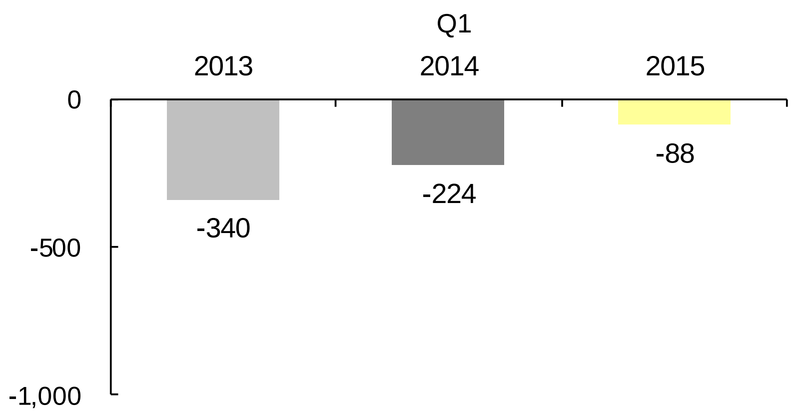
## Quarter topics

- THREE launched "Balancing White Clear Essence", skin-whitening product made with 95% natural ingredients (quasi-drug).

Quarterly net sales (mil. yen)




Quarterly operating income (mil. yen)



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# Forecasts for FY2015 (No change)

Progress is in-line with the initial forecast.
Aiming to achieve increase in sales and operating income for the 6th consecutive year.

| (mil. yen) | FY2014 Results | YoY Amount | YoY % | FY2015 Full Year | YoY Amount | YoY % | FY2015 H1 | YoY Amount | YoY % |
|---|---|---|---|---|---|---|---|---|---|
| Consol. net sales | 198,094 | 6,738 | 3.5% | 207,500 | 9,405 | 4.7% | 99,700 | 3,759 | 3.9% |
| Beauty care | 184,475 | 6,168 | 3.5% | 193,600 | 9,124 | 4.9% | 93,200 | 3,799 | 4.2% |
| Real estate | 3,179 | 143 | 4.7% | 2,900 | (279) | (8.8%) | 1,450 | (121) | (7.7%) |
| Others | 10,440 | 427 | 4.3% | 11,000 | 559 | 5.4% | 5,050 | 81 | 1.6% |
| OP income | 17,683 | 1,665 | 10.4% | 20,000 | 2,316 | 13.1% | 8,400 | 68 | 0.8% |
| Beauty care | 16,535 | 1,755 | 11.9% | 19,000 | 2,464 | 14.9% | 7,850 | 77 | 1.0% |
| Real estate | 1,227 | (31) | (2.5%) | 1,100 | (127) | (10.4%) | 600 | (65) | (9.8%) |
| Others | 472 | 61 | 15.0% | 350 | (122) | (25.9%) | 100 | (91) | (47.9%) |
| Reconciliations | (551) | (119) | – | (450) | 101 | – | (150) | 148 | – |
| Ordinary income | 19,067 | 1,231 | 6.9% | 20,000 | 932 | 4.9% | 8,400 | 356 | 4.4% |
| Net income | 10,382 | 3,063 | 41.9% | 10,500 | 117 | 1.1% | 4,400 | 699 | 18.9% |

| | FY2014 | FY2015 (Plan) | |
|---|---|---|---|
| Shareholder return | Year-end ¥87<br>Special Year-end ¥100<br>Payout ratio 99.6% | Interim ¥70<br>Year-end ¥80 | Payout ratio 79.0% |
| Capital efficiency | ROE 5.9% | ROE 5.8% | |

Assumed exchange rates: AUD = ¥96 USD = ¥118 CNY = ¥19

# Progress and Forecasts of the Key Agenda

## POLA — Increase annual purchase per customer

Launch new products and service to increase purchase per customer.

- Purchase per customer was down due to surge in demand in the same quarter last year, but new products, such as WHITE SHOT has been successful and POLA's progress is in-line with expectation. POLA plans to launch new high-value-added-products in H2 to improve annual purchase per customer.
- Launched "V Lifting" service which is 30 min quick and yet professional facial treatment, to increase contact point with customers to improve purchase frequency.

V Lifting

## Jurlique — Start contributing to the Group's profit

Thanks to improved fixed cost, operating loss decreased in Q1.

- Q1 operating loss decreased by approx. ¥160 mil. YoY, thanks to increase in gross profit and improved fixed cost, such as labor expense, through optimization of operation.
- From Q2 onward, Jurlique plans to launch new products to boost the same store sales growth and aim to become profitable after goodwill amortization.

Indulgent Face Care Gift Set

## h2O+ — Revitalize its brand and business

Welcomed New CEO and kicked off brand revitalization.

- Q1 sales and operating income were down YoY due to closing of underperforming stores in China and fewer sales channel in the U.S.
- H2O PLUS welcomed the new CEO, Joy Chen, in February, and rolled out initiatives towards brand revitalization: reassuring the brand story at retail stores and restructuring the business model and product offerings.

Store in China

# Other Topics

## Prospective Inbound demand in Japanese Cosmetic Market

The impact to the consolidated sales is limited (approx. 0.5% of the sales) but, each brand is capturing some inbound demand.

**POLA**

WHITE SHOT series, especially INNER ROCK IX (skin-whitening health food), launched in February has been successful, mainly at department stores.

**ORBIS**

Observing some inbound demand at retail stores in urban areas. ORBIS plans to accelerate improving brand awareness in overseas markets, especially China.

**THREE**

The brand is gaining popularity in urban department stores, mainly in Tokyo and Osaka. English-speaking staffs are placed at these stores to capture the inbound demand.

**Jurlique**

Since pricing in Japan is higher than overseas, inbound demand for Jurlique in Japan is limited. However, there are demand from tourists from mainland China in Australia and Hong Kong.

## THREE Accelerating retail store expansion in Japan and overseas

- Accelerate new store openings with the favorable domestic performance

THREE opened new locations in Lumine Yurakucho and Sapporo Stellar Place in March.
Expecting to increase contact point with customers by expanding store network, not only to department stores but also to new retail formats focused in fashion and cosmetics to accelerate domestic business growth.


LUMINE
in Yurakucho, Tokyo

- New stores in Indonesia and Narita Airport DFS

THREE aims to reinforce business expansion in Asia by entering into Indonesia, the 3rd overseas market for the brand. Also, THREE expects to increase customer contact point by expanding its DFS channel, and earn presence as a global brand to accelerate overseas expansion.


Fa -So -La DUTY FREE store
at Narita Airport Terminal 3

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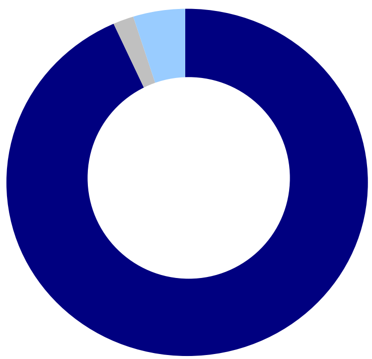
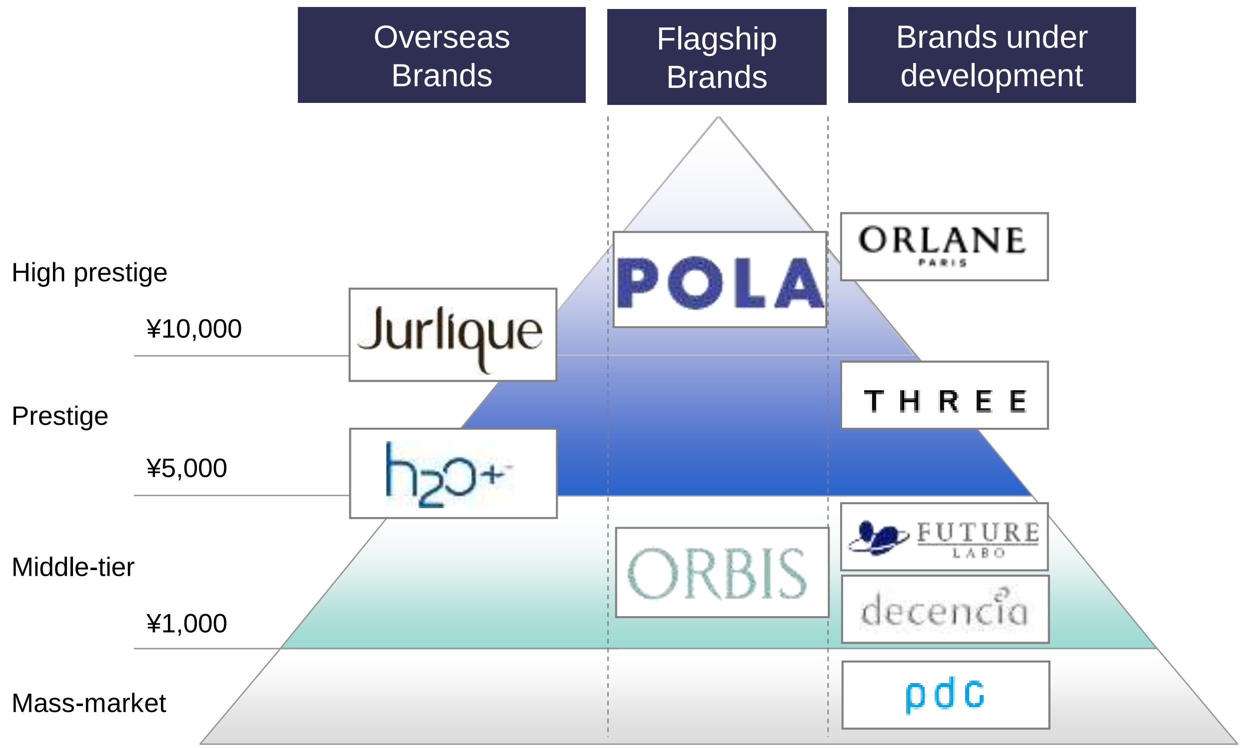
# Appendix: About POLA ORBIS Group

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

FY2014
Consol. Net Sales
¥198.1 bil.



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




## Our strengths

- Multi-brand strategy
- Focus on skincare products
- Flagship brands, POLA and ORBIS own and operate through their own unique sales channels

▶

- Meeting diversified needs of customers
- High customer repeat ratio
- Strong relationships with customers

# Appendix: Beauty Care Business Brand Portfolio

| | Sales ratio* | Brand | Concept and products | Price | Sales channel |
|---|---|---|---|---|---|
| Flagship brands | 54% | POLA | ■ High-prestige skincare<br>■ Leading-edge technology in anti-aging and skin-whitening fields | Approx. ¥10,000 or higher | ■ Consignment sales through POLA LADIES: POLA THE BEAUTY (PB), Esthe-inn and conventional door-to-door<br>■ Directly operated counters in department stores |
| | 28% | ORBIS | ■ Provides original-concept 100% OIL-FREE skincare products<br>■ Anti-aging product series to meet demands from all ages | ¥1,000~ ¥3,000 | ■ Online<br>■ Catalog<br>■ Retail stores |
| Overseas brands | 10% | Jurlique | ■ Prestige organic skincare brand from Australia | Approx. ¥5,000 or higher | ■ Directly operated counters and stores in department stores and shopping malls<br>■ Duty free stores |
| | 3% | h2O+ | ■ Skincare products made with natural, sea-derived ingredients | Approx. ¥4,000 not sold in Japan | ■ China: Department stores, shopping malls and specialty stores<br>■ US: Specialty stores and directly operated stores |
| Brands under develop-ment | 5% | THREE | ■ Skincare made with natural ingredients from Japan and fashion-forward make-up | Approx. ¥5,000 or higher | ■ Directly operated counters in department stores |
| | | pdc | ■ Affordably priced cosmetic products for mass-market | Approx. ¥1,000 | ■ Drug stores, GMS<br>■ Variety stores |
| | | FUTURE LABO | ■ Cosmetic and other products with unique features | ¥3,000～ ¥6,000 | ■ Mainly sold through TV shopping channels |
| | | decencia | ■ Skincare for dry, sensitive skin | ¥2,000～ ¥5,000 | ■ Online |
| | | ORLANE PARIS | ■ High prestige anti-aging skincare cosmetics from France | Approx. ¥10,000 or higher | ■ Directly operated counters in department stores<br>■ Specialty stores |

*Sales ratio in the beauty care business as of FY2014

# Appendix: Beauty Care Business FY2014 Results by Brands

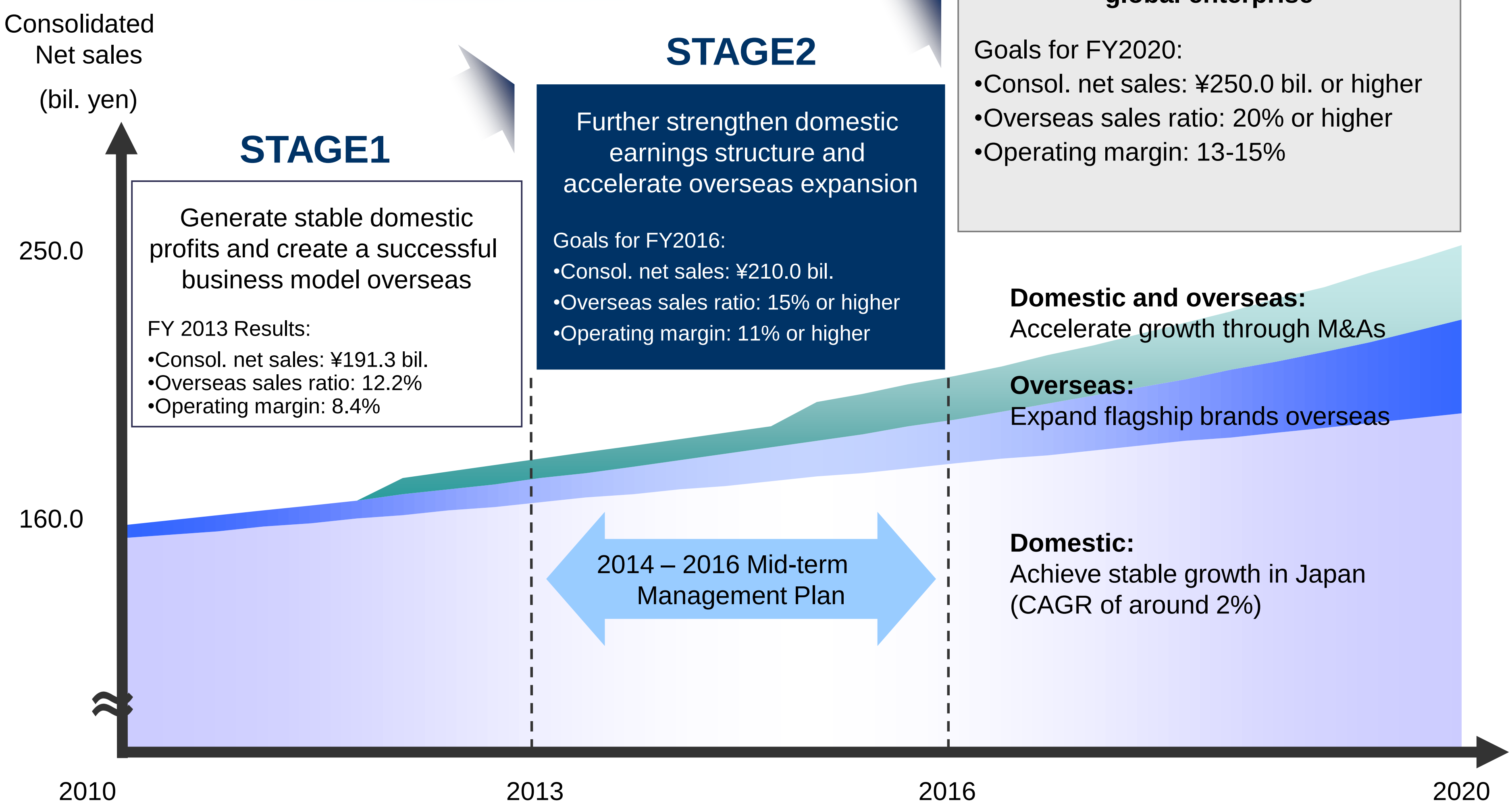
| (mil. yen) | FY2013 Results | FY2014 Results | YoY Amount | YoY % |
|---|---|---|---|---|
| Beauty care net sales | 178,306 | 184,475 | 6,168 | 3.5% |
| POLA | 100,740 | 99,571 | (1,168) | (1.2%) |
| ORBIS | 48,163 | 52,302 | 4,139 | 8.6% |
| Jurlique | 14,810 | 17,600 | 2,789 | 18.8% |
| H2O PLUS | 5,488 | 4,876 | (611) | (11.1%) |
| Brands under development | 9,104 | 10,123 | 1,019 | 11.2% |
| Beauty care OP income | 14,780 | 16,535 | 1,755 | 11.9% |
| POLA | 7,951 | 8,583 | 632 | 7.9% |
| ORBIS | 8,807 | 10,792 | 1,985 | 22.5% |
| Jurlique | (399) | (445) | (46) | - |
| H2O PLUS | (496) | (1,435) | (939) | - |
| Brands under development | (1,082) | (958) | 123 | - |

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

# Appendix: Long-term Vision

## Corporate Philosophy

"Inspire all people and touch their hearts"



# Appendix: 2014–2016 Medium-term Management Plan

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

## Consolidated net sales

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

## Operating income

- Operating income: CAGR15% or higher
- Operating margin: 11% or higher in FY2016

## Capital efficiency

- Target for ROE: 8% or higher in FY2016

## Shareholder return

- Consolidated payout ratio: 50% or higher from FY2014

**Japan**

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

Strategy 2. Sales growth and monetization of brands under development

**Overseas**

Strategy 3. Overseas brands contributing to profitability through high sales growth

Strategy 4. Restructure overseas expansion of flagship brands

Strategy 5. Strengthen operations (R&D, production and human resources)

Strategy 6. Improve capital efficiency and shareholder return