First Half of 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. Forecasts for Fiscal 2019
4. Initiatives Going Forward & Appendices

Q2 Key Topics

Cosmetics Market

- The Japanese cosmetics market including exports showed steady growth.
- As for inbound demand, the number of visitors to Japan continued to increase. However, the growth rate of demand has been slowing down, presumably being affected by yen appreciation, in addition to the effect of the e-commerce law in China.
- Excluding inbound demand, it is assumed that the size of the Japanese domestic market is shrinking.

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

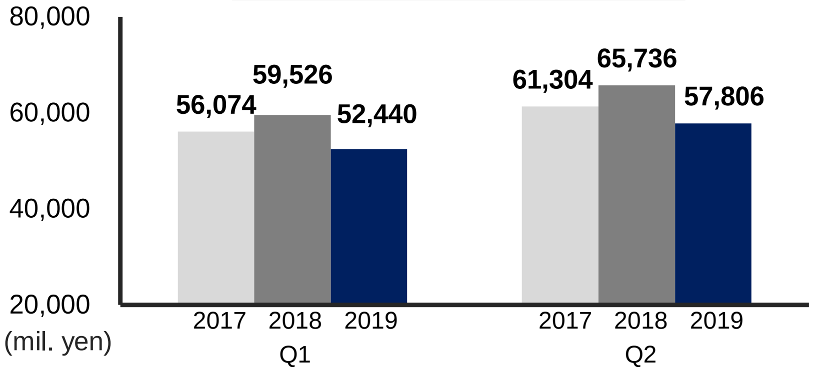
Our Group

- Consolidated sales and operating income decreased owing to POLA, even when the effect of the transfer of the pharmaceuticals business is excluded.
- At POLA, domestic sales of health foods continued to decrease; overseas business continued to be strong especially in China and duty free.
- Although sales declined at ORBIS, the brand saw favorable sales of mainstay products such as *ORBIS U* and realized customer structure improvement.
- Jurlique has undertaken measures for cost structural reforms.
- For Brands under development, THREE enjoyed contributions from overseas sales and new brands opened stores steadily.

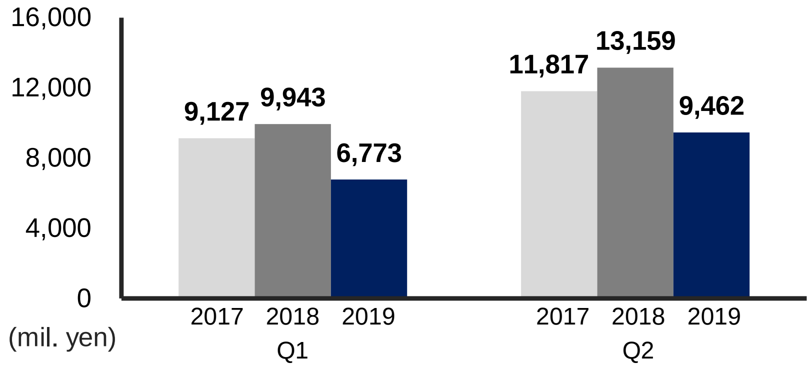
Ratio of Inbound Sales to Consolidated Net Sales

FY2017 (Full year)	Approx. 7%
FY2018 (Full year)	Approx. 7%
FY2019 H1	Approx. 7%

Quarterly Consolidated Sales



Quarterly Operating Income



POLA ORBIS HOLDINGS

Actual vs Planned Variance Analysis

(mil. yen)	FY2018 H1 Results	FY2019 H1 Results	YoY Change Amount	YoY Change %	vs. Plan (Feb. 13, 2019) Amount	vs. Plan (Feb. 13, 2019) %
Consol. net sales	125,262	110,247	(15,015)	(12.0%)	(6,752)	(5.8%)
Operating income	23,103	16,236	(6,866)	(29.7%)	(4,563)	(21.9%)
Ordinary income	22,723	15,561	(7,162)	(31.5%)	(5,238)	(25.2%)
Profit attributable to owners of parent	15,321	9,938	(5,382)	(35.1%)	(3,661)	(26.9%)

Average exchange rates: 1AUD = 77.74JPY, 1USD = 110.05JPY, 1CNY = 16.20JPY

	Variance from Feb. 13 Plan	Major Factors of the Variance
Consolidated net sales	- ¥6,752 mil. (- 5.8%)	■ POLA (- ¥4,600 mil.) Larger-than-expected decline in buyer demand and weak domestic demand. The variance from plan was bigger than sales of new *White Shot* products. ■ Jurlique (- ¥800 mil.), ORBIS (- ¥600 mil.)
Operating income	- ¥4,563 mil. (- 21.9%)	■ Decrease as a result of a decrease in gross profit at POLA (- ¥3,100 mil.) ■ Executed marketing expenses ahead of schedule in 1H, brought forward from 2H at ORBIS (- ¥1,100 mil.)
Ordinary income	- ¥5,238 mil. (- 25.2%)	■ In addition to a decrease in operating income, foreign exchange losses were incurred (- ¥400 mil.)
Profit attributable to owners of parent	- ¥3,661 mil. (- 26.9%)	■ Decrease as a result of a decrease in ordinary income

POLA ORBIS HOLDINGS

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

(mil. yen)	FY2018 H1 Results	FY2019 H1 Results	YoY Change Amount	YoY Change %
Consolidated net sales	125,262	110,247	(15,015)	(12.0%)
Cost of sales	19,847	16,921	(2,926)	(14.7%)
Gross profit	105,415	93,326	(12,089)	(11.5%)
SG&A* expenses	82,311	77,089	(5,222)	(6.3%)
Operating income	23,103	16,236	(6,866)	(29.7%)

Note: YoY change in consolidated net sales and OP income excluding the pharmaceuticals business were down 7.7% and down 28.4% respectively.

*Selling, General and Administrative Expenses

Key Factors

- **Consol. net sales**: Sales declined year on year mainly due to POLA which experienced a decrease in demand from buyers primarily for health foods (especially *Inner Lock*), in addition to the impact of the transfer of the pharmaceuticals business which had recorded ¥5,780 million in 2018 1H.
- **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 2018H1: 15.8% ⇒ 2019H1: 15.3%
- **SG&A expenses**:
  Labor expenses : down ¥1,024 mil. YoY
  -> Resulted from the transfer of the pharmaceuticals business.
  Sales commissions : down ¥3,483 mil. YoY
  -> Resulted from a sales decline at POLA.
  Sales related expenses : down ¥745 mil. YoY
  -> Increase in advertising expenses at ORBIS was covered by decreases in other expenses.
  Administrative expenses, etc.: up ¥31 mil. YoY
- **Operating income**: Operating margin 2018H1: 18.4% ⇒ 2019H1: 14.7%

POLA ORBIS HOLDINGS

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

	FY2018	FY2019	YoY Change	
(mil. yen)	H1 Results	H1 Results	Amount	%
Operating income	23,103	16,236	(6,866)	(29.7%)
Non-operating income	265	218	(47)	(17.8%)
Non-operating expenses	645	894	248	38.4%
Ordinary income	22,723	15,561	(7,162)	(31.5%)
Extraordinary income	28	0	(28)	(99.9%)
Extraordinary losses	182	114	(68)	(37.4%)
Profit before income taxes	22,569	15,446	(7,122)	(31.6%)
Income taxes, etc.	7,248	5,509	(1,739)	(24.0%)
Profit attributable to non-controlling interests	0	(1)	0	-
Profit attributable to owners of parent	15,321	9,938	(5,382)	(35.1%)

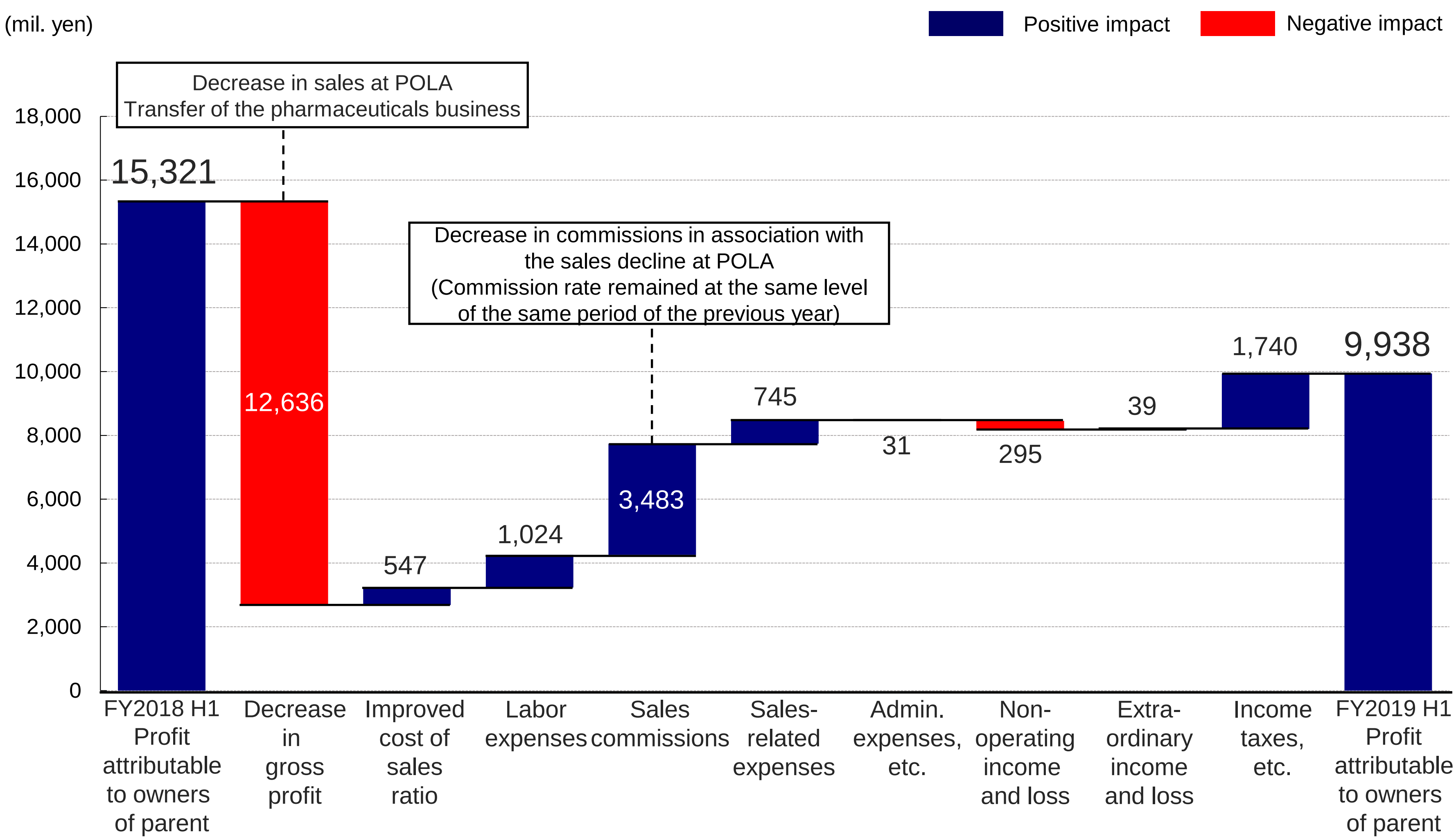
Key Factors

■ Non-operating expenses : Loss from unfavorable foreign exchange rates ¥430 mil.

■ Income taxes, etc. : Effective tax rate 35.7%

Factors Impacting Profit Attributable to Owners of Parent

Profit attributable to owners of parent was down 35.1% year on year due to a decrease in gross profit as a result of sales decrease



Segment Results

(mil yen)	FY2018 H1 Results	FY2019 H1 Results	YoY Change Amount	YoY Change %
Consolidated net sales	125,262	110,247	(15,015)	(12.0%)
Beauty care	116,973	107,733	(9,239)	(7.9%)
Real estate	1,354	1,319	(34)	(2.6%)
Others	6,934	1,194	(5,740)	(82.8%)
Operating income	23,103	16,236	(6,866)	(29.7%)
Beauty care	22,253	15,682	(6,571)	(29.5%)
Real estate	564	573	9	1.7%
Others	519	85	(434)	(83.6%)
Reconciliations	(234)	(105)	128	-

Segment Results Summary

- **Beauty care**: Sales fell below the same period of last year; although sales increased at THREE and new brands, the impact of sales declines at POLA and Jurlique were significant. Operating income decreased mainly due to a decrease in gross profit, in addition to advertising expenses at ORBIS and costs for developing new brands.
- **Real estate**: Occupancy rate has been maintained at a high level.
- **Others**: Sales and operating income increased at the building maintenance business. 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.

POLA ORBIS HOLDINGS

Beauty Care Business Results by Brands

(mil. yen)	FY2018 H1 Results	FY2019 H1 Results	YoY Change Amount	YoY Change %
Beauty care net sales	116,973	107,733	(9,239)	(7.9%)
POLA	76,559	68,788	(7,771)	(10.2%)
ORBIS	26,032	25,744	(287)	(1.1%)
Jurlique	4,993	3,415	(1,578)	(31.6%)
H2O PLUS	960	688	(271)	(28.3%)
Brands under development	8,427	9,096	669	7.9%
Beauty care operating income	22,253	15,682	(6,571)	(29.5%)
POLA	18,268	14,138	(4,129)	(22.6%)
ORBIS	5,147	3,888	(1,258)	(24.5%)
Jurlique	(1,506)	(1,855)	(348)	-
H2O PLUS	(346)	(492)	(146)	-
Brands under development	691	3	(687)	(99.5%)

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

POLA

Brand Analysis (1)

H1 Result

- Demand from buyers decreased mainly for health foods.
- *B.A*, the mainstay cosmetics series sustained sales growth. Overseas business accelerated especially in China and duty free. (Overseas sales were up 71% YoY)
- The inbound ratio was approximately 10%. (down 1ppt YoY)

➡ See p.11 for details of sales decline factors for POLA

H1		Results (mil. yen)	YoY Change
Net sales		68,788	(10.2%)
Operating income		14,138	(22.6%)
Key indicators			
Sales ratio	Consignment sales		76.9%
	Overseas		8.5%
	Dept. store, B2B(1) , EC		14.6%
Sales growth*	Consignment sales		down 17.3%
	Overseas		up 71.6%
	Dept. store, B2B(1) , EC		up 9.9%
Consignment sales channel	# of sales offices**		4,065 (down 113)
	# of PB(2)**		670 (up 1)
	Purchase per customer*		down 4.4%
	# of customers*		down 11.2%
Number of stores overseas**			56 (up 6)

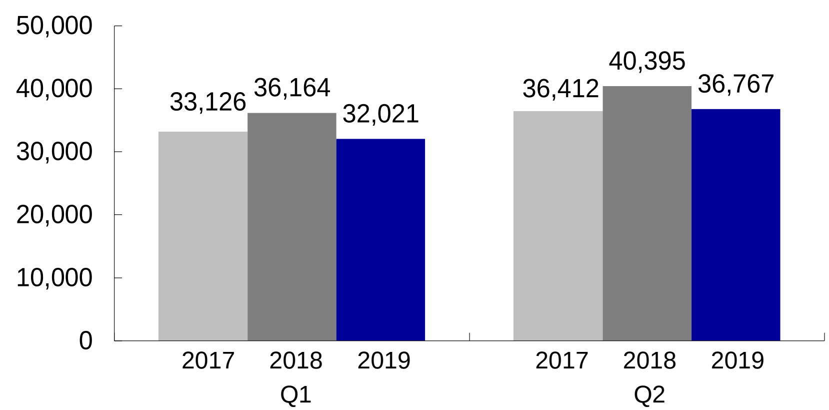
(1) B2B: Hotel amenity business (2) PB: POLA THE BEAUTY stores
*YoY , ** vs Dec. 2018

Topics

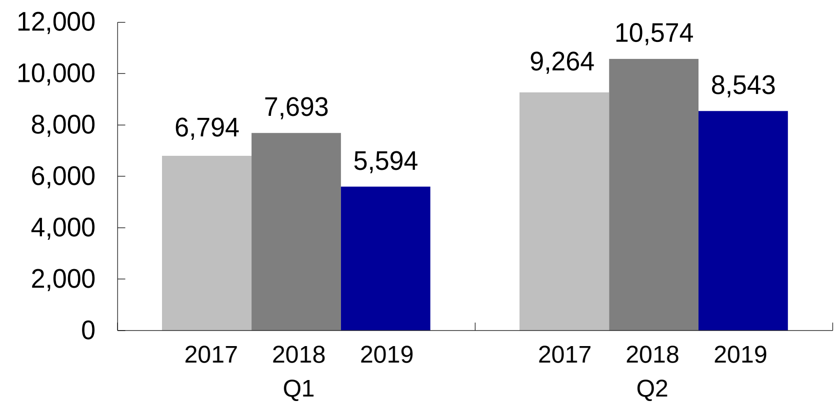
- Launched two products from the *White Shot* series in May
  - Won multiple best cosmetics awards
  - Although the initial sales were favorable, customer acquisition was below expectations
  Aim to re-boost sales in summer

Left : LX, Right: MX

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)

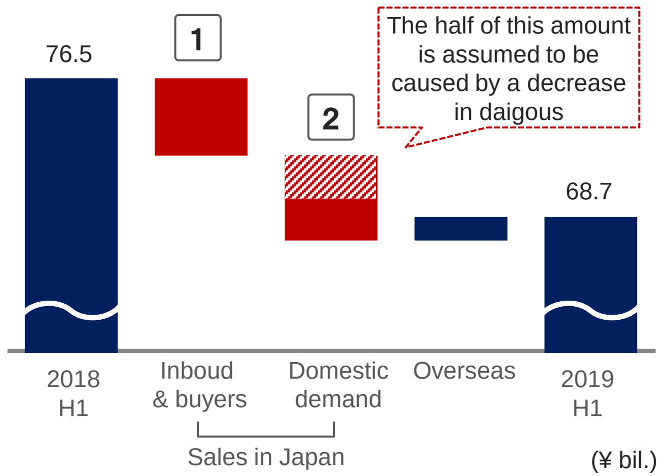


POLA

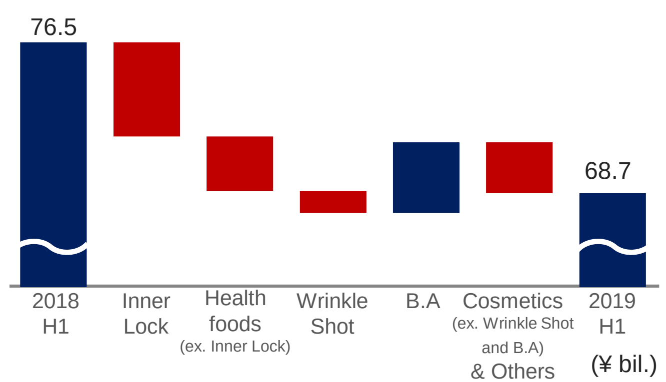
Brand Analysis (1) YoY Sales Breakdown for POLA Brand

Breakdown of YoY change in sales

By sales channel



By product category



- ✓ The biggest factor in the sales decline was *Inner Lock Tablet*
- ✓ Sales of *B.A*, the mainstay series and the number of esthetic treatments are on an increasing trend

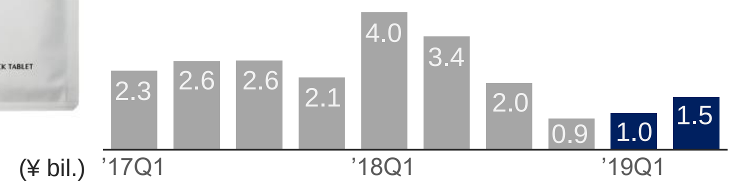
Major sales decline factors

1

Decrease in demands from inbound tourists and buyers

Sales decline of *Inner Lock Tablet* to be moderated shortly

- ✓ Sales of *Inner Lock* for 1H were down ¥4.8 bil. YoY (for quarterly sales of *Inner Lock*, see chart below)
- ✓ It is assumed that the e-commerce law in China, counterfeits and false article, etc. caused rapid decline in demand for the product



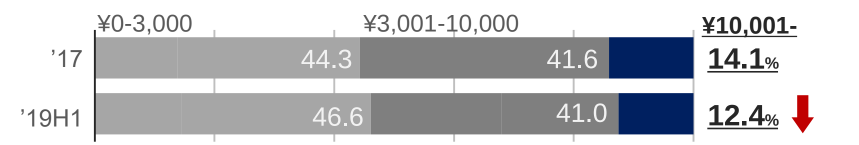
2

Decrease in domestic demand

(domestic consumption)

Price revision to *Wrinkle Shot* of last year has made a tough situation for customer acquisition this year (down 28% YoY)

- ✓ Sales target of products aimed at customer acquisition did not reach plan due to insufficient sales proposals
- ✓ Domestic cosmetics market is on a slight declining trend, and composition ratio of products priced at ¥10,001 or above is shrinking (for the composition ratio in domestic cosmetics consumption by price range, see chart below. source: Intage SLI)



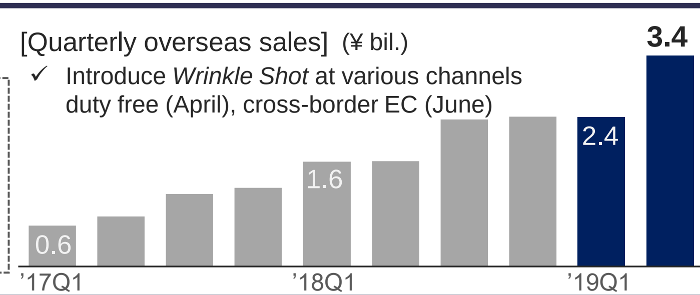
Overseas expansion

Overseas sales grew better than planned

Further accelerate overseas expansion to cover decline in domestic sales

[Quarterly overseas sales] (¥ bil.)

- ✓ Introduce *Wrinkle Shot* at various channels duty free (April), cross-border EC (June)



ORBIS

Brand Analysis (2)

H1 Result

- *ORBIS U* and *DEFENCERA* sustained favorable sales. The number of new customer exceeded that of 1H last year.
- Strengthened promotions for the purpose of investments for future. (up ¥1.1 bil. YoY)
- Online sales grew by 6.9% YoY. Structural change steadily progresses as sales composition ratio of skincare products increases.

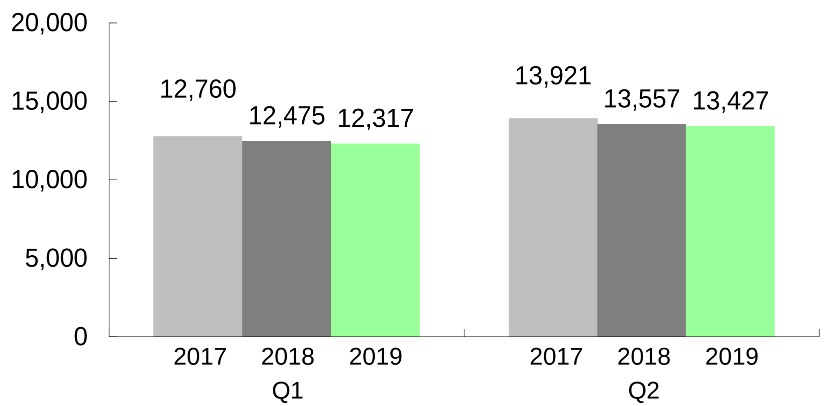
H1		Results (mil. yen)	YoY Change
Net sales		25,744	(1.1%)
Operating income		3,888	(24.5%)
Key indicators			
Sales ratio	Online		51.9%
	Other mail-order		20.0%
	Stores, overseas, etc.		28.1%
Sales growth*	Online		up 6.9%
	Other mail-order		down 15.9%
	Stores, overseas, etc.		down 2.4%
Mail-order[(1)] purchase per customer*			up 2.5%
Number of mail-order[(1)] customers*			down 3.0%
Number of customers purchasing the ORBIS U series*[(2) (3)]			up 35.0%

(1) Mail-order includes online and other mail-order
(2) For the last 6 months period (3) Series consists of *ORBIS U*, *U encore*, and *U white*
* YoY basis

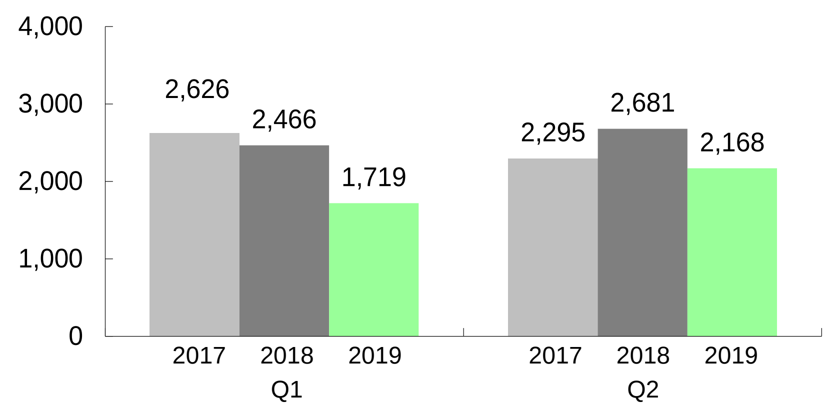
Topics

- *DEFENCERA* won many best cosmetics awards

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Brand Analysis (3) Overseas Brands

H1 Result

- Jurlique closed down unprofitable stores in China. (89 stores as of end of 2018 → 77 stores)
- Sales declined at H2O PLUS as a result of the withdrawal from wholesalers.

H1		Results (mil. yen)	YoY change[1]
Jurlique	Net sales	3,415	(31.6%)
	OP income	(1,855)	(348)
H2O PLUS	Net sales	688	(28.3%)
	OP income	(492)	(146)
Key indicators			
Jurlique			
Sales ratio		Australia	34%
		Hong Kong	20%
		Duty free	15%
		China	10%
Sales growth[2]		Australia	down 18%
		Hong Kong	down 10%
		Duty free	down 32%
		China	down 56%

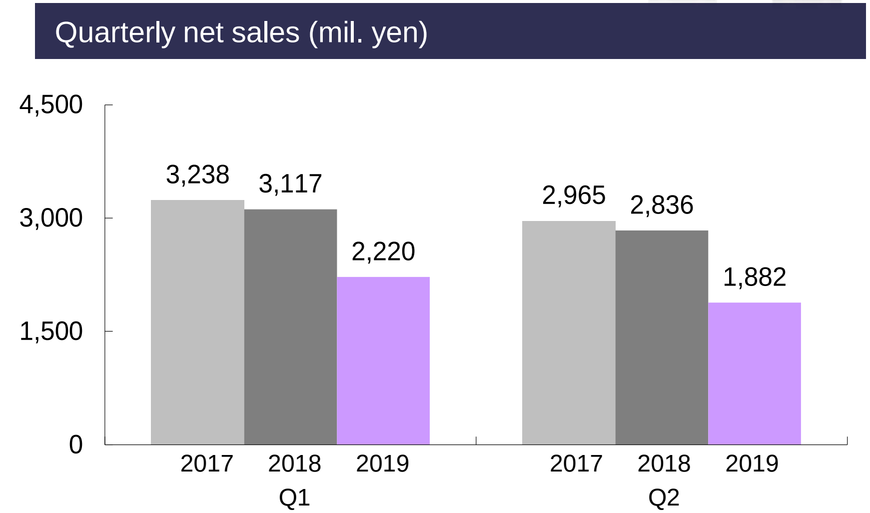
(1) For operating income, the YoY difference is shown as an amount (mil. yen)
(2) AUD basis, YoY

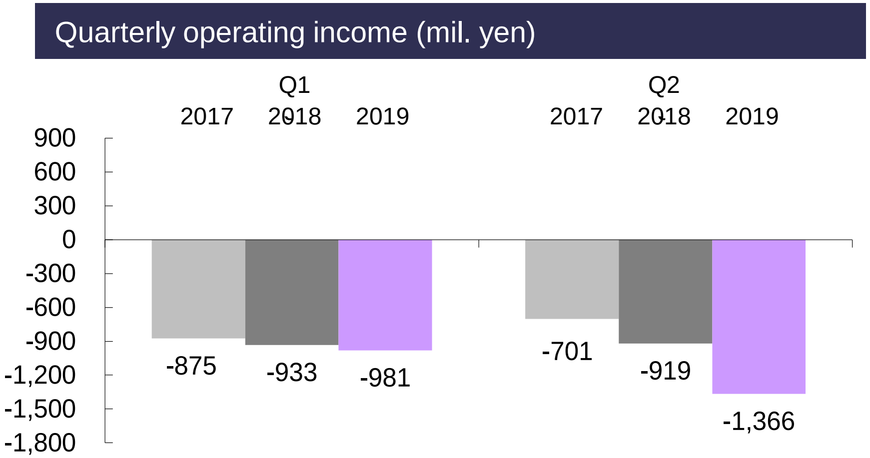
Topics

Jurlique

- Launched new body care products

Jurlique
Body Cleansing Cream & Body Cream





Brand Analysis (4) Brands Under Development

H1 Result

- THREE sustained double-digit sales growth overseas. For Japanese domestic sales, growth rate slowed down as store expansion completed.
- DECENCIA continued to struggle with customer acquisition.

H1	Results (mil. yen)	YoY Change
Net sales	9,096	7.9%
Operating income	3	(99.5%)
ACRO Net sales	5,614	14.3%
ACRO OP income(1)	(651)	(901)
(THREE Net sales)	5,225	6.4%
(THREE OP income)	472	(24.6%)

Key indicators		
THREE	# of stores in Japan (vs. Dec. 2018)	114 (up 3)
	# of stores overseas (vs. Dec. 2018) (in 7 countries & regions)	59 (up 4)
	Overseas sales ratio	27%

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

■ Brand Portfolio of Brands Under Development

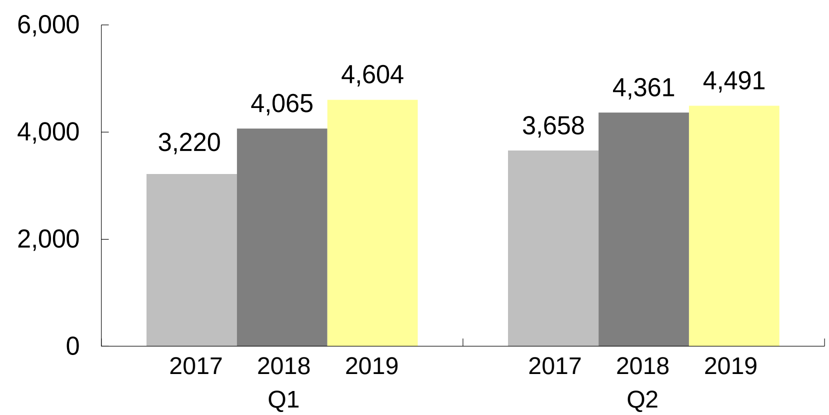
Company	ACRO INC.	DECENCIA INC.
Brand	THREE, ITRIM, Amplitude, FIVEISM × THREE	DECENCIA

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

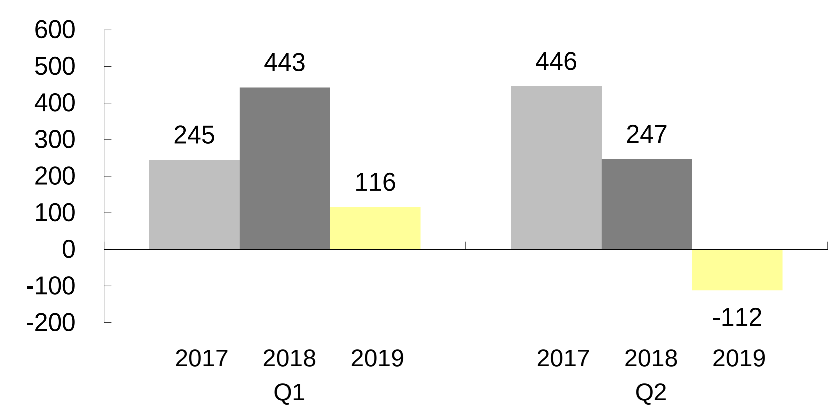
Topics

- Won best cosmetics awards
  - THREE *Powder Foundation*
  - Amplitude *Cheeks*
  - ITRIM *Facial Gommage*
  (From left)

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



POLA ORBIS HOLDINGS

Forecasts for Fiscal 2019 (Revised)

Downward revisions to full-year forecasts factor in variances from initial plan for the first half and updated outlook for the second half

(mil. yen)	FY2019 H1 Results	YoY Change Amount	YoY Change %	FY2019 Full-year Plan	vs. Feb. 13 Plan	YoY Change Amount	YoY Change %
Consol. net sales *- ex. pharmaceuticals business*	110,247	(15,015) *(9,235)*	(12.0%) *(7.7%)*	229,000	(12,000)	(19,574) *(7,255)*	(7.9%) *(3.1%)*
Beauty care	107,733	(9,239)	(7.9%)	224,200	(12,000)	(7,007)	(3.0%)
Real estate	1,319	(34)	(2.6%)	2,400	0	(307)	(11.3%)
Others	1,194	(5,740)	(82.8%)	2,400	0	(12,259)	(83.6%)
OP income	16,236	(6,866)	(29.7%)	34,500	(6,000)	(4,996)	(12.6%)
Beauty care	15,682	(6,571)	(29.5%)	34,600	(6,000)	(3,694)	(9.6%)
Real estate	573	9	1.7%	800	0	(201)	(20.1%)
Others	85	(434)	(83.6%)	100	0	(696)	(87.4%)
Reconciliations	(105)	128	–	(1,000)	0	(403)	–
Ordinary income	15,561	(7,162)	(31.5%)	34,000	(6,500)	(4,954)	(12.7%)
Net income attributable to owners of parent	9,938	(5,382)	(35.1%)	21,000	(4,500)	12,611	150.3%

Assumed exchange rates : 1.00 AUD = 86 JPY (PY 82.59) 1.00 USD = 107 JPY (PY 110.43) 1.00 CNY = 16.7 JPY (PY 16.71)

	FY2018	FY2019 (Plan) *No change to per-share dividend forecast
Shareholder returns	Annual ¥80 Consol. payout ratio 210.9%	Annual ¥116 (Interim ¥35, Year-end ¥45, Commemorative ¥36) * Consol. payout ratio 122.2%
Capital investment Depreciation	¥10,514 million ¥7,075 million	¥12,000 - 13,000 million ¥7,000 - 8,000 million

Revisions to Forecasts for Fiscal 2019

In spite of downward revisions at POLA, Jurlique and ORBIS, the Group strives to achieve increases in sales and operating income for the second half in the Beauty care segment

	FY2019	YoY Change		FY2019	vs. Feb. 13	YoY Change	
(mil. yen)	H1 Results	Amount	%	H2 Plan	Plan	Amount	%
Consol. net sales *- ex. pharmaceuticals business*	110,247	(15,015) *(9,235)*	(12.0%) *(7.7%)*	118,753	(5,247)	(4,559) *1,980*	(3.7%) *1.7%*
Beauty care	107,733	(9,239)	(7.9%)	116,466	(5,133)	2,232	2.0%
Real estate	1,319	(34)	(2.6%)	1,081	(69)	(272)	(20.1%)
Others	1,194	(5,740)	(82.8%)	1,206	(44)	(6,519)	(84.4%)
OP income	16,236	(6,866)	(29.7%)	18,264	(1,436)	1,870	11.4%
Beauty care	15,682	(6,571)	(29.5%)	18,917	(882)	2,876	17.9%
Real estate	573	9	1.7%	226	(123)	(211)	(48.3%)
Others	85	(434)	(83.6%)	15	(35)	(261)	(94.6%)
Reconciliations	(105)	128	–	(895)	(394)	(532)	–
Ordinary income	15,561	(7,162)	(31.5%)	18,439	(1,261)	2,207	13.6%
Net income attributable to owners of parent	9,938	(5,382)	(35.1%)	11,061	(838)	17,993	–

Revision Contents (full-year)				
■Sales	POLA	down ¥9,000 mil.	:	Reflected domestic consumption trends, in addition to the shortage against the initial plan for the first half in the amount of ¥4,600 mil.
	Jurlique	down ¥2,000 mil.	:	Took into account the impact of contract cancellations with some wholesalers for the purpose of channel optimization
	ORBIS	down ¥1,000 mil.	:	Reflected variance from the initial plan for the first half
■OP income	POLA	down ¥6,000 mil.	:	The brand will control costs to partially offset a decrease in gross profit resulting from downward revision to sales

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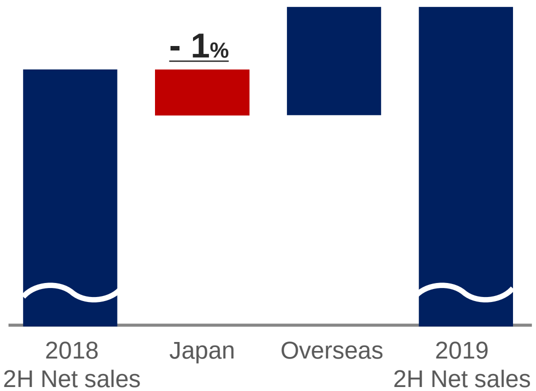
POLA

Initiatives for 2019 Q3 onward (1)

Strive for sales growth in 2H driven by overseas acceleration and contribution from new products

■ Outlook for fiscal 2019 second half (July - December)



Japan	Products	Re-boost sales of new products from *White Shot* series. Continued decline in sales of health foods is expected to come to an end in 4Q.
	Consumption tax hike in October	Assume rush in demand and its rebound to be same level. Introduce new products to cover sales against decline in consumption after the tax hike.
Overseas	Products	Expect sales growth for both cosmetics and health foods.
	Expand customer touchpoints	Aim to reach 80 stores by the end of 2019 (56 as of June). Capture demands for the brand mainly in the Chinese and duty-free markets as quickly as possible.

■ Reinforce customer acquisition with the revamp of esthetic treatment program (October)

- ✓ Maximize customer contacts before the tax hike by revamping *APEX* in July, followed by esthetic treatments to promote store visits after the tax hike
- ✓ Wider range of options enables more personalized services

■ Further accelerate overseas expansion; raised sales plan from initial plan of ¥11.0 bil. to ¥13.0 bil.

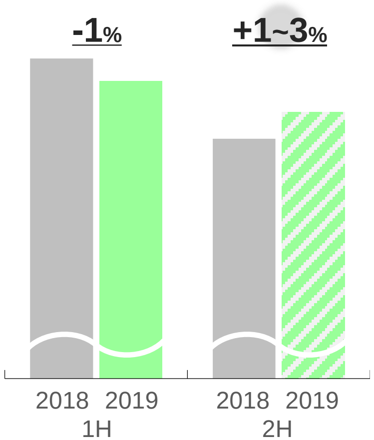
■ Introduce a new product that celebrates 90th anniversary of the brand

Initiatives for 2019 Q3 onward (2)

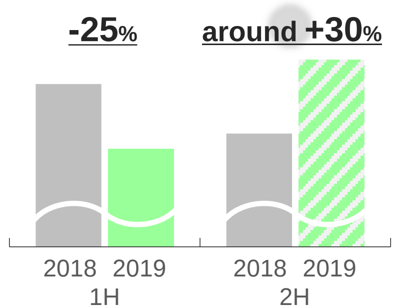
Aim at increases in sales and OP income for the full year by gaining returns on the investments of 1H

■ Outlook for fiscal 2019 second half (July - December)

[Net sales outlook]



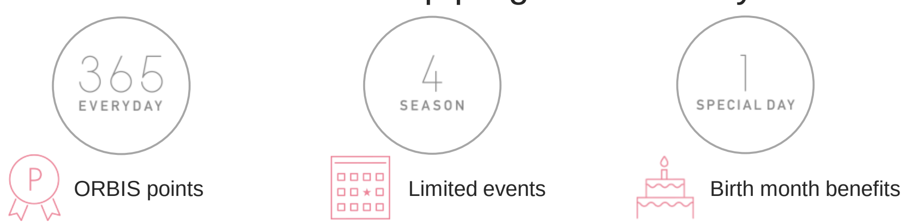
[Operating income outlook]



Branding Strategy	- Approach with a focus on *ORBIS U* and *DEFENCERA* - Strengthen branding by new product launches - The amount of annual marketing expenses to remain almost the same level as last year
Customer Strategy	- Convert new customers to loyal customers Encourage customers to make additional purchases by launching new products in 2H - Retain existing loyal customers Introduce special programs and improve e-commerce website and catalogs

■ Launch *WRINKLE WHITE ESSENCE*, serum with price affordable enough for customers to make repeat purchases (September)

■ Introduce new membership program from July



Anti-wrinkle and whitening
WRINKLE WHITE ESSENCE
¥4,500 (excluding tax)

Initiatives for 2019 Q3 onward (3)

Bring overseas operations solidly into the black overall

Jurlique

H2O+ BEAUTY

- Developed “Jurlique”, an original breed of rose
  Launch new moisturizing skincare series (August)
- Revamped e-commerce website (July)
  Improve usability and enrich contents to increase conversion rate

Jurlique
Moisture Plus Rare Rose Collection

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

THREE

- Renew a skincare series, *Balancing* (October)
  All products from the new *Balancing* series are certified to COSMOS, the international standard for organic and natural cosmetics

THREE
Balancing series

Amplitude ITRIM FIVEISM × THREE

- Customer acquisition is the first priority
  Focus on touchpoint expansion such as store openings and events

DECENCIA

- Introduce an anti-wrinkle serum as a pioneer brand for sensitive skin (October)
- Open a counter in department store (September, Isetan Shinjuku)

DECENCIA *ayanasu*
Wrinkle O/L Concentrate

(Appendix) Improvement in Capital Efficiency and Shareholder Returns

Initiatives to Improve Capital Efficiency

Target for 2020

ROE 12%

(Return on equity)

=

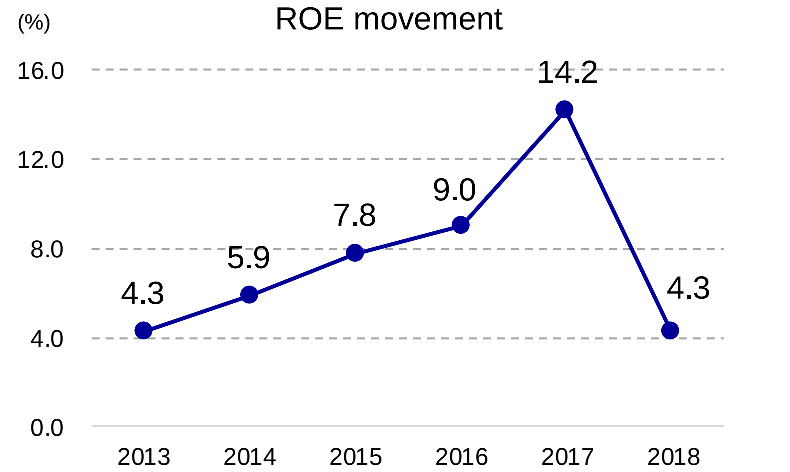
EPS (Earnings per share)

- Operating income CAGR10%
- 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

Achieved the target for 2020 at the year of 2017
Setting 12% as a way point and aim for global level in the long term



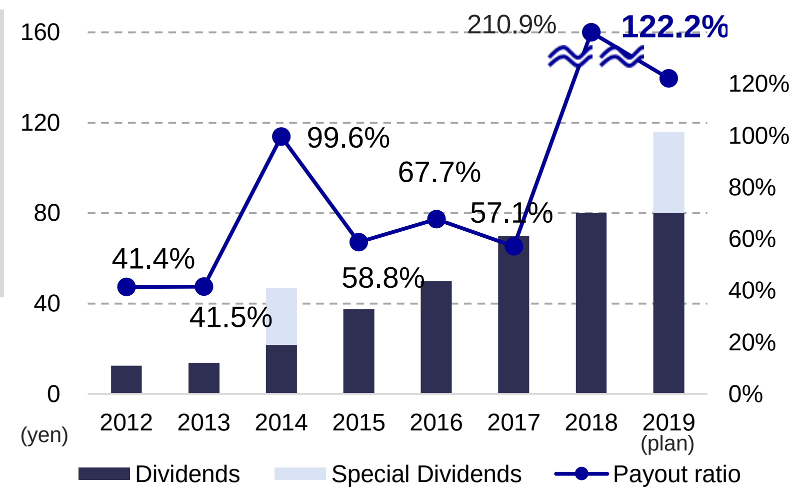
Improvement of Shareholder Return

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 FY2019:

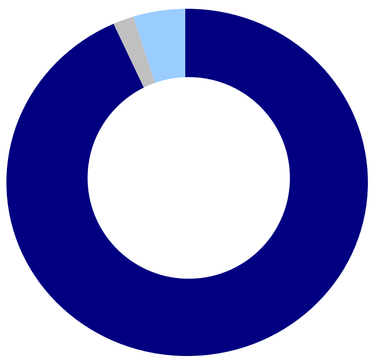
- Dividend per share : **¥116**
  (Interim ¥35, Year-end ¥45, Commemorative ¥36)
- Consol. payout ratio : 122.2%



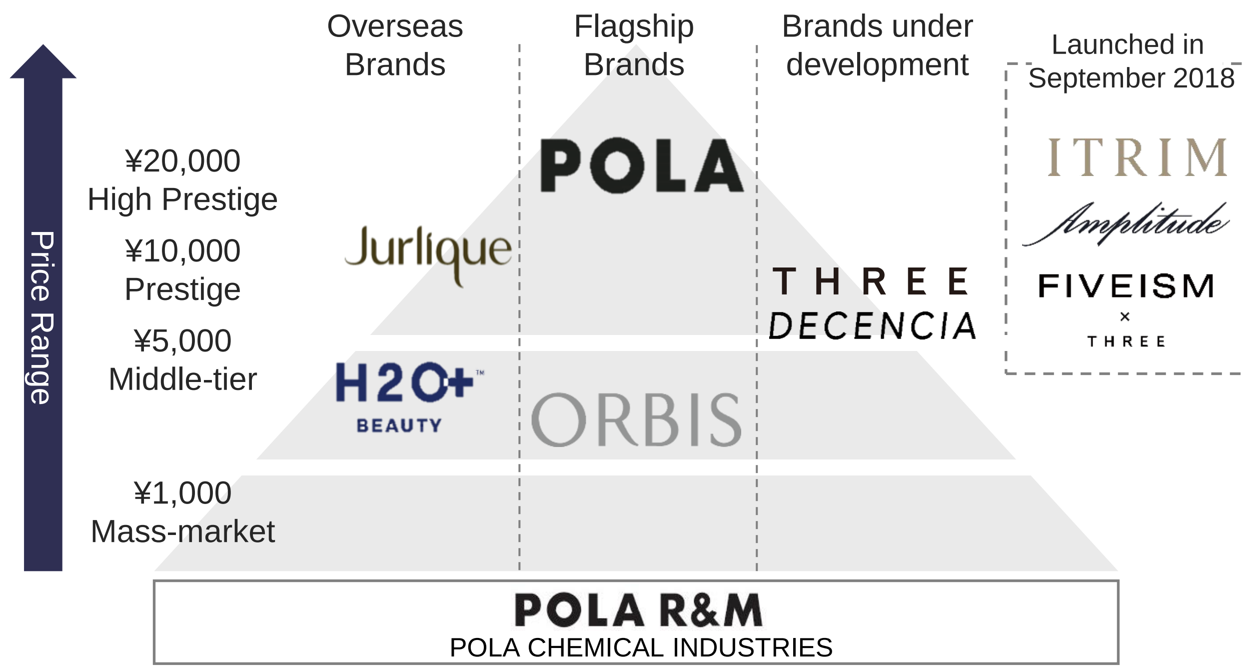
(Appendix) About POLA ORBIS Group

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

FY2018
Consol. Net Sales
¥248.5 bil.



- Beauty care business 93%
- Real estate business 1%
- Other businesses 6% (dermatological drugs and building maintenance business)



Our strengths

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

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

(Appendix) Beauty Care Business Brand Portfolio

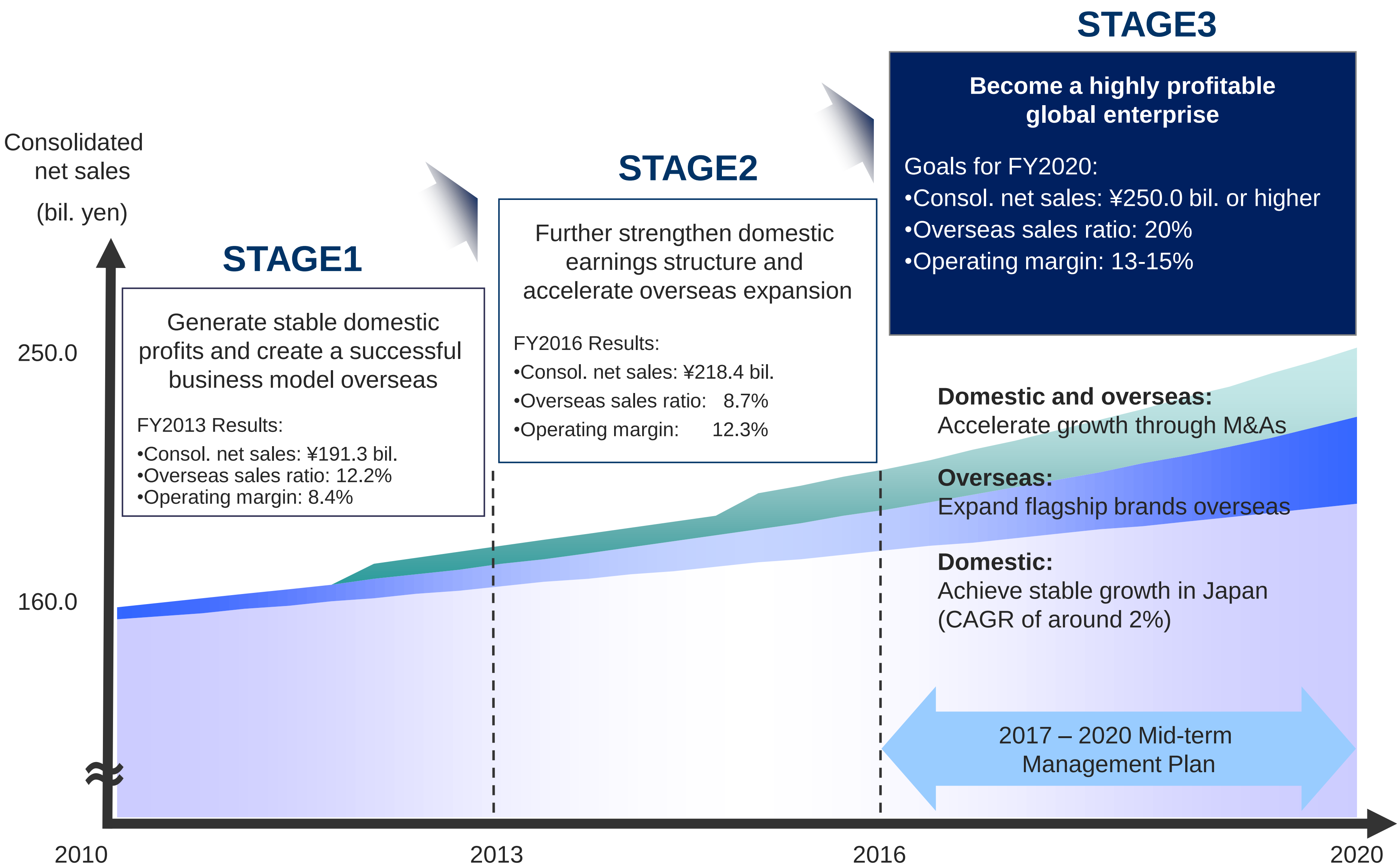
	Sales ratio*	Brand	Concept and products	Price	Main sales channel
Flagship brands	65%	POLA Since 1929	■ High-prestige skincare ■ Leading-edge technology in aging-care and skin-whitening fields	Approx. ¥10,000 or higher	■ JP:Consignment sales through Beauty Directors, department store counters and online ■ Overseas:Department store counters, duty free stores and cross-border e-commerce
	22%	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+ BEAUTY 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	8%	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
		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. ¥2,000～ ¥5,000	■ JP:Online

Operated by ACRO INC.

*Sales ratio in the beauty care business as of FY2018

POLA ORBIS HOLDINGS

(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 FY2016 – FY2018 by Brands

(mil. yen)	FY2016 Results	FY2017 Results	FY2018 Results	2017 vs 2018 YoY Change Amount	%
Consolidated net sales	218,482	244,335	248,574	4,239	1.7%
Beauty care net sales	202,446	227,133	231,207	4,074	1.8%
POLA	116,126	144,012	150,183	6,170	4.3%
ORBIS	55,857	53,066	51,051	(2,014)	(3.8%)
Jurlique	13,118	12,772	10,386	(2,385)	(18.7%)
H2O PLUS	2,547	2,303	2,041	(261)	(11.4%)
Brands under development	14,796	14,978	17,544	2,566	17.1%
Consol. operating income	26,839	38,881	39,496	615	1.6%
Beauty care operating income	25,904	38,121	38,294	173	0.5%
POLA	16,993	28,584	32,574	3,989	14.0%
ORBIS	11,279	9,080	9,340	259	2.9%
Jurlique	(1,183)	(505)	(3,763)	(3,257)	-
H2O PLUS	(2,027)	(317)	(552)	(235)	-
Brands under development	841	1,278	695	(583)	(45.6%)

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