

# First Half of Fiscal 2020 Supplementary Material

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POLA ORBIS HOLDINGS INC.  
Representative Director and President  
Satoshi Suzuki

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Forecasts for Fiscal 2020
4. Initiatives Going Forward & Appendices

## Cosmetics Market

- The overall size of the Japanese cosmetics market, including exports, fell dramatically due to the impact of COVID-19
- Inbound demand, which had accounted for approximately 6% of the Company's net sales, continued to drop significantly due to a decrease in foreign visitors to Japan
- The net domestic market deteriorated, due to store shutdowns and refraining from outdoor activities following the Declaration of a State of Emergency by the Japanese Government on April 7  
The future outlook remains unclear despite the lifting of the State of Emergency

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

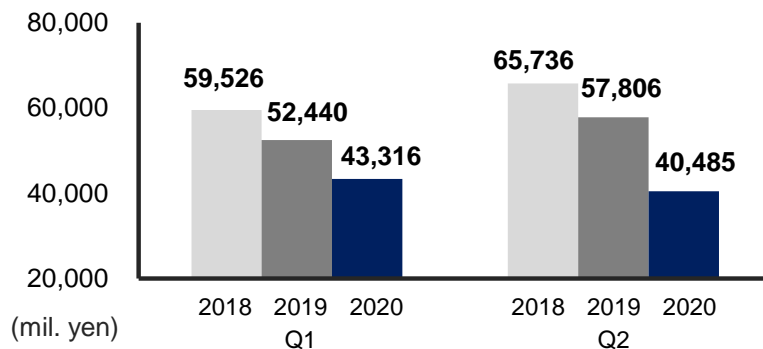
## Our Group

- Due to store shutdowns and refraining from outdoor activities following the Declaration of a State of Emergency, consolidated revenue and income decreased with significantly lower revenue from brands, especially on storefront operations.
- POLA overseas revenue increased, with the China business recovering strongly
- ORBIS revenue decreased, but new mail-order (online and catalog) customer acquisition progressed well
- Cost reductions in overseas brands continued, aiming to bring them into the black

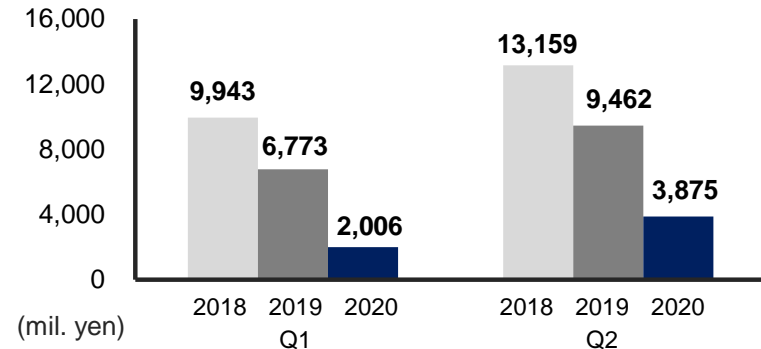
### Ratio of Inbound Sales to Consolidated Net Sales

FY2018 (Full year)	Approx. 7%
FY2019 (Full year)	Approx. 6%
FY2020 H1	Approx. 2%

### Quarterly Consolidated Sales

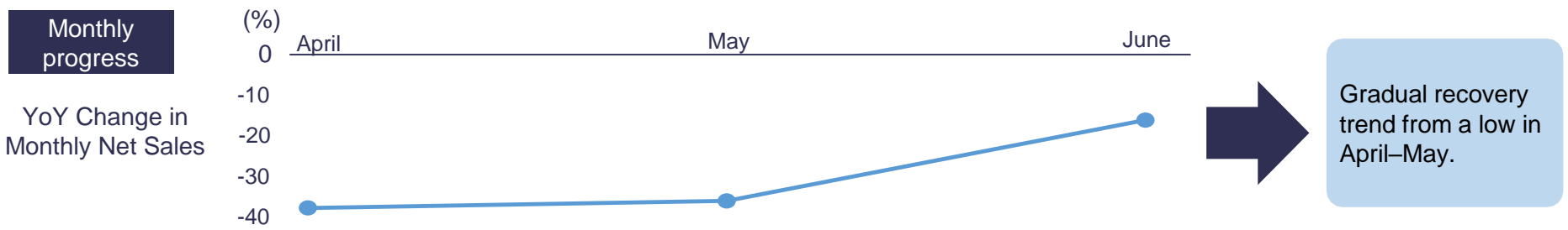


### Quarterly Operating Income



## Impact of COVID-19 on net sales in the first half of FY 2020: -¥265 billion First half has generally progressed in line with the revised plan

Business operations	April	May	June
	Declaration of a State of Emergency in Japan		Phased lifting of the State of Emergency; fully lifted at the end of May
Consignment sales	<ul style="list-style-type: none"> <li>➢ Shutdowns in up to 30%</li> <li>➢ Prohibition on aesthetic treatment and trial use of cosmetics</li> </ul>	<ul style="list-style-type: none"> <li>➢ Recommended operations in regions where the State of Emergency was lifted, with thorough hygiene management</li> </ul>	<ul style="list-style-type: none"> <li>➢ Operations recommenced at all stores</li> </ul>
Department store, directly-operated stores	<ul style="list-style-type: none"> <li>➢ Temporary closures across Japan (POLA/ORBIS/Jurlique/Brands under development)</li> </ul>	<ul style="list-style-type: none"> <li>➢ Recommended operations in regions where the State of Emergency was lifted</li> <li>➢ Refrained from providing trial use of cosmetics</li> </ul>	<ul style="list-style-type: none"> <li>➢ Operations recommenced at all stores</li> <li>➢ Refrained from providing trial use of cosmetics (self-serve trial use of cosmetics gradually recommenced from July)</li> </ul>
Overseas	<ul style="list-style-type: none"> <li>➢ China: Operations recommenced at all stores, but department store traffic declined</li> <li>➢ Australia: Shutdowns at all Jurlique directly-operated stores and some department store counters</li> </ul>	<ul style="list-style-type: none"> <li>➢ China: Gradual recovery in store traffic</li> <li>➢ Australia: Shutdowns at all Jurlique directly-operated stores and some department store counters until mid-May</li> </ul>	<ul style="list-style-type: none"> <li>➢ China: Recovery in store traffic; strong performance due to 618 online events</li> <li>➢ Australia: Stores reopening</li> </ul>
Duty free	<ul style="list-style-type: none"> <li>➢ Continuing travel restrictions worldwide</li> <li>➢ Stores reopening in Korea and Hong Kong etc., but impact of travel restrictions continues</li> </ul>		



**Production and logistics** No impact on product manufacture or supply

(mil. yen)	FY2019	FY2020	YoY Change	
	H1 Results	H1 Results	Amount	%
Consolidated net sales	110,247	83,802	(26,445)	(24.0%)
Cost of sales	16,921	13,567	(3,354)	(19.8%)
Gross profit	93,326	70,234	(23,091)	(24.7%)
SG&A expenses	77,089	64,353	(12,736)	(16.5%)
Operating income	16,236	5,881	(10,354)	(63.8%)

### Key Factors

- **Consol. net sales**      Decreased mainly as a result of lower revenue from brands, especially storefront operations, due to the impact of COVID-19
- **Cost of sales**      Cost of sales ratio deteriorated due to lower sales ratio from POLA  
 Cost of sales ratio FY2019 H1: 15.3% ⇒ FY2020 H1: 16.2%
- **SG&A expenses**      ¥1,232 mil. for transfer of labor expenses, etc. to loss related to COVID-19  
 Labor expenses: down ¥852 mil. YoY  
 Sales commissions: down ¥ 6,105 mil. YoY  
 ⇒ Resulted from a sales decline at POLA.  
 Sales related expenses : down ¥4,965 mil. YoY  
 ⇒ Curbed expenses; sales ratio at the same levels as the previous year.  
 Administrative expenses, etc. : down ¥813 mil. YoY
- **Operating income**      Operating margin FY2019 H1: 14.7% ⇒ FY2020 H1: 7.0%

# Consolidated P&L Changes Analysis

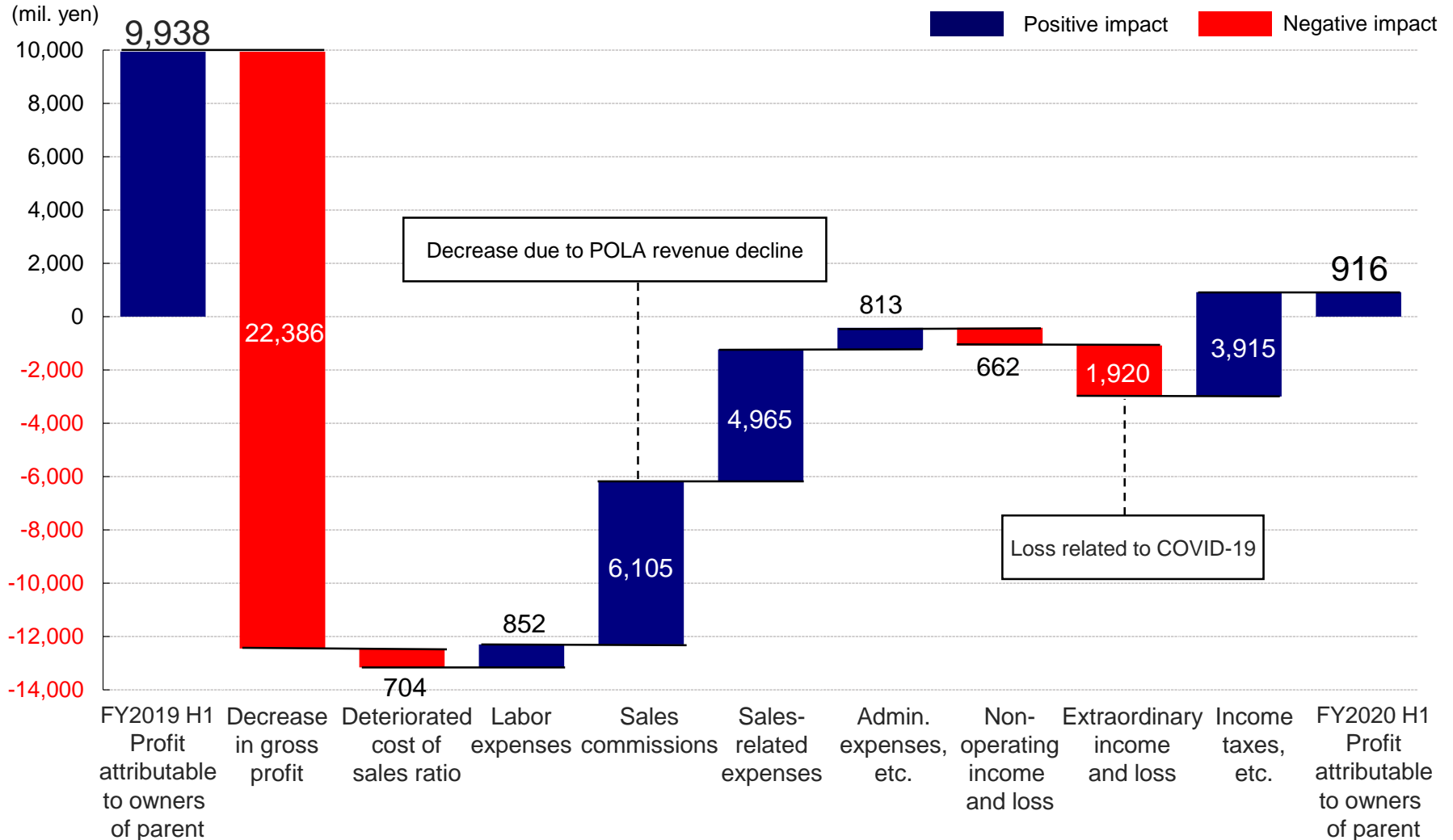
## Operating Income to Profit Attributable to Owners of Parent

(mil. yen)	FY2019	FY2020	YoY Change	
	H1 Results	H1 Results	Amount	%
Operating income	16,236	5,881	(10,354)	(63.8%)
Non-operating income	218	206	(11)	(5.4%)
Non-operating expenses	894	1,544	650	72.8%
Ordinary income	15,561	4,543	(11,017)	(70.8%)
Extraordinary income	0	43	43	-
Extraordinary losses	114	2,077	1,963	-
Profit before income taxes	15,446	2,509	(12,937)	(83.8%)
Income taxes etc.	5,509	1,581	(3,928)	(71.3%)
Profit attributable to non-controlling interests	(1)	11	13	-
Profit attributable to owners of parent	9,938	916	(9,022)	(90.8%)

### Key Factors

- Extraordinary losses: Fixed costs, etc. resulting from store shutdowns, recorded as loss related to COVID-19 of ¥1,232 mil.
- Income taxes etc.: Income taxes decreased due to a decline in profit before income taxes

A decline in gross profit, resulting from decreased revenue, pushed down profit attributable to owners of parent by -90.8% YoY



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(mil yen)	FY2019	FY2020	YoY Change	
	H1 Results	H1 Results	Amount	%
Consolidated net sales	110,247	83,802	(26,445)	(24.0%)
Beauty care	107,733	81,401	(26,332)	(24.4%)
Real estate	1,319	1,225	(94)	(7.1%)
Others	1,194	1,175	(18)	(1.6%)
Operating income	16,236	5,881	(10,354)	(63.8%)
Beauty care	15,682	5,290	(10,392)	(66.3%)
Real estate	573	503	(70)	(12.2%)
Others	85	14	(70)	(82.6%)
Reconciliations	(105)	72	177	-

## Segment Results Summary

- Beauty care** Revenue decreased year on year due to a significant revenue decline in POLA and ORBIS  
 Operating income decreased mainly due to a decline in gross profit, despite efforts to reduce costs
- Real estate** Occupancy rate has been maintained at a high level
- Others** Net sales and operating income fell below those of the same period of last year due to a decrease in construction orders at the building maintenance business

## Beauty Care Business Results by Brands

(mil. yen)	FY2019	FY2020	YoY Change	
	H1 Results	H1 Results	Amount	%
Beauty care net sales	107,733	81,401	(26,332)	(24.4%)
POLA	68,788	47,956	(20,832)	(30.3%)
ORBIS	25,744	22,779	(2,964)	(11.5%)
Jurlique	3,415	2,608	(807)	(23.6%)
H2O PLUS	688	405	(283)	(41.1%)
Brands under development	9,096	7,651	(1,444)	(15.9%)
Beauty care operating income	15,682	5,290	(10,392)	(66.3%)
POLA	14,138	3,860	(10,278)	(72.7%)
ORBIS	3,888	4,060	172	4.4%
Jurlique	(1,855)	(1,565)	290	-
H2O PLUS	(492)	(346)	146	-
Brands under development	3	(719)	(722)	-

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

### H1 Result

- Sales to inbound customers and buyers continued to decrease due to COVID-19
- In Japan, revenue decreased significantly from the impact of refraining from outside activities, store shutdowns and shorter store opening hours following the Declaration of a State of Emergency
- Domestic e-commerce grew (+62% YoY)
- Inbound traffic (tourists only) accounted for 4% of revenue (down 6ppt YoY)

H1	Results (mil. yen)	YoY Change
Net sales	47,956	(30.3%)
Operating income	3,860	(72.7%)
Key indicators		
Sales ratio	Consignment sales	75.6%
	Overseas	13.5%
	Dept. store, B2B <sup>(1)</sup> , EC	10.9%
Sales growth*	Consignment sales	down 31.5%
	Overseas	up 11.1%
	Dept. store, B2B <sup>(1)</sup> , EC	down 47.9%
Consignment sales channel	# of sales offices**	3,903 (down 53)
	# of PB <sup>(2)**</sup>	655 (down 20)
	Purchase per customer*	down 4.7%
	# of customers*	down 26.2%
Number of stores overseas**		88 (up 4)

(1) B2B: Hotel amenity business (2) PB: POLA THE BEAUTY stores

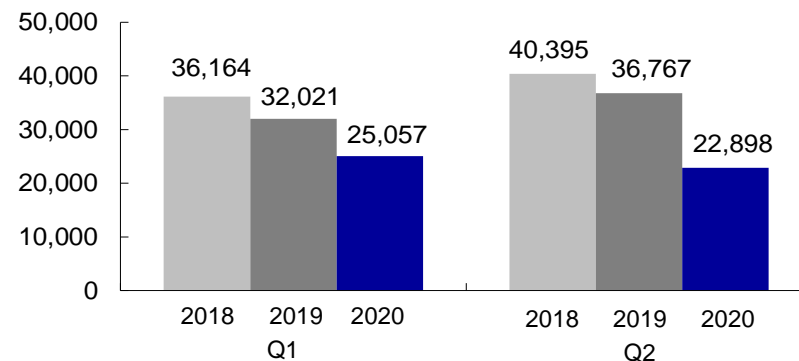
\*YoY, \*\* vs Dec. 2019

### Topics

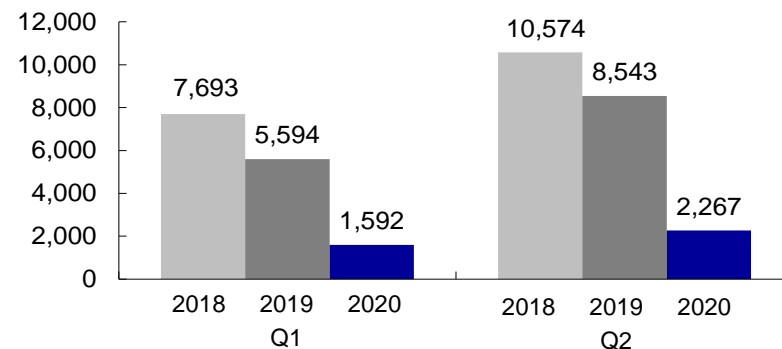
- Overseas revenue increased
- Strong performance in Chinese 618 event



### Quarterly net sales (mil. yen)



### Quarterly operating income (mil. yen)



### H1 Result

- Revenue decreased due to the temporary closure of all stores under the Declaration of a State of Emergency
- New mail-order (online and catalog) customer acquisition progressed well due to the induction of store customers into mail-order (online and catalog) and strategic advertising investment
- Online sales revenue increased for the three months of Q2  
Nearly double-digit growth in revenue via smartphones in particular

H1	Results (mil. yen)	YoY Change
Net sales	22,779	(11.5%)
Operating income	4,060	4.4%
Key indicators		
Sales ratio	Online	57.1%
	Other mail-order	19.9%
	Stores and overseas	23.0%
Sales growth*	Online	down 2.8%
	Other mail-order	down 11.8%
	Stores and overseas	down 27.5%
Mail-order** purchase per customer*		down 6.8%
Number of mail-order** customers*		up 1.6%
ORBIS U series ratio of sales <sup>(1)</sup>		26%

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

\* YoY basis

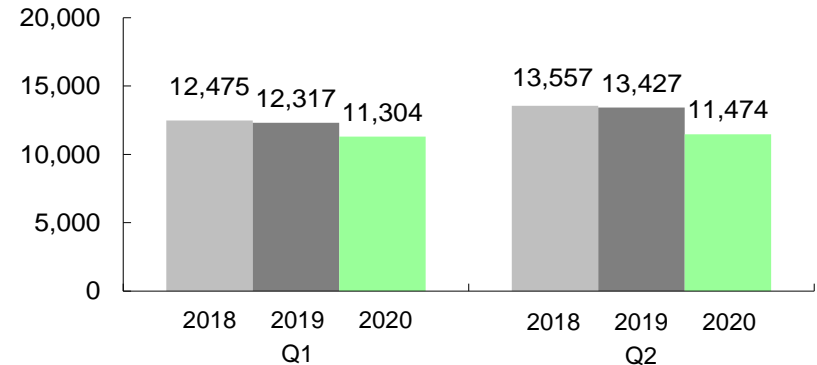
\*\* include online and catalog

### Topics

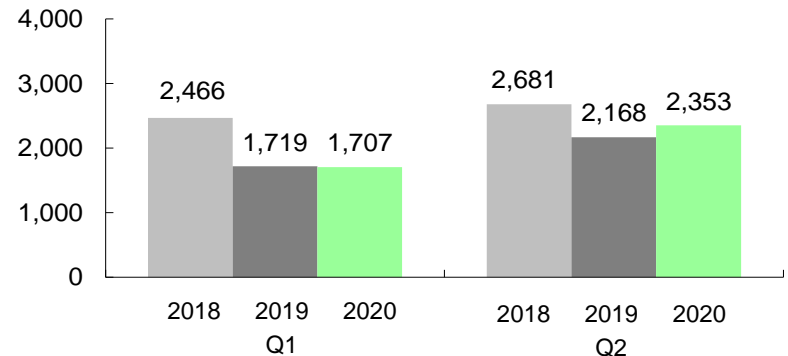
- H1 Best cosmetics awards
  - ORBIS U WASH
  - ORBIS U LOTION
  - ORBIS CLEANSING CREAM
 (from left)



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



## H1 Result

- Jurlique revenue declined with store shutdowns due to the spread of COVID-19
- H2O PLUS proceeded with e-commerce shift to reform business structure
- New e-commerce customer acquisition progressed well

H1		Results (mil. yen)	YoY Change <sup>(1)</sup>
Jurlique	Net sales	2,608	(23.6%)
	OP income	(1,565)	290
H2O PLUS	Net sales	405	(41.1%)
	OP income	(346)	146

### Key indicators

#### Jurlique

Sales ratio	Australia	19.6%
	Hong Kong	18.2%
	Duty free	2.9%
	China	32.9%
Sales growth <sup>(2)</sup>	Australia	down 49.4%
	Hong Kong	down 18.2%
	Duty free	down 82.7%
	China	up 168.0%

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

(2) AUD basis, YoY

## Topics

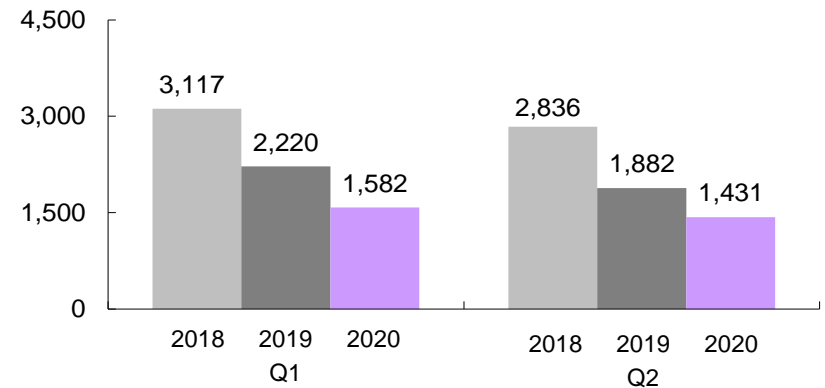
### ■ Jurlique

Limited edition product launch of the popular Rosewater Mist (May)

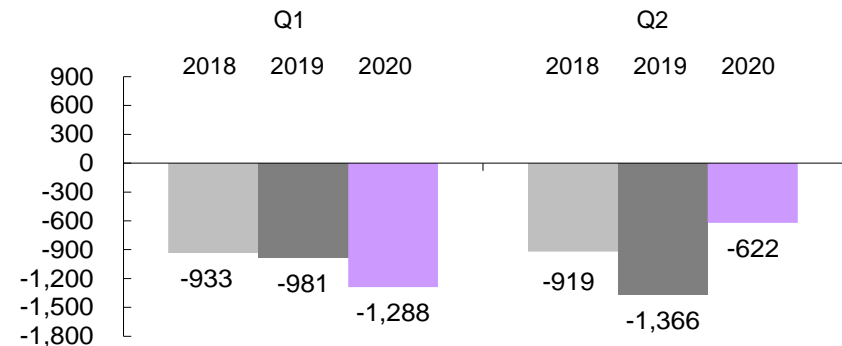


Rosewater Balancing Mist Intense Deluxe Edition

### Quarterly net sales (mil. yen)



### Quarterly operating income (mil. yen)



## H1 Result

- Department stores closed temporarily due to COVID-19, and product sales struggled after reopening due to refraining from providing trial use of cosmetics
- THREE domestic e-commerce grew (+120% YoY)
- DECENCIA revenue increased due to strong new customer acquisition for e-commerce (+13% YoY)

H1	Results (mil. yen)	YoY Change
Net sales	7,651	(15.9%)
Operating income	(719)	(722)
ACRO Net sales	4,035	(28.1%)
ACRO OP income <sup>(1)</sup>	(1,369)	(718)
(THREE Net sales)	3,310	(36.7%)
(THREE OP income)	(453)	(925)

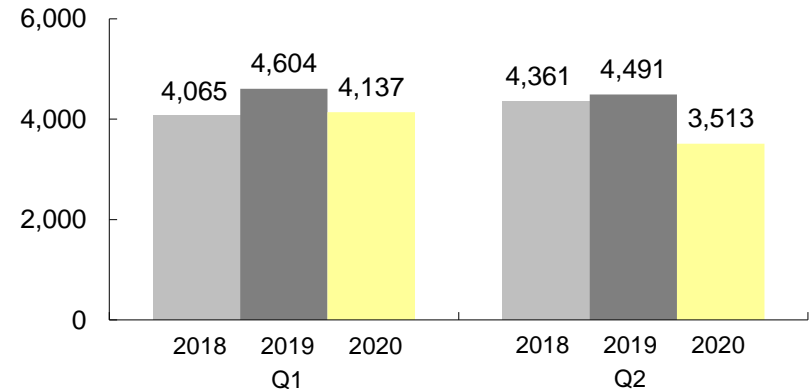
Key indicators		
THREE	# of stores in Japan (vs. Dec. 2019)	120 (down 1)
	# of stores overseas (vs. Dec. 2019) (in 7 countries & regions)	61 (unchanged)
	Overseas sales ratio	25%

## Topics

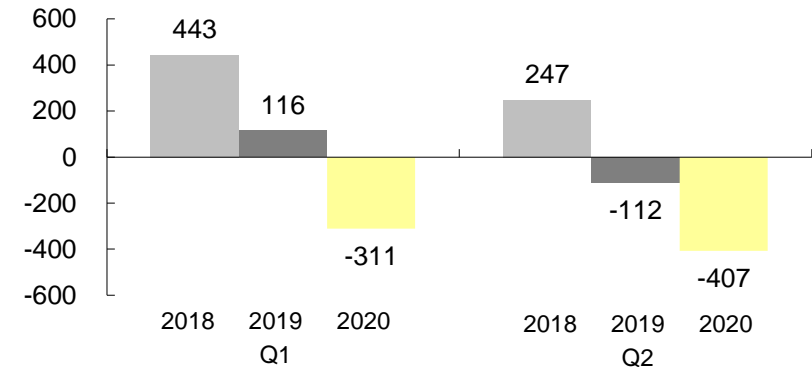
- DECENCIA commenced cross-border e-commerce



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



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

### Brand Portfolio of Brands Under Development

Company	ACRO INC.	DECENCIA INC.
Brand	THREE <i>Amplitude</i> FIVEISM X THREE	DECENCIA

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

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## Forecasts for Fiscal 2020 (Unchanged)

(mil. yen)	FY2020 H1 Results	YoY Change		FY2020 Full-year Plan	YoY Change	
		Amount	%		Amount	%
Consol. net sales	83,802	(26,445)	(24.0%)	190,000	(29,920)	(13.6%)
Beauty care	81,401	(26,332)	(24.4%)	185,400	(29,486)	(13.7%)
Real estate	1,225	(94)	(7.1%)	2,300	(319)	(12.2%)
Others	1,175	(18)	(1.6%)	2,300	(115)	(4.8%)
OP income	5,881	(10,354)	(63.8%)	19,000	(12,137)	(39.0%)
Beauty care	5,290	(10,392)	(66.3%)	18,550	(11,643)	(38.6%)
Real estate	503	(70)	(12.2%)	800	(221)	(21.7%)
Others	14	(70)	(82.6%)	150	19	14.9%
Reconciliations	72	177	-	(500)	(292)	—
Ordinary income	4,543	(11,017)	(70.8%)	16,500	(14,130)	(46.1%)
Net income attributable to owners of parent	916	(9,022)	(90.8%)	8,400	(11,294)	(57.3%)

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
Shareholder returns	Annual ¥116 (include Interim ¥35, Year-end ¥45, and Commemorative ¥36) Consol. payout ratio 130.3%
Capital investment	¥10,091 mil.
Depreciation	¥7,377 mil.

	FY2020(Plan)
Shareholder returns	Annual ¥80 (Interim ¥35, Year-end ¥45) Consol. payout ratio 210.7%
Capital investment	¥12,000 - ¥13,000 mil.
Depreciation	¥7,000 - 8,000 mil.



# Forecasts for Fiscal 2020

(mil. yen)	FY2020 H1 Results	YoY Change		FY2020 H2 Plan	YoY Change	
		Amount	%		Amount	%
Consol. net sales	83,802	(26,445)	(24.0%)	106,198	(3,475)	(3.2%)
Beauty care	81,401	(26,332)	(24.4%)	103,999	(3,153)	(2.9%)
Real estate	1,225	(94)	(7.1%)	1,075	(225)	(17.3%)
Others	1,175	(18)	(1.6%)	1,125	(96)	(7.9%)
OP income	5,881	(10,354)	(63.8%)	13,119	(1,782)	(12.0%)
Beauty care	5,290	(10,392)	(66.3%)	13,260	(1,251)	(8.6%)
Real estate	503	(70)	(12.2%)	296	(151)	(33.8%)
Others	14	(70)	(82.6%)	135	89	197.5%
Reconciliations	72	177	-	(573)	(470)	—
Ordinary income	4,543	(11,017)	(70.8%)	11,956	(3,113)	(20.7%)
Net income attributable to owners of parent	916	(9,022)	(90.8%)	7,484	(2,272)	(23.3%)

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)

## 【Forecast impact of COVID-19 on performance】

### Assumptions

- ①Channel Inbound & buyer, duty-free shops, mainland China and Hong Kong shops, Australia shops, Japan shops
- ②Brand POLA, Jurlique, THREE, ORBIS
- ③Period Impact will gradually ease after bottoming out in Q2 to Q3 FY2020
- ④Expenses Continue the streamlining of fixed costs (e.g. SG&A expenses streamlined in the first half) throughout the year, instead of taking it as a one-off initiative

Take significant change in the business environment as an opportunity to boldly transform our sales channels  
 Meanwhile, operations will be rationalized through review of cost structures and reinforcement of SG&A expense control

(mil. yen)	FY2020	YoY Change	
	Full-year Plan	Amount	%
Consol. net sales	190,000	(29,920)	(13.6%)
OP income	19,000	(12,137)	(39.0%)

Impact of COVID-19  
 on net sales (estimate): -36,500 mil. yen

Implement extensive control of SG&A expenses to mitigate the  
 effect of a decline in gross profit due to lower net sales

Reduction in SG&A expenses:  
 approx. ¥4.0 bil. annually  
 (Actual reduction in first half: ¥1.6 bil.)

Minimize the impact on operating income

Adapt to changes in the environment and implement strategic cost structure reforms

● **Sales related expenses**

- Events and new product launches shift to online
- Reduce expenses across all areas, including store operating expenses (sales promotion such as display costs, etc.), DM, sample, etc.
- Shift to digital advertising that is more cost-effective

● **Labor expenses**

- Review store opening plans; freeze staff hiring

● **Administrative expenses**

- Shift all domestic or overseas business trip, meetings, and training, etc. to online

● **Workstyle reform**

- Establish telecommuting; review commuting allowance
- Move to free-address office layouts
- Proceed to review the state of offices and operational structures across Japan

Not temporary cost-cutting, but cost rationalization and workstyle reform from a long-term perspective

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## ■ Sustain stable growth of flagship brands to lead Group earnings

### Channel strategy in the COVID-19 crisis

- Japan: Accelerate the shift to e-commerce in Japan (approx. +100% YoY)
- Overseas: Enhance points of contact with customers in China, where recovery has been swift

- Strengthen e-commerce, and acquire customers through our major skincare products to build a customer base with high continuity
- Commence online counseling by Beauty Directors
  - Leverage customer lists to build relationships, without losing our strength in direct selling channels
  - Provide online counseling by designated Beauty Directors, aiming for introduction at 1,000 stores
- Full renewal of the top series *B.A* (September)
  - Focus on the skin's potential at a genetic level, and target a broader share of the high-prestige cosmetics market
  - Implement large-scale online promotions, and acquire new customers
- Focus on China, and accelerate growth both online and offline
  - Utilizing live commerce for product promotions
  - Continue with new openings in department stores, and build a base to accelerate growth after the COVID-19 crisis has passed

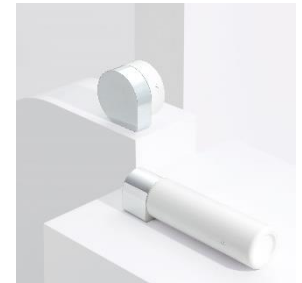


New *B.A*

### ■ Sustain stable growth of flagship brands to lead Group earnings

#### Channel strategy in the COVID-19 crisis

- Convert new customers to loyal customers, and improve profitability by enhancing life-time value (LTV)
  - Increase the speed of transformation to a business pivoting on e-commerce and apps, against the backdrop of increased new e-commerce customer acquisition
- 
- Release a new product series (*ORBIS U.*) positioned above *ORBIS U* (September), and focus on skincare
    - Target minimalist women in their 40s and 50s
    - Acquire new customers likely to become repeat customers and enhance LTV, by expanding the major skincare products
- 
- Provide service via smartphone equivalent to in-store service and strengthen customer induction to e-commerce and apps
    - Enable communication with beauty advisors through online chat
    - Provide the experience of professional personal color analysis via smartphone



ORBIS U.



#### <Topics>

- Open the first concept shop for ORBIS, in Omotesando, Tokyo (July)  
Build seamless forums for brand experience, combining online and offline channels



SKINCARE LOUNGE BY ORBIS

## ■ Bring overseas operations solidly into the black overall

Jurlique

- Target investment in China towards the digital domain  
Focus on communicating information through social media and live-streaming
- Open a special site to commemorate the 35th anniversary of founding  
Promote sustainable product crafting, and strengthen customer relationships



H2O+

- Leverage social media to expand brand recognition and strengthen new customer acquisition

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

THREE

- THREE:  
Strong e-commerce performance; strengthen free shipping promotion etc. in order to accelerate shift to online shopping

Amplitude  
FIVEISM x THREE  
ITRIM

- Amplitude, ITRIM, and FIVEISM x THREE  
Strengthen cross-border e-commerce  
Expand brand recognition



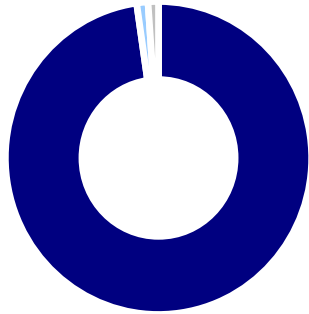
DECENCIA

- Increase rate of conversion of new customers to repeat purchasers  
Enhance LTV through the promotion of cross-selling  
Aim for double-digit growth

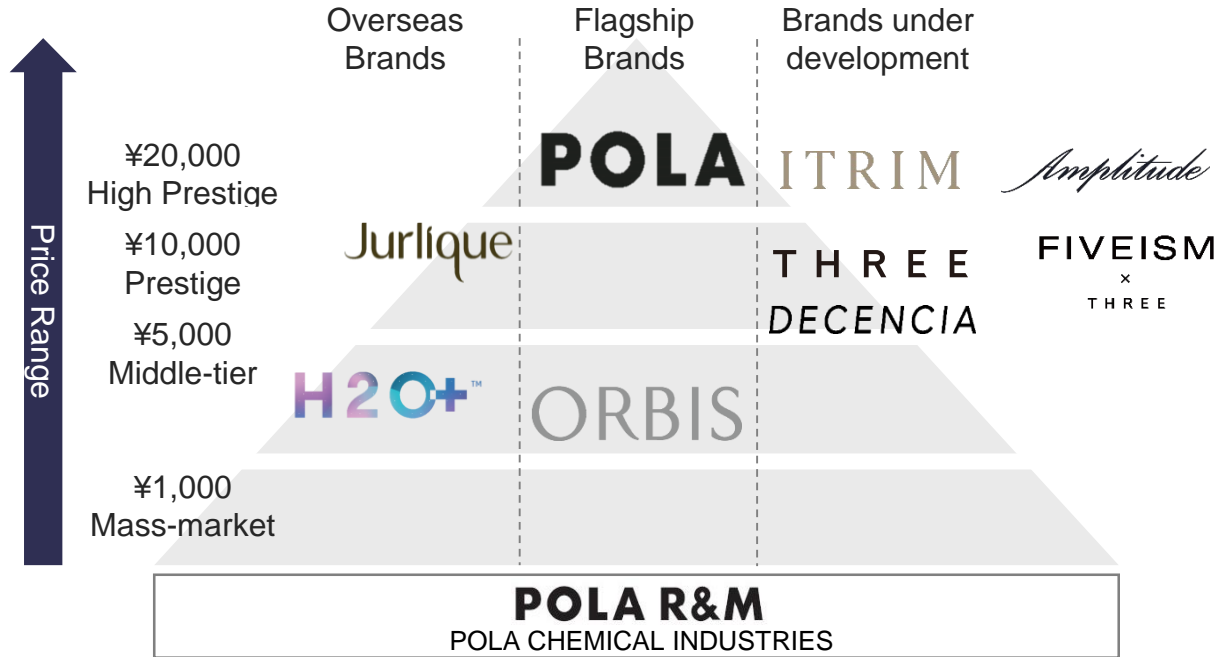


Beauty care is the core business of the Group, and 9 different cosmetics brands are operated under the Group umbrella

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



	Sales ratio*	Brand	Concept and products	Price	Main sales channel
Flagship brands	63%	<b>POLA</b> Since 1929	<ul style="list-style-type: none"> <li>High-prestige skincare</li> <li>Leading-edge technology in aging-care and skin-whitening fields</li> </ul>	Approx. ¥10,000 or higher	<ul style="list-style-type: none"> <li>JP: Consignment sales through Beauty Directors, department store counters and online</li> <li>Overseas: Department store counters, directly-operated stores, DFS<sup>(1)</sup> and cross-border e-commerce</li> </ul>
	23%	<b>ORBIS</b> Since 1984	<ul style="list-style-type: none"> <li>Aging-care brand to draw out people's intrinsic beauty</li> </ul>	Approx. ¥1,000~ ¥3,000	<ul style="list-style-type: none"> <li>JP: Mail-order (online and catalog) and directly-operated stores</li> <li>Overseas: Online, cross-border e-commerce, and DFS<sup>(1)</sup></li> </ul>
Overseas Brands	4%	<b>Jurlique</b> Acquired in 2012	<ul style="list-style-type: none"> <li>Premium natural skincare brand from Australia</li> </ul>	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> <li>AU: Department store counters, directly-operated stores and online</li> <li>Overseas: Department store counters, directly-operated stores, DFS<sup>(1)</sup> and cross-border e-commerce</li> </ul>
	1%	<b>H2O+</b> <sup>TM</sup> Acquired in 2011	<ul style="list-style-type: none"> <li>Skincare with concept of innovation and power of pure water</li> </ul>	Approx. ¥4,000 not sold in Japan	<ul style="list-style-type: none"> <li>US: Online, hotel amenities</li> </ul>
Brands under development		<b>THREE</b> Since 2009	<ul style="list-style-type: none"> <li>Skincare made with natural ingredients from Japan and fashion-forward make-up</li> </ul>	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> <li>JP: Department store counters, directly-operated stores and online</li> <li>Overseas: Department store counters, DFS<sup>(1)</sup> and cross-border e-commerce</li> </ul>
		<i>Amplitude</i> Since 2018	<ul style="list-style-type: none"> <li>High prestige quality makeup from Japan</li> </ul>	Approx. ¥5,000~ ¥10,000	<ul style="list-style-type: none"> <li>JP: Department stores and online</li> <li>Overseas: DFS<sup>(1)</sup> and cross-border e-commerce</li> </ul>
	9%	<b>ITRIM</b> Since 2018	<ul style="list-style-type: none"> <li>Premium skincare made from finely selected organic ingredients</li> </ul>	Approx. ¥20,000	<ul style="list-style-type: none"> <li>JP: Department stores and online</li> <li>Overseas: DFS<sup>(1)</sup> and cross-border e-commerce</li> </ul>
		<b>FIVEISM</b> x <b>THREE</b> Since 2018	<ul style="list-style-type: none"> <li>Industry's first men's cosmetics focusing on makeup</li> </ul>	Approx. ¥2,000~ ¥12,000	<ul style="list-style-type: none"> <li>JP: Department stores, directly-operated stores and online</li> <li>Overseas: DFS<sup>(1)</sup> and cross-border e-commerce</li> </ul>
		<b>DECENCIA</b> Since 2007	<ul style="list-style-type: none"> <li>Skincare for sensitive skin</li> </ul>	Approx. ¥5,000~ ¥10,000	<ul style="list-style-type: none"> <li>JP: Online, department store</li> <li>Overseas: Cross-border e-commerce</li> </ul>

\*Sales ratio in the beauty care business as of FY2019



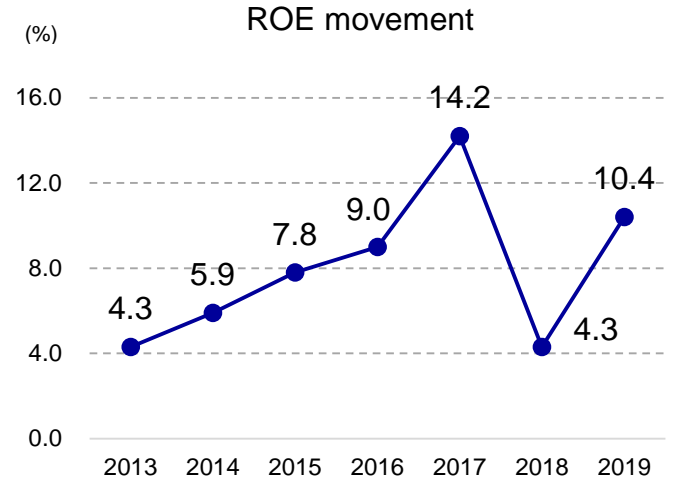
## Initiatives to Improve Capital Efficiency

Target for 2020  
**ROE 12%**  
(Return on equity)

**EPS**  
(Earnings per share)

**BPS**  
(Book value per share)

- Operating income CAGR10%
- Achieve net income growth which is higher than operating income growth by decreasing overseas losses
- Improve shareholder return through dividends
- Optimize balance sheet
- Investment for future growth



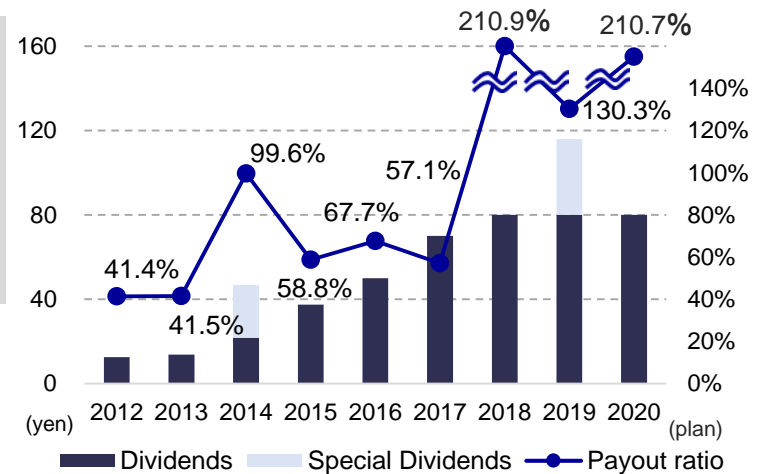
## Improvement of Shareholder Return

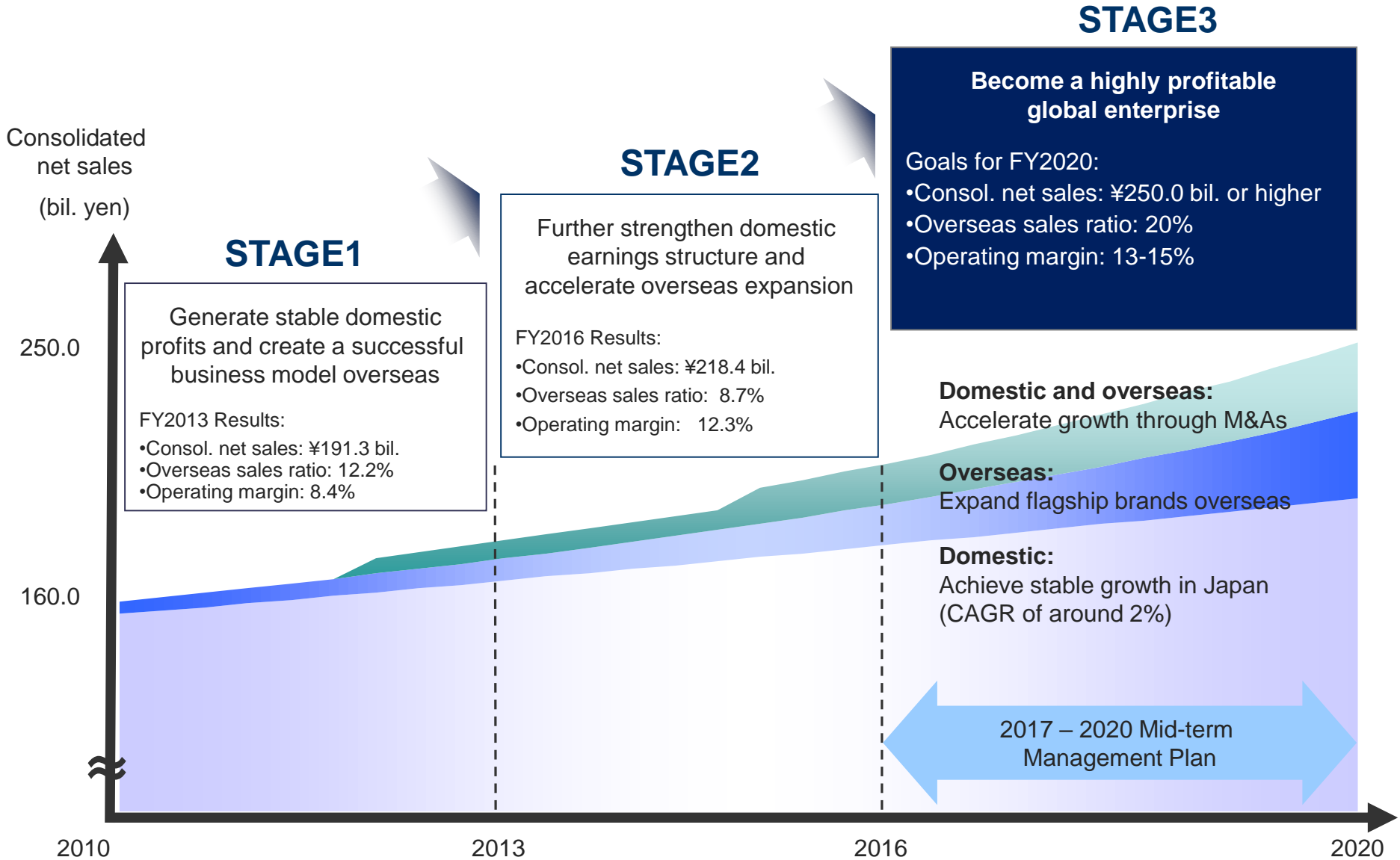
Basic Policy :

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

### Dividends forecast for FY2020:

- Dividend per share : **¥80**  
(Interim ¥35, Year-end ¥45)
- Consol. payout ratio : 210.7%





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)

**Operating income**

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

**Capital efficiency**

- Target for ROE: **12%** 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	FY2018	FY2019	2018 vs 2019 YoY Change	
	Results	Results	Results	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)