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

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.

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Part I Fiscal 2020 Consolidated Performance

Q4 Key Topics

Cosmetics Market

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

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

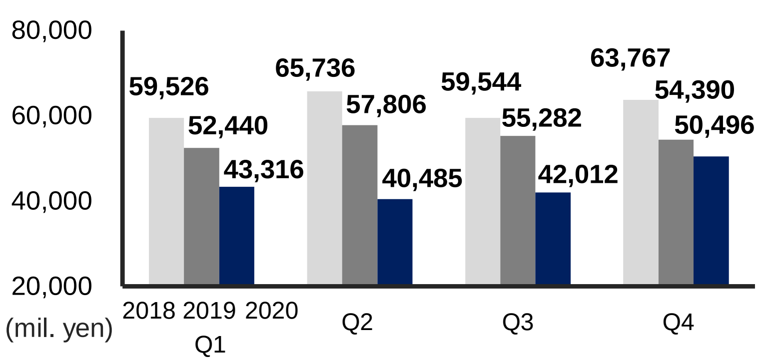
Our Group

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

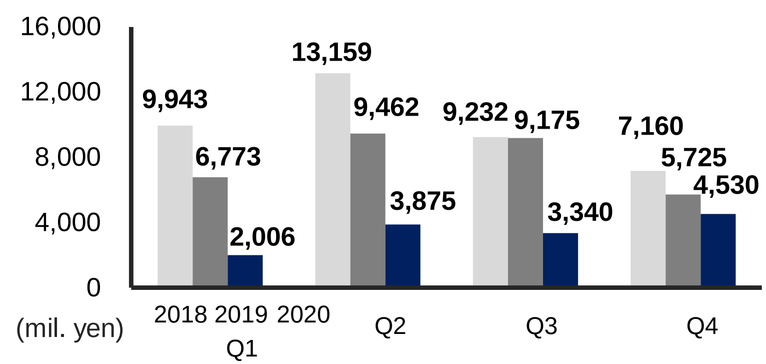
Ratio of Inbound Sales to Consolidated Net Sales

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

Quarterly Consolidated Sales



Quarterly Operating Income

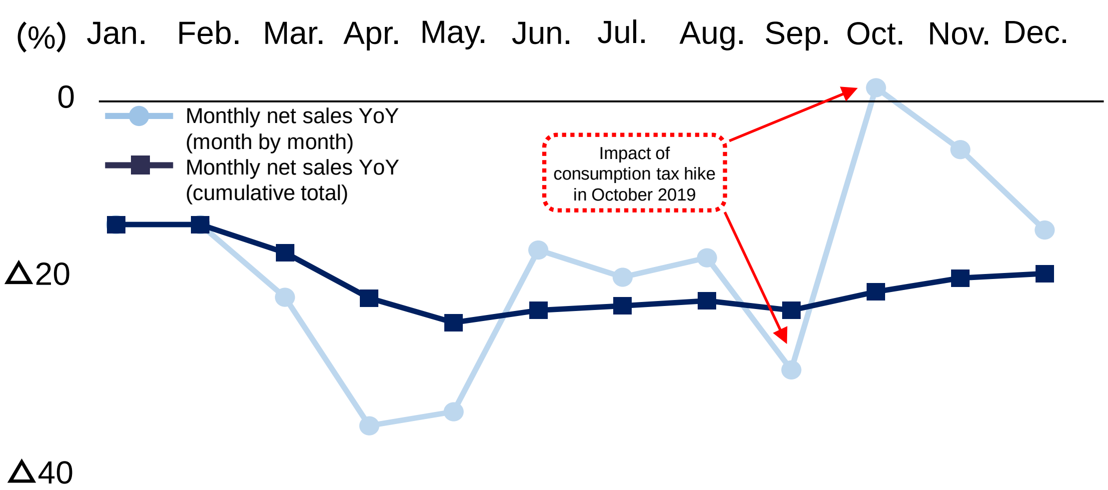


Impact of COVID-19

Our Group's Business Situation in 2020

Consignment Sales Department stores	➢ Shutdowns and shortened opening hours were introduced at some stores with the declaration of a state of emergency in April-May ➢ Conditions remained difficult for new customer acquisition, with consumers continuing to refrain from outdoor activities and personal contact
Domestic e-commerce	➢ Actively promoted e-commerce sales for POLA and brands under development, which are primarily storefront operations, and grew sales: POLA +60% YoY, THREE +90% YoY ➢ New customer acquisition was strong for ORBIS and DECENCIA, with double-digit revenue and income growth for DECENCIA
Overseas	➢ The business environment for travel retail remained difficult due to a significant decrease in international flights, except for China and Korea ➢ In China, both online and offline markets recovered, and POLA grew by 60% YoY

Monthly Progress (YoY Change in Consolidated Monthly Net Sales)



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

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Planned Variance Analysis

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

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

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

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Consolidated P&L Changes Analysis
Net Sales to Operating Income

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

Key Factors

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

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

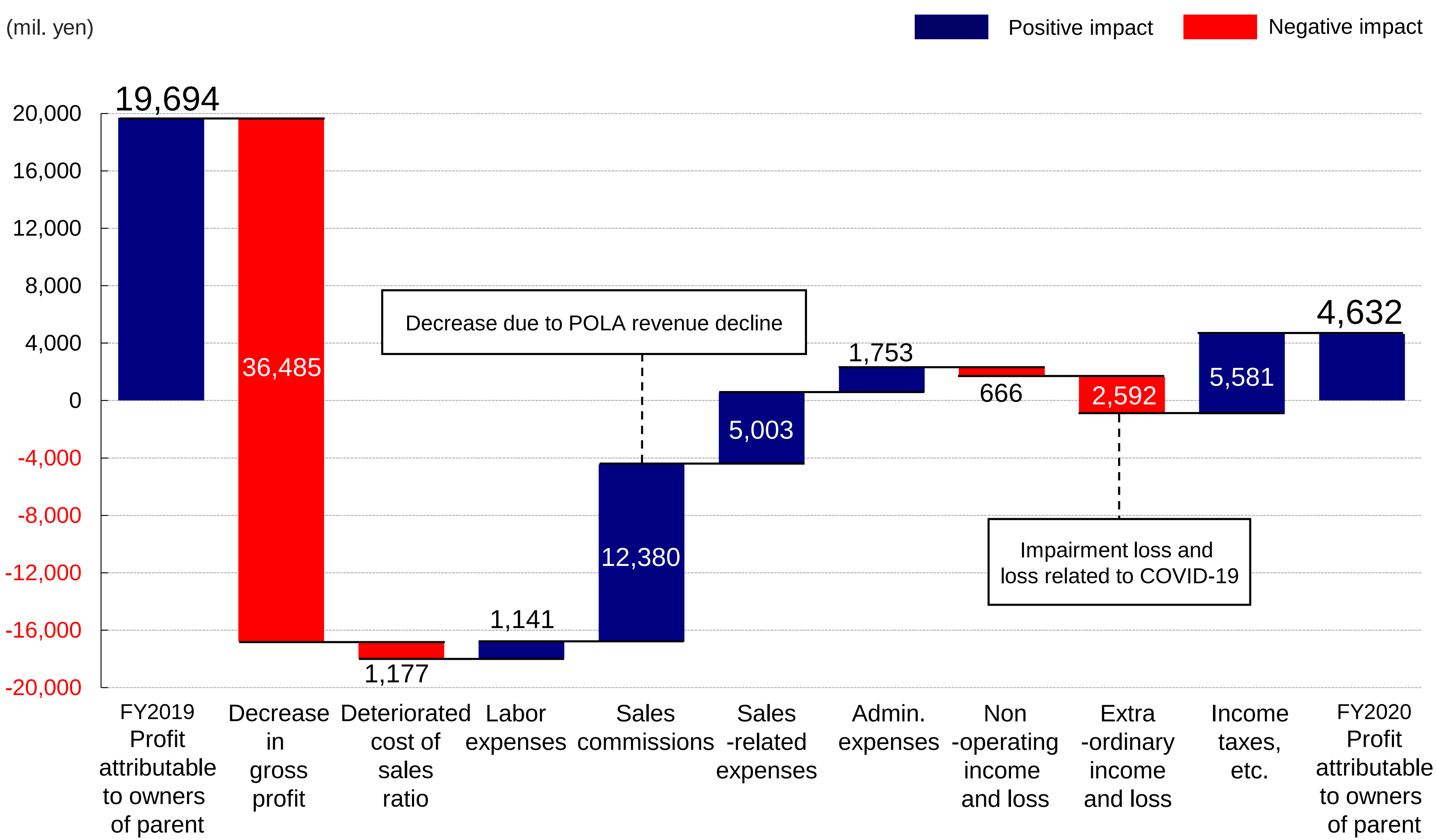
(mil. yen)	FY2019 Results	FY2020 Results	YoY Change Amount	YoY Change %
Operating income	31,137	13,752	(17,384)	(55.8%)
Non-operating income	394	344	(50)	(12.9%)
Non-operating expenses	901	1,517	615	68.2%
Ordinary income	30,630	12,579	(18,051)	(58.9%)
Extraordinary income	286	880	593	206.9%
Extraordinary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

Key Factors

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

Factors Impacting Profit Attributable to Owners of Parent

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



Part I Fiscal 2020 Consolidated Performance

Segment Results

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

Segment Results Summary

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

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Beauty Care Business Results by Brands

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

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

POLA

Brand Analysis (1)

FY2020 Results

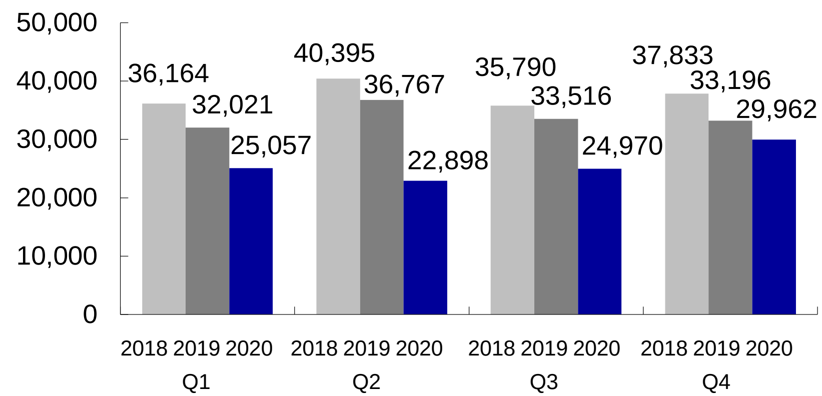
- Struggled to acquire new customers at domestic storefront operations
- Domestic e-commerce performed strongly; acquired purely new customers
- Initial sales of the renewed *B.A* series were strong, with progress exceeding the plan
- Sales in China and Korea remained strong (+60% YoY in China and Korea)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

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

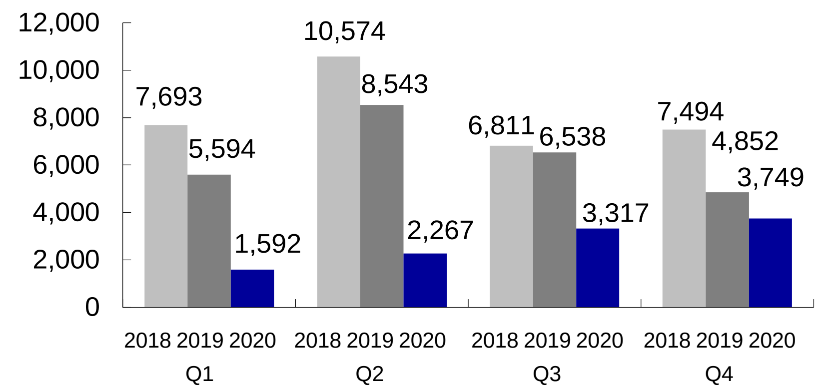
Topics

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

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



*YoY , ** vs Dec. 2019

ORBIS

Brand Analysis (2)

FY2020 Results

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

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

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

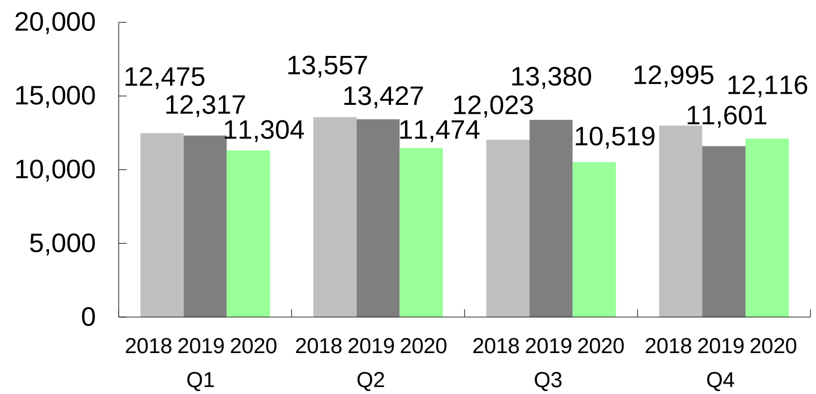
* YoY basis
** include online and catalog

Topics

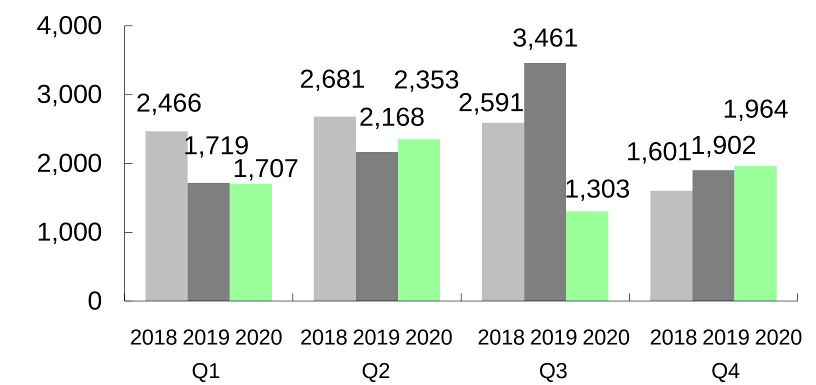
- New series

Launched *ORBIS A* (October)

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Brand Analysis (3) Overseas Brands

FY2020 Results

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

Q4		Results (mil. yen)	YoY Change[1]
Jurlique	Net sales	6,444	(17.0%)
	OP income	(2,489)	479
H2O PLUS	Net sales	722	(50.9%)
	OP income	(724)	100
Key indicators			
Jurlique			
Sales ratio	Australia		19.3%
	Hong Kong		17.0%
	Duty free		9.3%
	China		34.4%
Sales growth[2]	Australia		down 46.3%
	Hong Kong		down 25.3%
	Duty free		down 33.8%
	China[3]		up 108.1%

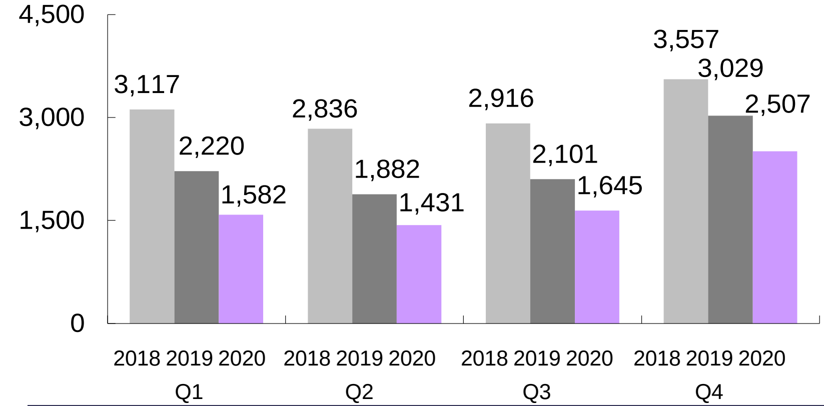
(1) For operating income, the YoY difference is shown as an amount (mil. yen)
(2) AUD basis, YoY
(3) Including the impact of the shift from dealer licensing to directly-owned shops from 2020

Topics

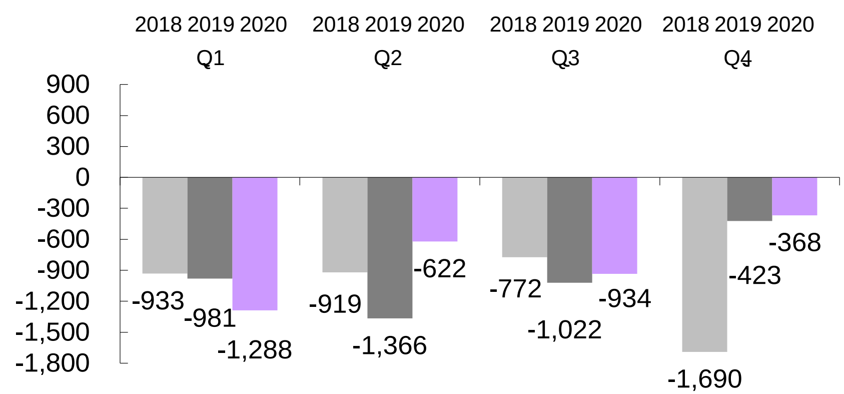
- Jurlique
  Launch new body care (October)

Body Exfoliating Gel M

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



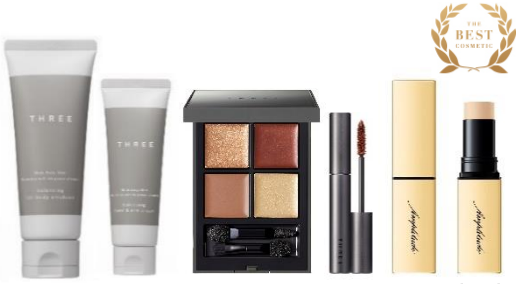
Brand Analysis (4) Brands Under Development

FY2020 Results

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

Topics

- Won best cosmetics awards

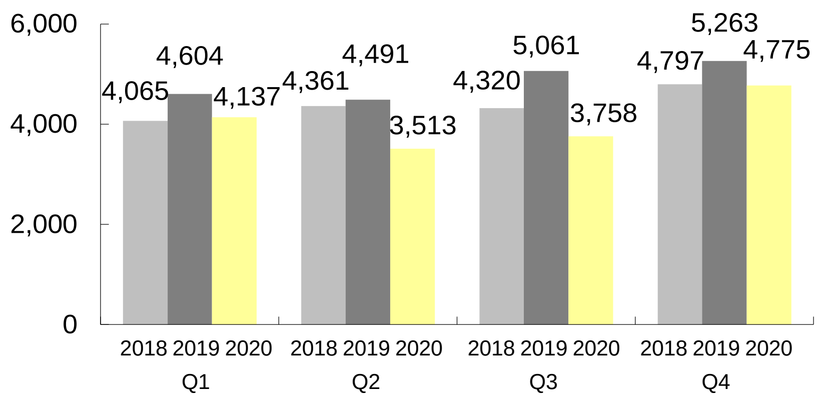


Q4	Results (mil. yen)	YoY Change
Net sales	16,186	(16.7%)
Operating income[1]	(2,076)	(1,282)
ACRO Net sales	8,926	(26.9%)
ACRO OP income[1]	(2,952)	(1,124)
(THREE Net sales)	7,138	(35.5%)
(THREE OP income) [1]	(971)	(1,443)
DECENCIA Net sales	5,495	17.3%
DECENCIA OP income	678	16.7%

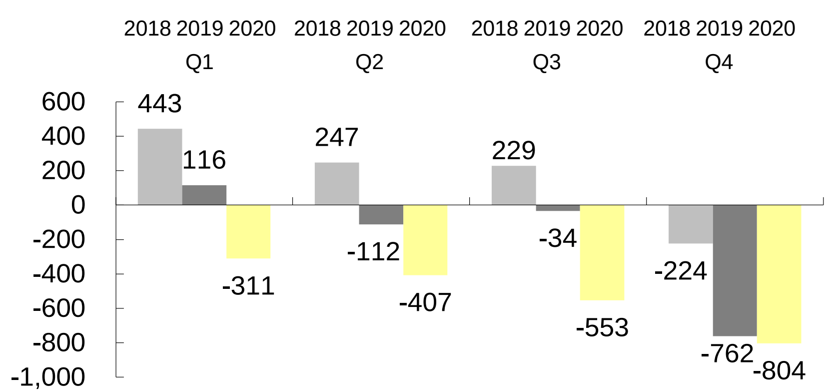
Key indicators		
THREE	# of stores in Japan (vs. Dec. 2019)	125(up 4)
	# of stores overseas (vs. Dec. 2019) (in 7 countries & regions)	61 (unchanged)
	Overseas sales ratio	22%

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

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



POLA ORBIS HOLDINGS

Part I Fiscal 2020 Consolidated Performance

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

Forecasts for Fiscal 2021

(mil. yen)	FY2020	YoY Change		FY2021	YoY Change	
	Full-year Results	Amount	%	Full-year Plan	Amount	%
Consol. net sales	176,311	(43,609)	(19.8%)	190,000	13,688	7.8%
Beauty care	171,658	(43,228)	(20.1%)	185,900	14,241	8.3%
Real estate	2,291	(327)	(12.5%)	2,000	(291)	(12.7%)
Others	2,361	(53)	(2.2%)	2,100	(261)	(11.1%)
OP income	13,752	(17,384)	(55.8%)	19,000	5,247	38.2%
Beauty care	12,965	(17,228)	(57.1%)	18,850	5,884	45.4%
Real estate	710	(310)	(30.4%)	600	(110)	(15.6%)
Others	128	(2)	(1.8%)	50	(78)	(61.0%)
Reconciliations	(51)	156	-	(500)	(448)	-
Ordinary income	12,579	(18,051)	(58.9%)	19,000	6,420	51.0%
Net income attributable to owners of parent	4,632	(15,062)	(76.5%)	11,300	6,667	144.0%

Assumed exchange rates : 1.00 AUD = 76 JPY (PY 73.66) 1.00 USD = 107 JPY (PY 106.81) 1.00 CNY = 15.4 JPY (PY 15.48)

	FY2020	FY2021（plan）
Shareholder returns	Annual ¥50 Consol. Payout ratio 238.8%	Annual ¥51 (Interim ¥20, Year-end ¥31) Consol. payout ratio 99.8%
Capital investment	¥8,464 mil.	¥11,000 mil. - ¥13,000 mil.
Depreciation	¥7,255 mil.	¥7,000 mil. - ¥8,000 mil.

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Part II 2021 – 2023 Medium-term Management Plan

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

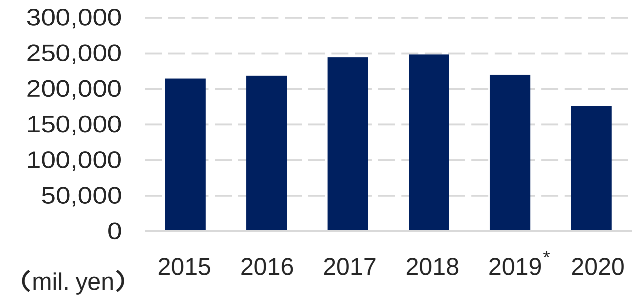
Overview of 2017-2020 Medium-term Management Plan

【Management Indicators】

FY2020 Results

Net sales

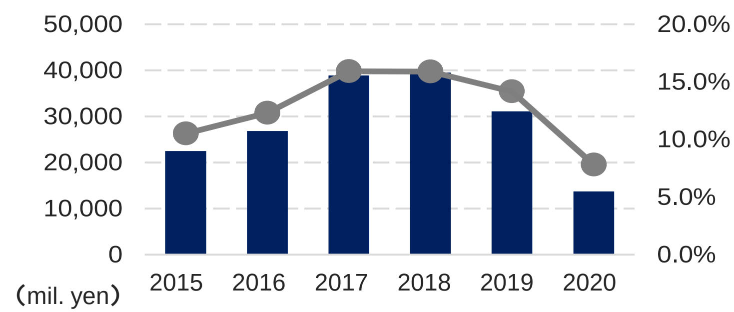
¥250.0 bil. → **¥176.3 bil.**



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

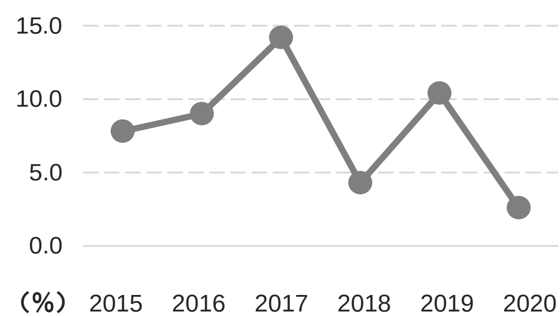
Operating income

Operating margin **15 % or higher** → Operating margin **7.8 %**



ROE

12 % → **2.6 %**



Overview of 2017-2020 Medium-term Management Plan

【Growth Strategies】

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

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

Part II 2021 – 2023 Medium-term Management Plan

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Impact of COVID-19 and Our Response

Changes in the External Environment and the Acceleration of Trends Due to COVID-19

Channel Shift Caused by New Normal

Storefront operations

E-commerce

Acceleration of DX

Increasing speed of DX

Decrease in Inbound Demand

Inbound demand

Demand in mainland China

Diversification of Values and New Needs

- Pursuit of intrinsic quality
- Self expression
- Increased demand for skincare
- Workstyle reforms
- Diversity

Evolve our strengths in response to sudden changes in the external environment, to return to a growth trajectory

“Direct selling,” “Skincare,” “Multi-brand”

- Evolve direct selling by using digital technologies
- Create even more strongly differentiated products/services, and expand domains
- Collection of unique brands which enrich consumers’ lives, in response to increasingly diverse perceptions of “beauty”

“Beauty” domain

Cosmetics Skincare

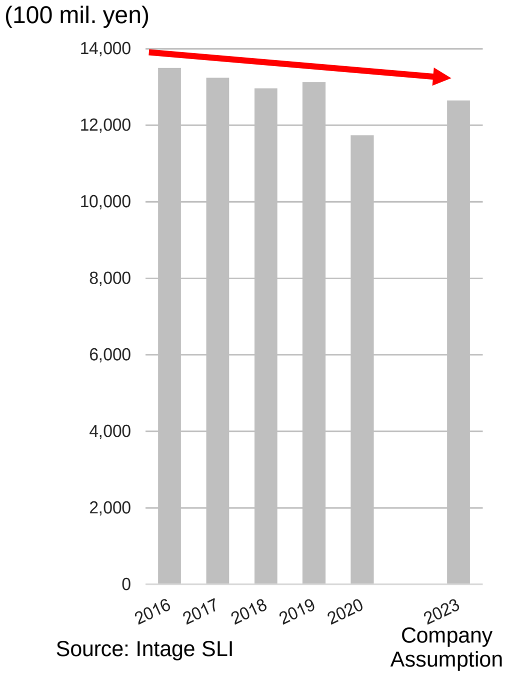
Short- to Medium-term Issues to Be Addressed Promptly

Structural reform of channels	DX	Accelerate development of the mainland China and travel retail market	Research and development Human resources development Women’s empowerment

<u>In addition, promote rationalization across all areas, including cost structure and workstyles</u>

Trends in the Cosmetics Market

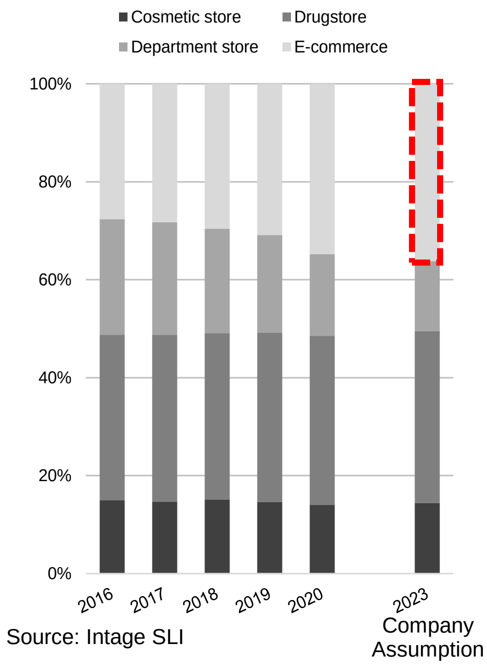
Domestic cosmetics market



Source: Intage SLI

Estimated based on data published in Sep. 2020

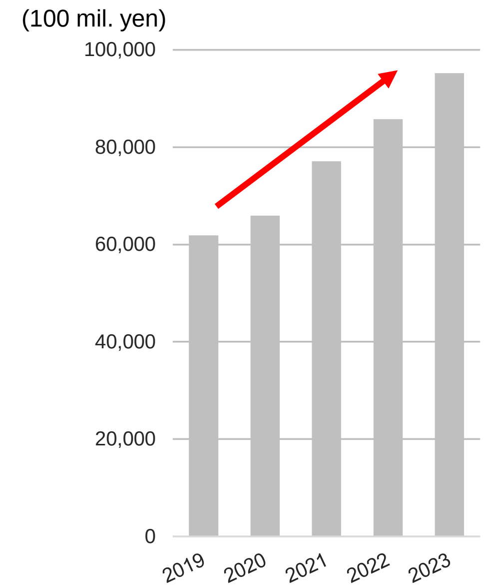
Percentage by Route



Source: Intage SLI

Estimated based on data published in Sep. 2020

China Cosmetics Market



Source: Euromonitor

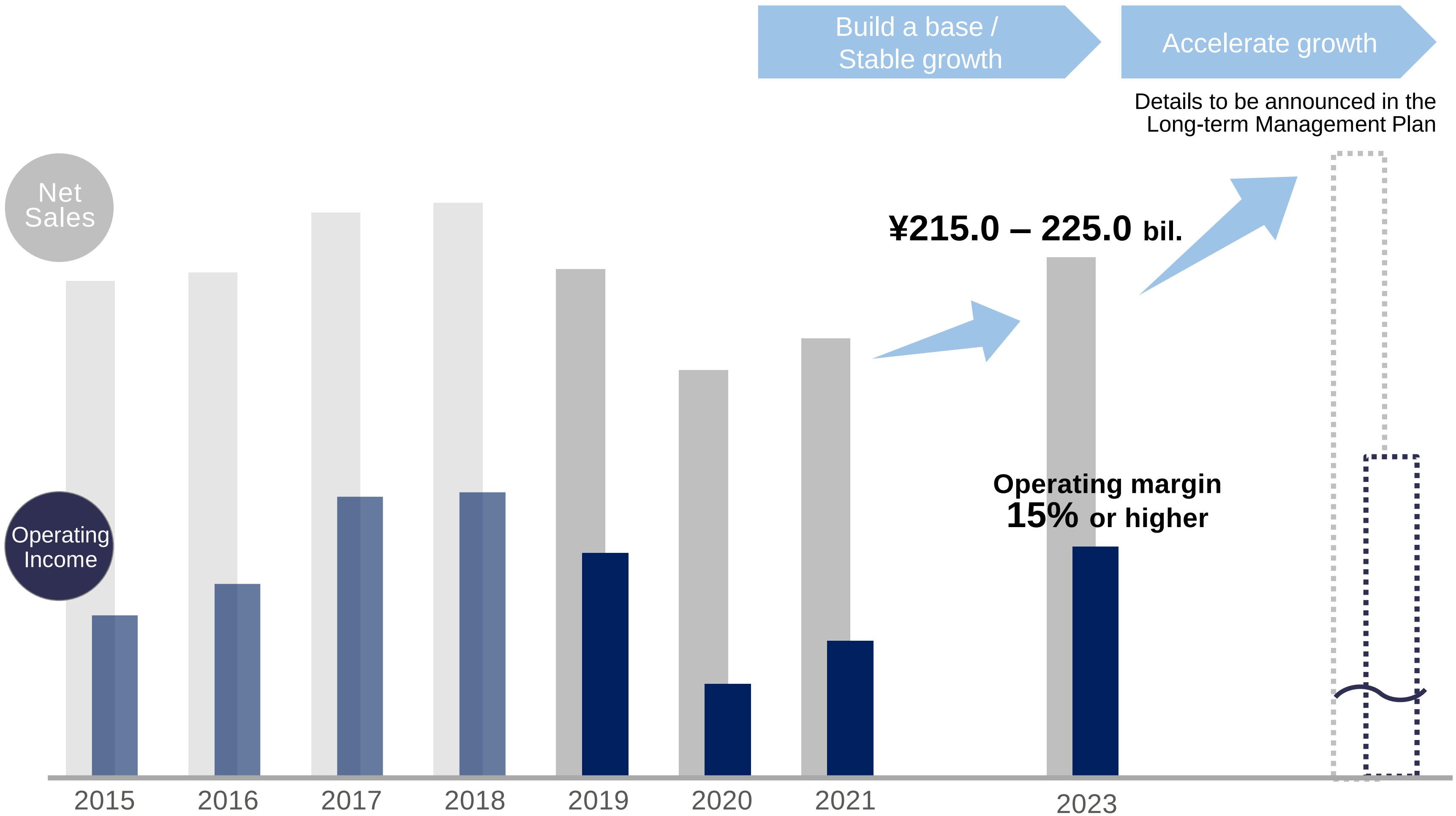
Aug. 2020 Data published

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

*Market data collection methods differ among survey companies

Positioning of the New Medium-term Management Plan (2021-2023)

Position the period of the New Medium-term Management Plan (2021-2023) as a time to build a base for sustainable growth



Aim to recover to the performance exceeding 2019 levels prior to COVID-19 by 2023

2021 – 2023 Medium-term Management Plan

Management Indicators for 2023

Net Sales	■ Consolidated net sales	⇒ **¥215.0 to 225.0 bil.** in FY2023 CAGR 7 to 9**%**
	■ Overseas sales ratio	⇒ **20 to 25%** in FY2023 CAGR 20 to 25**%** (15% in FY2020)
	■ Domestic e-commerce sales ratio	⇒ **30%** in FY2023 (24% in FY2020)
Operating Income	■ Operating margin	⇒ **15% or higher** in FY2023
	■ Operating income	⇒ CAGR **30% or higher**
Capital Efficiency	■ ROE	⇒ **12%** in FY2023
Shareholder Returns	■ Consolidated payout ratio	⇒ **60% or higher**

Strategy 1. Evolve domestic direct selling

Strategy 2. Grow overseas businesses profitably

Strategy 3. Profit contribution from brands under development

Strategy 4. Strengthen operations

Strategy 5. Expand new brands and domains of “beauty”

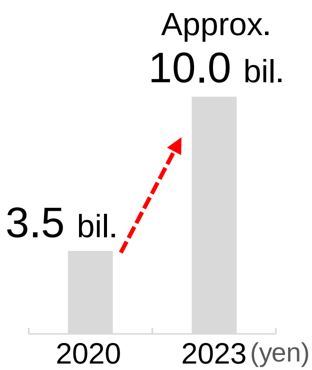
Strategy 1. Evolve Domestic Direct Selling: POLA

■ Construct a digital platform spanning all sales channels
Redesign communication for each channel, maximize value provided and enhance operational efficiency

Domestic E-commerce

Sales CAGR 40% in FY2021 to FY2023

E-commerce sales



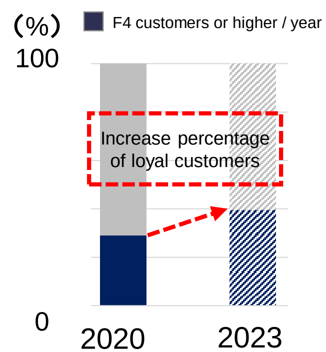
- Strong purely new customer acquisition (+90% YoY in 2020)
- Establish a business model with continuity and profitability

Consignment Sales

Sales CAGR 1 to 2% in FY2021 to FY2023

Strengthen the development of loyal customers, and build a stable customer base

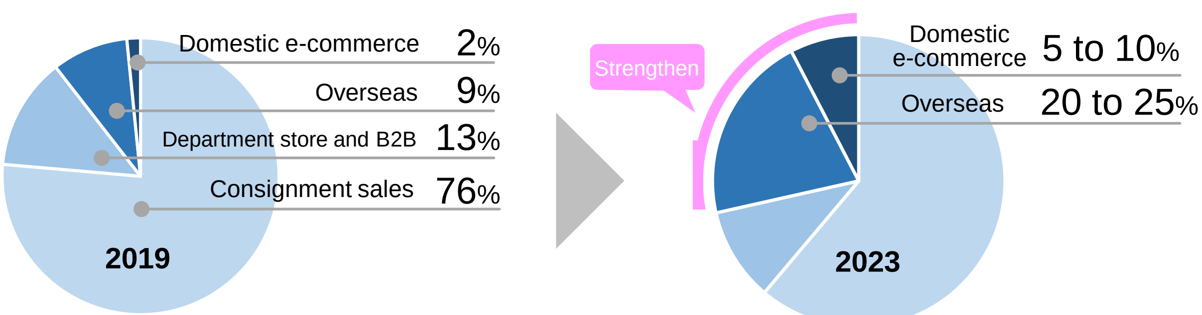
Customer structure



- Strengthen capacity for personalized proposals using the new OMO platform
- Expand customer networks online
- Leverage the individuality of each Beauty Director to strengthen influence
  - Communicate information from shop accounts with an awareness of the local customers nearby
  - Attract aesthetic treatment customers by using Zoom online events and Instagram posts

Structural Reform of Sales Channels

Overall of POLA: Sales CAGR 7 to 9% in FY2021 to FY2023



- The new 3-year business plan drivers of growth will be "domestic e-commerce" and "overseas"
- Enhance profitability through structural reform of sales channels

ORBIS

Strategy 1. Evolve Domestic Direct Selling: ORBIS

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

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

*Percentage of domestic sales

Expand Skincare Market Share

Main skincare series

Special care

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

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

Strengthen Unit Economics

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

Accelerate DX

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

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

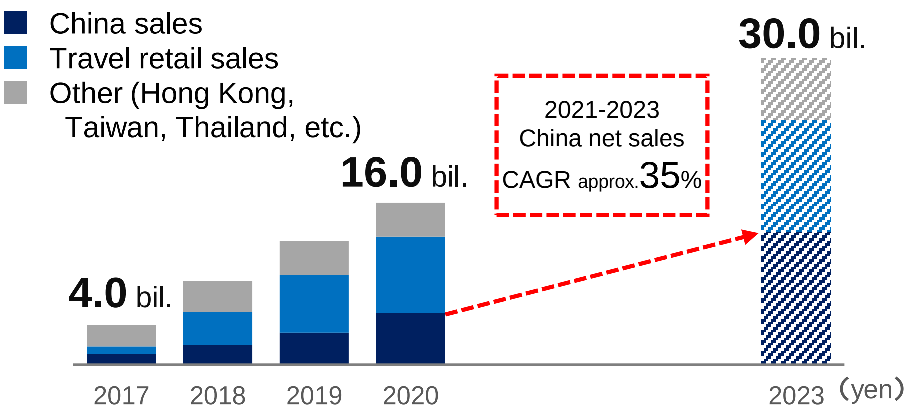
Skin Mirror
skin measurement IoT device

Strategy 2. Grow Overseas Businesses Profitably: POLA

China and travel retail will drive growth

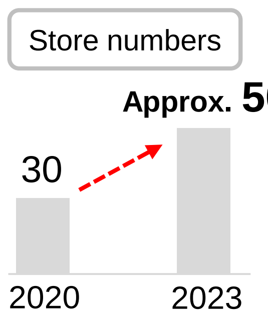
Overseas Net Sales Trend

Sales CAGR 20 to 25% in FY2021 to FY2023



Travel Retail

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



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

⇒ Aim to maximize competitiveness in high-growth channels

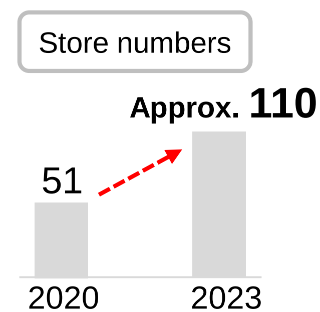
China

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

Online

- Expand investment and strengthen digital communication

Offline



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

Strategy 2. Grow Overseas Businesses Profitably: Overseas Brands

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

Jurlique

2019 – 2020

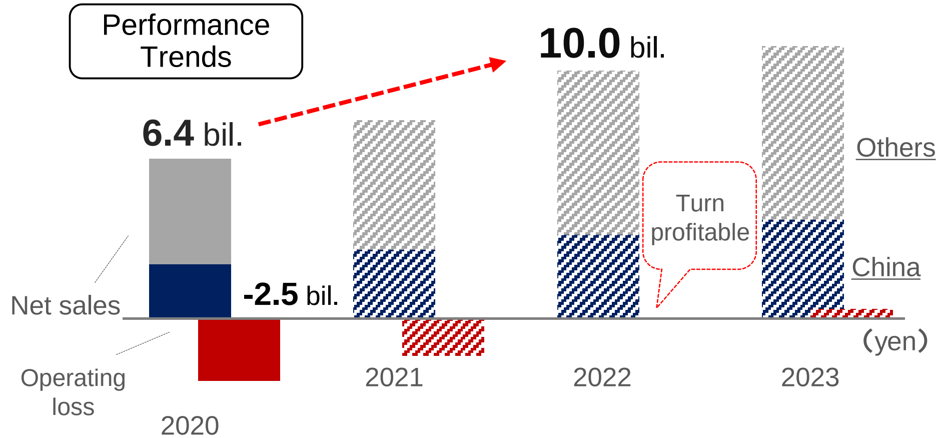
- Rebuild the business base
  - Lower the breakeven point through cost structure reform and maximum fixed cost reductions
  - Shift from wholesale to retail business
  - Business model change in China

2021 – 2023

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

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

Performance Trends



Sales CAGR 15 to 20% in FY2021-FY2023

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

Breakeven net sales
2022 approx.10.0 bil. yen

H2O+

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

Hydration Age Renew Collection

Strategy 3. Profit Contribution From Brands Under Development

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

THREE Amplitude ITRIM FIVEISM × THREE

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

THREE new base makeup series

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

DECENCIA

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

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

Strategy 4. Strengthen Operations: R&D

Direction of Research and Development

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

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

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

<Research and Development Structure>

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

Approach to Investment in Research and Development

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

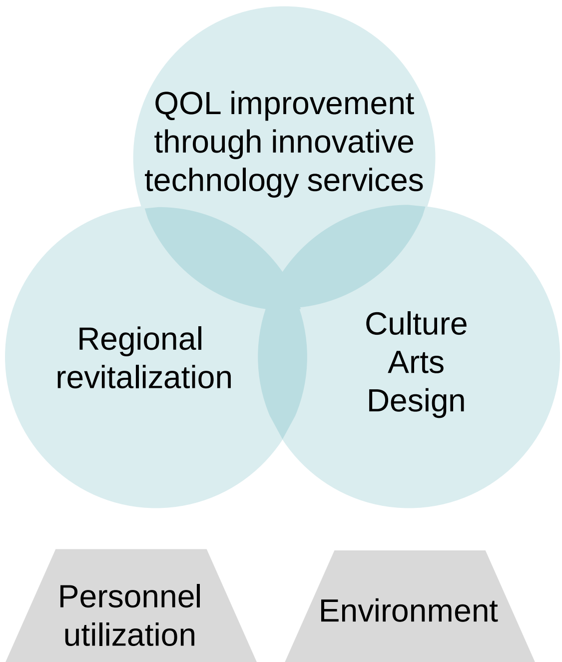
Strategy 4. Strengthen Operations: Sustainability

The Sustainability Policy that Supports Our Medium-term Management Plan

Our Group philosophy “Sensitize the world to beauty”

We will respond to dramatic social change and renew our commitment to sustainability to realize our philosophy

Establish five categories → **Establish KPIs** → **Achieve the SDGs**



- Number of businesses created
- Enhance work-life balance
- Brand recognition and loyalty
- Number of research awards won at home and aboard, and number of researchers in cutting-edge dermatology research

- Number of regional entrepreneur owners
- Number of initiatives to contribute to the local economy

- Creation number of new brand experiences which utilized art
- Number of participants in liberal arts workshops

- Percentage of female executives and managers
- Rate of candidates for management executives
- Number of people leaving the company for health reasons

- CO_2 emissions (Scope 1, 2)
- Water consumption
- Waste

Number of businesses created and CO_2 emission reductions are linked to company goals and medium-term incentive compensation for corporate executives

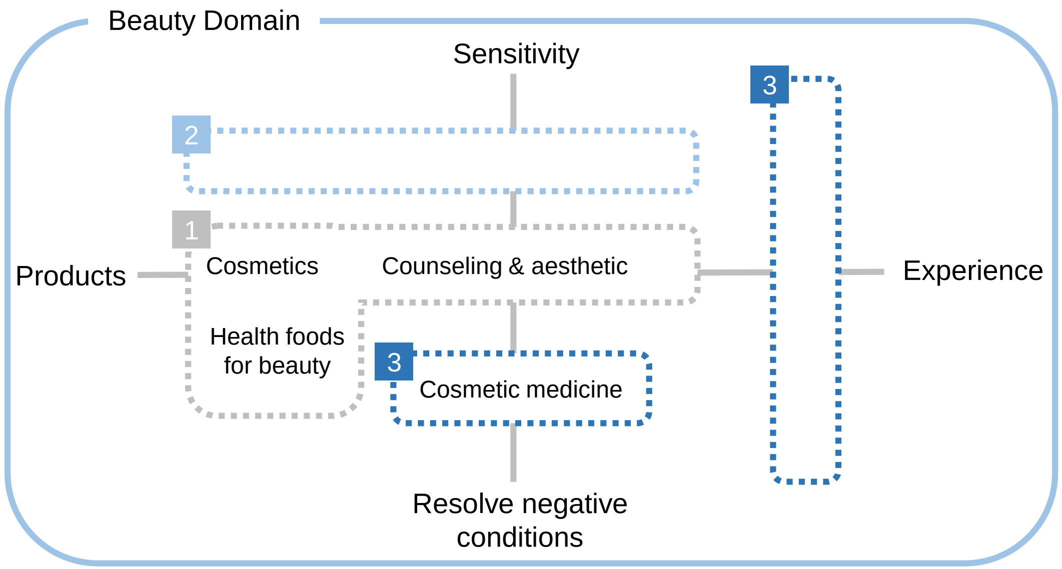
Details on the Group’s ESG information: https://www.po-holdings.co.jp/en/csr/index.html

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

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

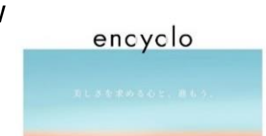
Business Expansion to Create New Value

1. Resolve current issues
2. Expand product offerings in existing businesses
3. Create new value beyond the bounds of cosmetics



【Initiatives】

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



POLA ORBIS HOLDINGS

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

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

tricot

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

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

Summary

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

Products

FUJIMI
Personalized supplement

FUJIMI
Personalized face mask

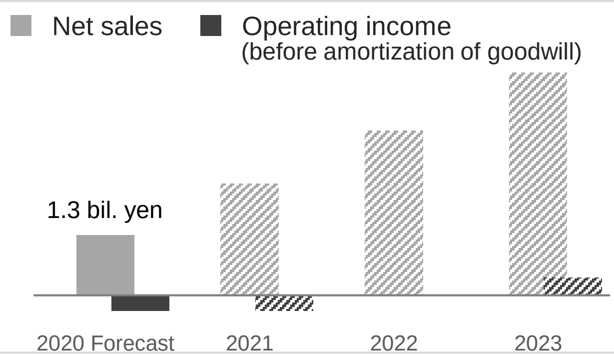
Features & Advantages

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

Expected Synergies

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

Performance Trend and 3-Year Plan Concept



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

Become profitable by 2022

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

Improvement in Capital Efficiency and Shareholder Returns

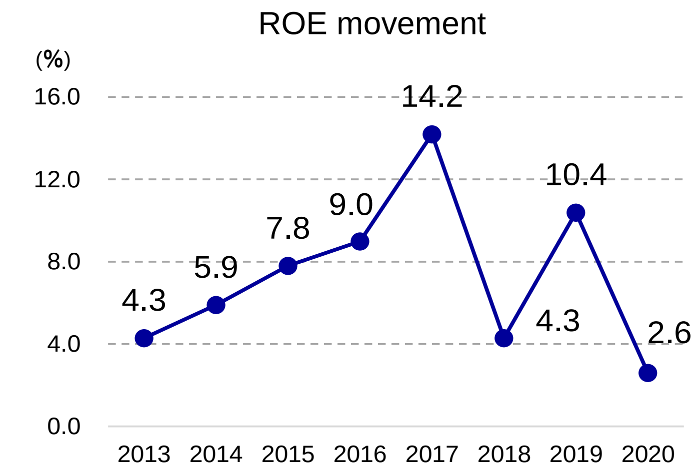
Initiatives to Improve Capital Efficiency

Target for 2023
ROE 12%
(Return on equity)

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

EPS:
- Operating income CAGR30%
- 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

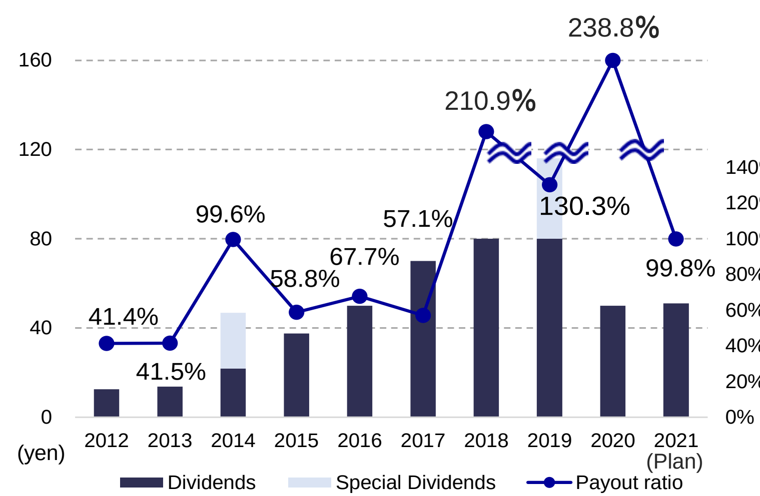


Improvement of Shareholder Return

Basic Policy :

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

Dividends forecast for FY2021:
- Dividend per share : **¥51** (Interim ¥20, Year-end ¥31)
- Consol. payout ratio : 99.8%



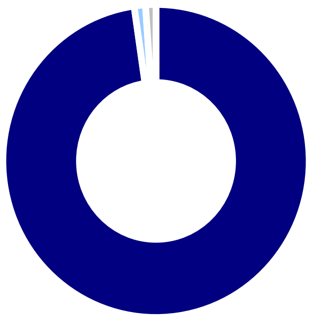
Part II 2021 – 2023 Medium-term Management Plan

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

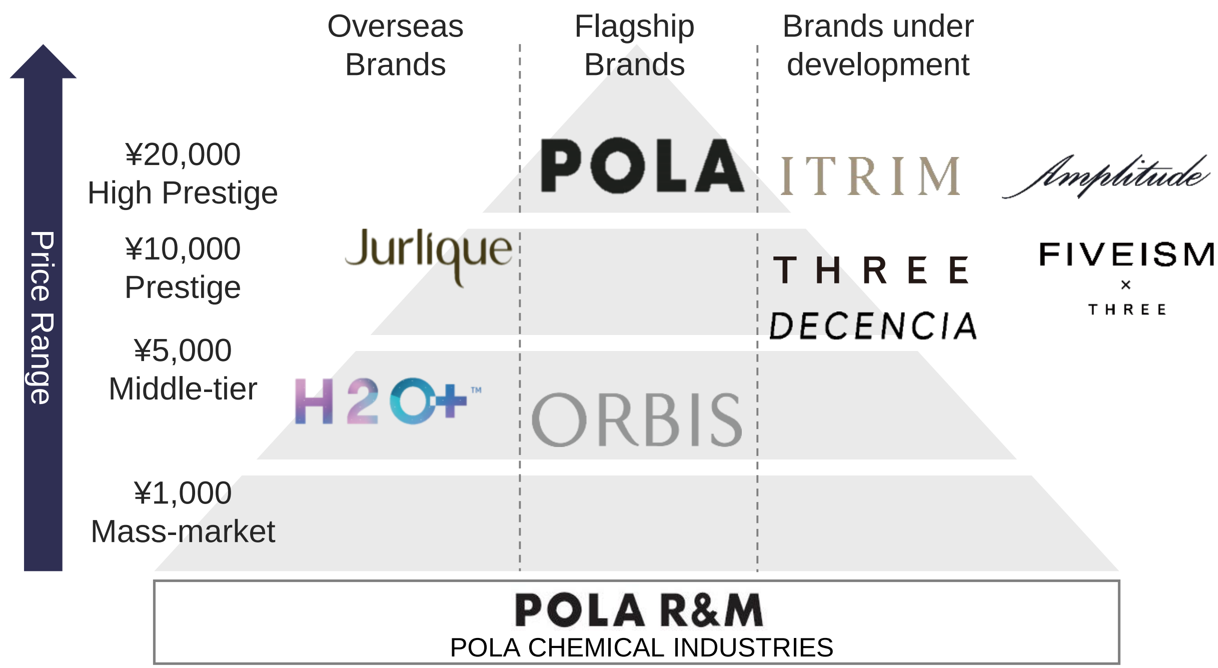
(Appendix) About POLA ORBIS Group

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

FY2020
Consol. Net Sales
¥176.3 bil.



- Beauty care business 98%
- Real estate business 1%
- Other businesses 1% (building maintenance business)



Our strengths

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

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

(Appendix) Beauty Care Business Brand Portfolio

	Sales ratio*	Brand	Concept and products	Price	Main sales channel
Flagship brands	60%	POLA Since 1929	■ High-prestige skincare ■ Leading-edge technology in aging-care and skin-whitening fields	Approx. ¥10,000 or higher	■ JP: Consignment sales through Beauty Directors, department stores and e-commerce ■ Overseas: Department stores, directly-operated stores, DFS[1] and cross-border e-commerce
	26%	ORBIS Since 1984	■ Aging-care brand to draw out people's intrinsic beauty	Approx. ¥1,000~ ¥3,000	■ JP: Mail-order (online and catalog) and directly-operated stores ■ Overseas: E-commerce, cross-border e-commerce, and DFS[1]
Overseas Brands	4%	Jurlique Acquired in 2012	■ Premium natural skincare brand from Australia	Approx. ¥5,000 or higher	■ AU: Department stores, directly-operated stores and e-commerce ■ Overseas: Department stores, directly-operated stores, DFS[1] and cross-border e-commerce
	1%	H2O+™ Acquired in 2011	■ Skincare with concept of innovation and power of pure water	Approx. ¥4,000 not sold in Japan	■ US: E-commerce, hotel amenities
Brands under develop-ment	9%	THREE Since 2009	■ Skincare made with natural ingredients from Japan and fashion-forward make-up	Approx. ¥5,000 or higher	■ JP: Department stores, directly-operated stores and e-commerce ■ Overseas: Department stores, DFS[1] and cross-border e-commerce
		Amplitude Since 2018	■ High prestige quality makeup from Japan	Approx. ¥5,000~ ¥10,000	■ JP: Department stores and e-commerce ■ Overseas: DFS[1] and cross-border e-commerce
		ITRIM Since 2018	■ Premium skincare made from finely selected organic ingredients	Approx. ¥20,000	■ JP: Department stores and e-commerce ■ Overseas: DFS[1] and cross-border e-commerce
		FIVEISM × THREE Since 2018	■ Industry's first men's cosmetics focusing on makeup	Approx. ¥2,000~ ¥12,000	■ JP: Department stores, directly-operated stores and e-commerce ■ Overseas: DFS[1] and cross-border e-commerce
		DECENCIA Since 2007	■ Skincare for sensitive skin	Approx. ¥5,000~ ¥10,000	■ JP: E-commerce, department store ■ Overseas: Cross-border e-commerce

Operated by ACRO INC.

*Sales ratio in the beauty care business as of FY2020

(1) Duty free stores

POLA ORBIS HOLDINGS

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

(mil. yen)	FY2018 Results	FY2019 Results	FY2020 Results	2019 vs 2020 YoY change Amount	%
Consolidated net sales	248,574	219,920	176,311	(43,609)	(19.8%)
Beauty care net sales	231,207	214,886	171,658	(43,228)	(20.1%)
POLA	150,183	135,502	102,888	(32,613)	(24.1%)
ORBIS	51,051	50,726	45,415	(5,310)	(10.5%)
Jurlique	10,386	7,765	6,444	(1,320)	(17.0%)
H2O PLUS	2,041	1,470	722	(747)	(50.9%)
Brands under development	17,544	19,421	16,186	(3,235)	(16.7%)
Consol. operating income	39,496	31,137	13,752	(17,384)	(55.8%)
Beauty care operating income	38,294	30,193	12,965	(17,228)	(57.1%)
POLA	32,574	25,529	10,927	(14,602)	(57.2%)
ORBIS	9,340	9,252	7,329	(1,923)	(20.8%)
Jurlique	(3,763)	(2,968)	(2,489)	479	-
H2O PLUS	(552)	(825)	(724)	100	-
Brands under development	695	(794)	(2,076)	(1,282)	-

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