

# Financial Results of 2021 2022 – 2029 Long-term Management Plan

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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.

## Part I Fiscal 2021 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis

## Part II 2022 – 2029 Long-term Management Plan

1. 2022 – 2029 Long-term Management Plan
2. 2029 Sustainability and ESG Policies

## Part III Forecasts for Fiscal 2022 and Initiatives Going Forward

1. Progress on the Medium-term Management Plan
2. Forecasts for Fiscal 2022
3. Initiatives Going Forward & Appendices

## Part I Fiscal 2021 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis

## Cosmetics Market

- The overall size of the Japanese cosmetics market (including exports) continued to shrink
- The impact of COVID-19 persisted in the Japanese market. Despite a gradual recovery after restrictions such as the state of emergency were lifted at the end of September, the outlook remained unclear due to the spread of new COVID-19 variants
- The Chinese market suffered lockdowns and restrictions on storefront operations due to COVID-19

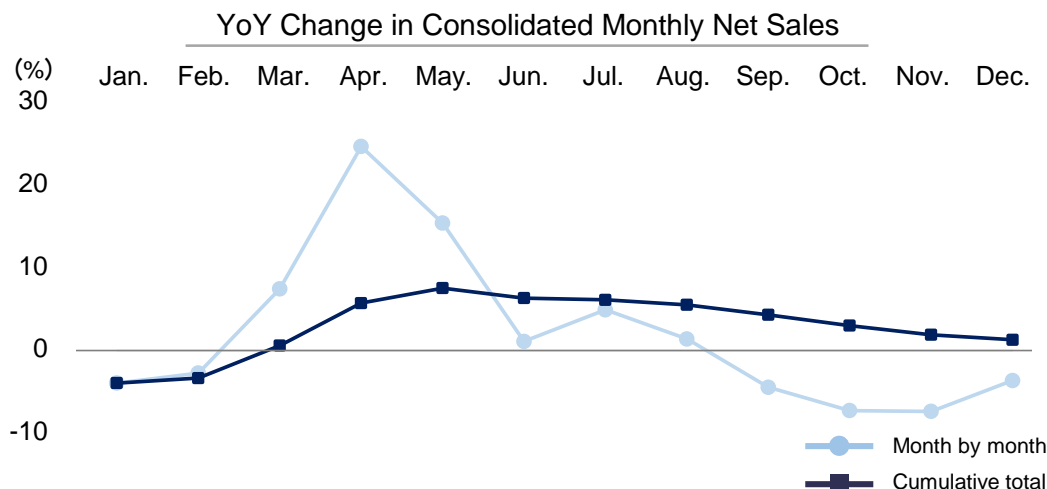
Source: Ministry of Economy, Trade and Industry, Ministry of Internal Affairs and Communications, Japan Tourism Agency, Japan Department Stores Association, Intage SLI, and National Bureau of Statistics of China

## Our Group

- Consolidated revenue and income increased, with revenue growth mainly from POLA domestic e-commerce and POLA overseas
- ORBIS revenue decreased, but skincare sales grew
- Domestic storefront operations continued to struggle as a whole, and the recovery was slow
- Losses were ameliorated in overseas brands as anticipated

Medium-term Management Plan Indicators (FY2021 YTD)	
Overseas sales ratio	18.2% (+3.2 ppt*)
Domestic e-commerce sales ratio	27.1% (+3.2 ppt*)

\*vs Dec. 2020



- Compared to 2020 when the market shrank due to COVID-19, consolidated net sales increased year on year from March, but the recovery in storefront operations came to a standstill from the third quarter onwards due to the prolonged state of emergency and restrictions on the flow of people
- The state of emergency was lifted in October, but the recovery remained only gradual

# Actual vs Planned Variance Analysis

(mil. yen)	FY2020	FY2021	YoY change		Initial Plan	vs. Plan	
	Results	Results	Amount	%		Amount	%
Consol. net sales	176,311	178,642	2,331	1.3%	190,000	(11,357)	(6.0%)
Operating income	13,752	16,888	3,135	22.8%	19,000	(2,111)	(11.1%)
Ordinary income	12,579	18,968	6,388	50.8%	19,000	(31)	(0.2%)
Profit attributable to owners of parent	4,632	11,734	7,102	153.3%	11,300	434	3.8%

Average exchange rates: 1.00 AUD = 82.48 JPY, 1.00 USD = 109.8 JPY, 1.00 CNY = 17.03 JPY

	Variance from Initial Plan	Major Factors of the Variance
Consolidated net sales	-¥11,357 mil. (down 6.0%)	<ul style="list-style-type: none"> <li>■ POLA (down approx. ¥6,800 mil.)</li> <li>■ ORBIS (down approx. ¥2,600 mil.)</li> <li>■ Brands under development (down approx. ¥2,200 mil.)</li> </ul>
Operating income	-¥2,111 mil. (down 11.1%)	<ul style="list-style-type: none"> <li>■ POLA: Improved profit structure due to an improvement in the cost of sales ratio and the management of sales related expenses compensated for the variance in net sales (up approx. ¥270 mil.)</li> <li>■ ORBIS: Decrease in gross profit (down approx. ¥1,400 mil.)</li> <li>■ Brands under development: Decrease in gross profit and optimization of costs (down approx. ¥350 mil.)</li> </ul>
Ordinary income	-¥31 mil. (down 0.2%)	<ul style="list-style-type: none"> <li>■ Foreign exchange gain offset the variance in operating income</li> </ul>
Profit attributable to owners of parent	¥434 mil. (up 3.8%)	<ul style="list-style-type: none"> <li>■ Reflects extraordinary income associated with the acquisition of the shares of tricot, Inc.</li> </ul>

# Consolidated P&L Changes Analysis

## Net Sales to Operating Income

(mil. yen)	FY2020 Results	FY2021 Results	YoY Change	
			Amount	%
Consolidated net sales	176,311	178,642	2,331	1.3%
Cost of sales	29,979	28,720	(1,258)	(4.2%)
Gross profit	146,331	149,921	3,590	2.5%
SG&A expenses	132,578	133,033	454	0.3%
Operating income	13,752	16,888	3,135	22.8%

### Key Factors

- **Consol. net sales** Increased on a consolidated basis, with revenue growth mainly from POLA overseas, although storefront operations suffered the impact of COVID-19
- **Cost of sales** Cost of sales ratio decreased due to an increase in the contribution from POLA  
Cost of sales ratio FY2020: 17.0% ⇒ FY2021: 16.1%
- **SG&A expenses** Labor expenses: up ¥1,336 mil. YoY  
Sales commissions: down ¥2,003 mil. YoY  
⇒ Decreased due to lower POLA consignment sales  
Sales related expenses: down ¥1,121 mil. YoY  
Administrative expenses, etc.: up ¥2,242 mil. YoY  
⇒ Increased due to the expansion of POLA overseas and a reactionary increase after the transfer of some COVID-19 related expenses to extraordinary losses in the previous year
- **Operating income** Operating margin FY2020: 7.8% ⇒ FY2021: 9.5%

# Consolidated P&L Changes Analysis

## Operating Income to Profit Attributable to Owners of Parent

(mil. yen)	FY2020	FY2021	YoY Change	
	Results	Results	Amount	%
Operating income	13,752	16,888	3,135	22.8%
Non-operating income	344	2,297	1,953	567.9%
Non-operating expenses	1,517	217	(1,299)	(85.7%)
Ordinary income	12,579	18,968	6,388	50.8%
Extraordinary income	880	383	(496)	(56.4%)
Extraordinary losses	4,291	1,740	(2,551)	(59.4%)
Profit before income taxes	9,169	17,612	8,443	92.1%
Income taxes etc.	4,527	5,821	1,293	28.6%
Profit attributable to non-controlling interests	9	56	47	502.9%
Profit attributable to owners of parent	4,632	11,734	7,102	153.3%

### Key Factors

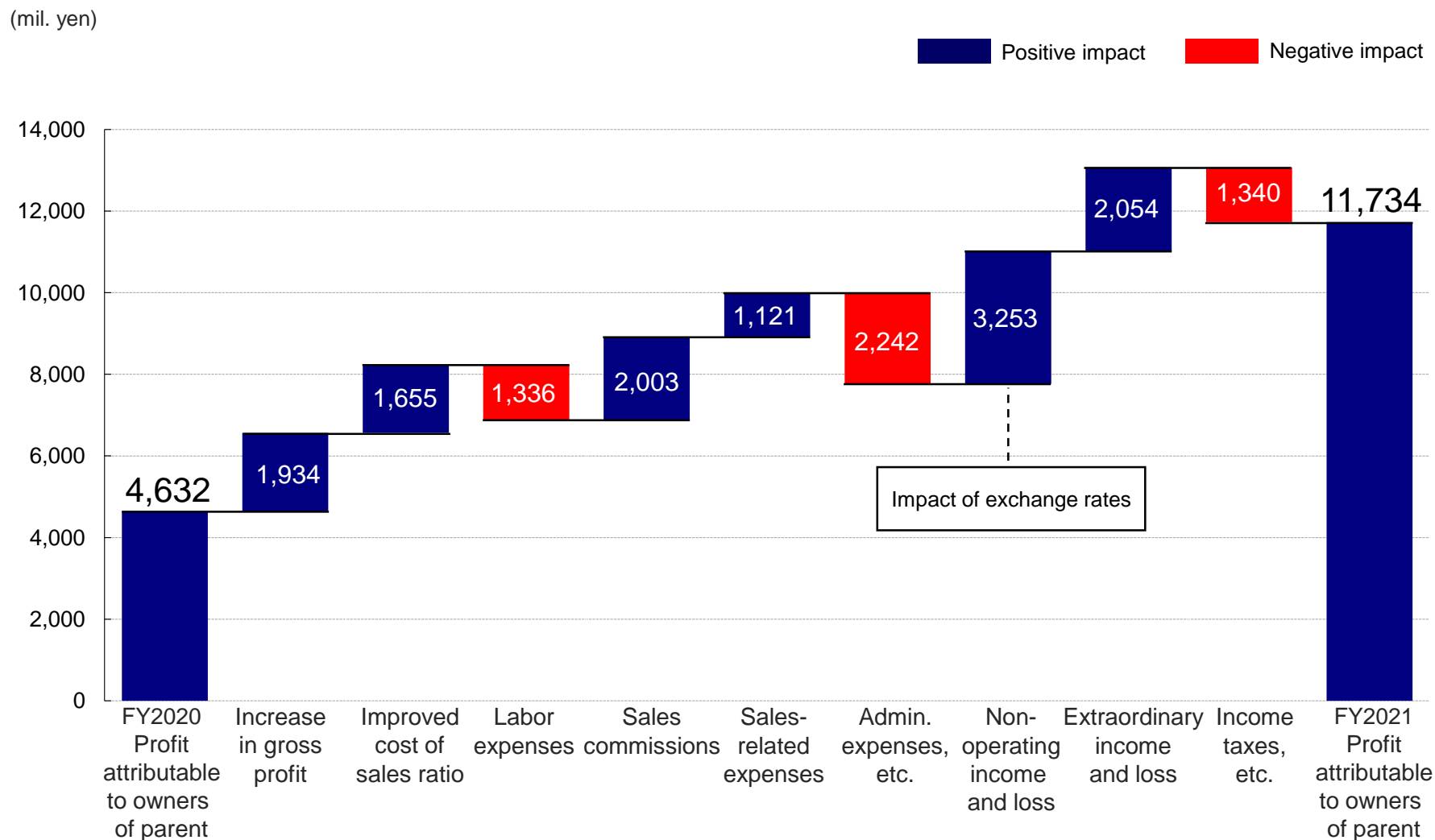
■ Non-operating income: Foreign exchange gain ¥1,974 mil.

■ Extraordinary losses: Loss related to COVID-19 ¥180 mil.

(Breakdown: POLA ¥39 mil. ORBIS ¥75 mil. ACRO ¥39 mil.)

[Reference] FY2020: 1,283 mil. (Breakdown: POLA ¥379 mil. ORBIS ¥501 mil. ACRO ¥293 mil.)

An increase in gross profit, a change in the business structure, and the impact of the exchange rate boosted profit attributable to owners of parent by ¥7,102 million YoY





## Part I Fiscal 2021 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis

## Segment Results

(mil yen)	FY2020 Results	FY2021 Results	YoY Change	
			Amount	%
Consolidated net sales	176,311	178,642	2,331	1.3%
Beauty care	171,658	174,150	2,492	1.5%
Real estate	2,291	2,112	(179)	(7.8%)
Others	2,361	2,379	18	0.8%
Operating income	13,752	16,888	3,135	22.8%
Beauty care	12,965	17,060	4,094	31.6%
Real estate	710	488	(222)	(31.2%)
Others	128	70	(57)	(45.1%)
Reconciliations	(51)	(731)	(679)	-

### Segment Results Summary

- Beauty care Revenue increased year on year, due to a revenue increase primarily in POLA  
Operating income increased due to an increase in gross profit and an increase in contribution from POLA domestic e-commerce and overseas sales
- Real estate Revenue and income decreased due to the departure of some tenants as buildings is being remodeling
- Others Income decreased in the building maintenance business

## Beauty Care Business Results by Brands

(mil. yen)	FY2020 Results	FY2021 Results	YoY Change	
			Amount	%
Beauty care net sales	171,658	174,150	2,492	1.5%
POLA	102,888	105,168	2,279	2.2%
ORBIS	45,415	43,389	(2,026)	(4.5%)
Jurlique	6,444	7,838	1,393	21.6%
H2O PLUS	722	1,116	394	54.6%
Brands under development	16,186	16,637	451	2.8%
Beauty care operating income	12,965	17,060	4,094	31.6%
POLA	10,927	16,374	5,447	49.8%
ORBIS	7,329	5,925	(1,403)	(19.1%)
Jurlique	(2,489)	(1,536)	953	-
H2O PLUS	(724)	(802)	(77)	-
Brands under development	(2,076)	(2,901)	(824)	-

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

### FY2021 Results

- Domestic consignment sales struggled, even after the state of emergency was lifted, while high growth continued in e-commerce sales
- Overseas revenue increased, and sales in Mainland China grew 38% YoY despite the impact of lockdowns, etc. due to COVID-19
- Income increased significantly due to an increase in the contribution from domestic e-commerce and overseas sales

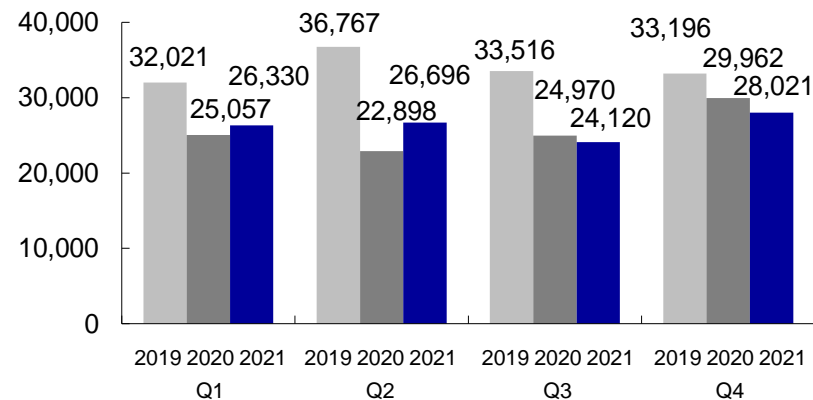
Q4 (YTD)	Results (mil. yen)	YoY Change
Net sales	105,168	2.2%
Operating income	16,374	49.8%
Key indicators		
Sales ratio	Consignment sales	68.4%
	Overseas	18.8%
	Domestic e-commerce	5.0%
	Dept. store, B2B	7.8%
Sales growth*	Consignment sales	down 5.2%
	Overseas	up 24.6%
	Domestic e-commerce	up 49.8%
	Dept. store, B2B	up 6.8%
Consignment sales channel	# of sales offices**	3,227 (down 553)
	# of PB**	588 (down 48)
	Purchase per customer*	up 1.5%
	# of customers*	down 5.0%
Number of stores overseas**		132 (up 22)

### Topics

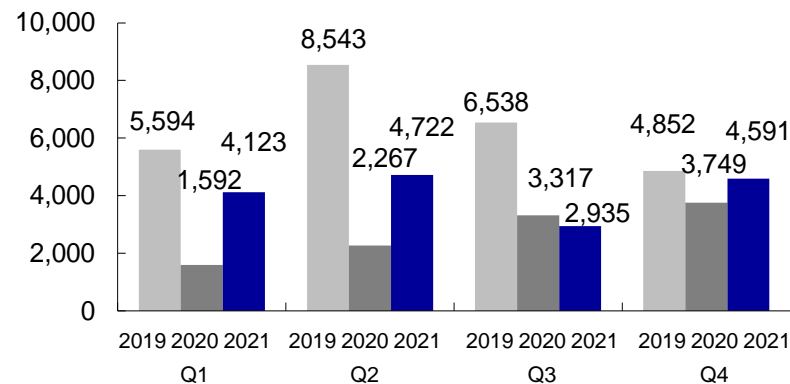
- Launched the new app *PORTAL by POLA* (November)



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



\*YoY basis, \*\* vs Dec. 2020

### FY2021 Results

- Sales grew of high-function special care with features such as improving wrinkles and brightening the skin, and revenue for the skincare category increased
- The number of existing customers decreased due to marketing focused on LTV, but purchase per customer recovered

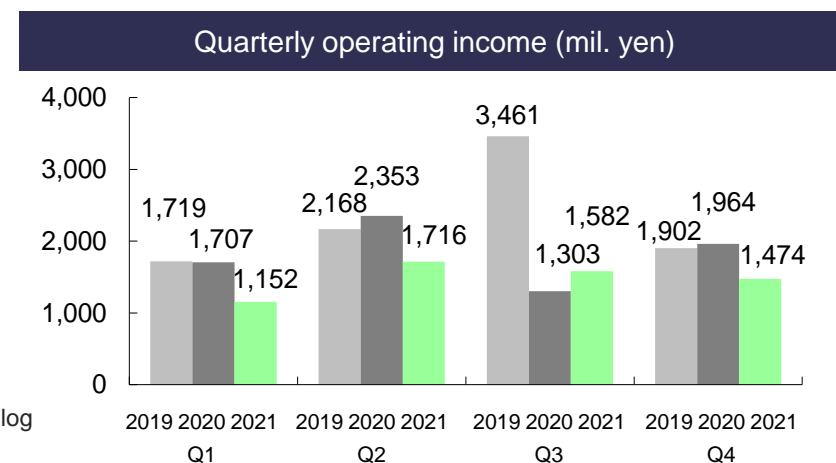
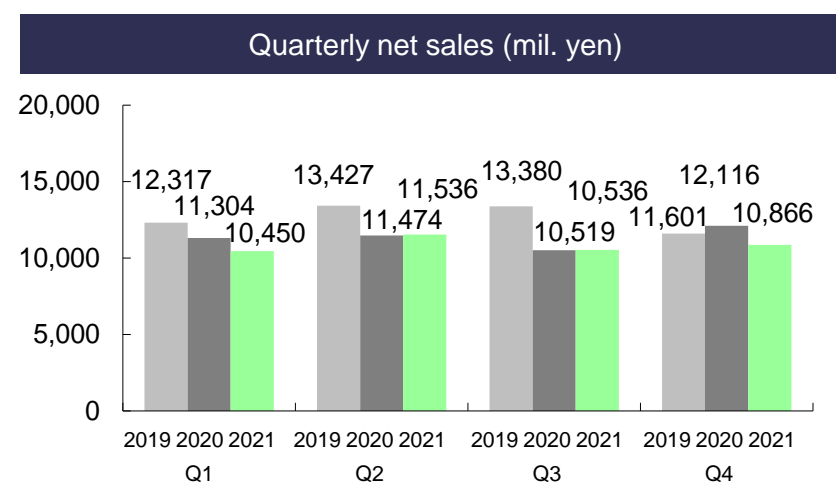
Q4 (YTD)	Results (mil. yen)	YoY Change
Net sales	43,389	(4.5%)
Operating income	5,925	(19.1%)
Key indicators		
Sales ratio	Domestic e-commerce <sup>(1)</sup>	61.2%
	(Proportion of domestic sales attributable to e-commerce)	63.8%
	Other mail-order	15.6%
	Stores and overseas, etc.	23.2%
Sales growth*	Domestic e-commerce	down 3.1%
	Other mail-order	down 15.4%
	Stores and overseas, etc.	up 0.5%
Mail-order** purchase per customer*		up 1.7%
Number of mail-order** customers*		down 9.6%
ORBIS U series ratio of sales <sup>(2)</sup>		26%

- (1) From FY2021, domestic e-commerce includes sales from external e-commerce  
 (2) Total of ORBIS U, U white, U encore, and U.
- \* YoY basis  
 \*\* include e-commerce and catalog

### Topics

- The *WRINKLE WHITE* series of special care items won numerous best cosmetics awards

(Left) *WRINKLE WHITE UV PROTECTOR*  
 (Right) *WRINKLE WHITE ESSENCE*



## FY2021 Results

- Losses were ameliorated in overseas brands as anticipated
- Jurlique stores reopened in Australia, but struggled to attract customers due to COVID-19, while Mainland China saw e-commerce grow, driving an increase in revenue
- One-time expenses were incurred at H2O PLUS to improve the cost structure with the aim of swiftly achieving profitability

Q4 (YTD)		Results (mil. yen)	YoY Change <sup>(1)</sup>
Jurlique	Net sales	7,838	21.6%
	OP income	(1,536)	953
H2O PLUS	Net sales	1,116	54.6%
	OP income	(802)	(77)

### Key indicators

#### Jurlique

Sales ratio	Australia	16.3%
	Hong Kong	16.8%
	Duty free	11.5%
	Mainland China	37.6%
Sales growth <sup>(2)</sup>	Australia	down 6.7%
	Hong Kong	up 7.3%
	Duty free	up 28.9%
	Mainland China	up 18.6%

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

(2) AUD basis, YoY

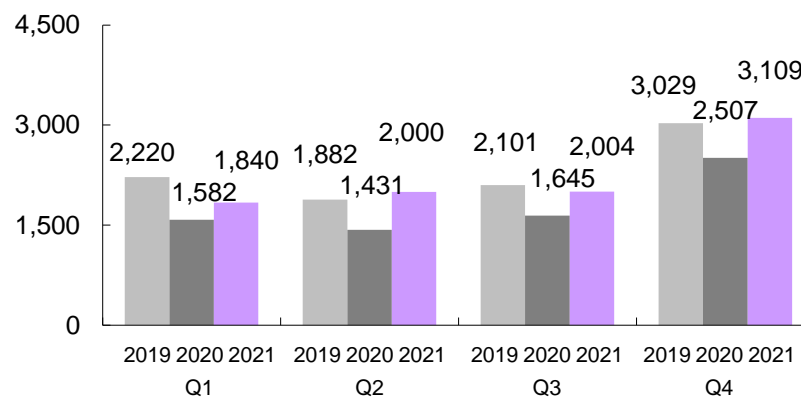
## Topics

- Jurlique  
Launched a limited edition body oil (October)

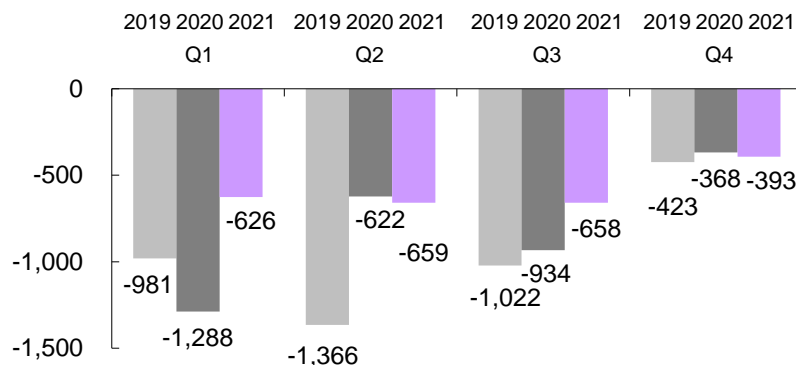
*Treatment Oil Rose*  
<Limited Edition>



### Quarterly net sales (mil. yen)



### Quarterly operating income (mil. yen)



## FY2021 Results

- THREE continued to struggle in the partial makeup category
- DECENCIA achieved a double-digit increase in income due to enhanced cost efficiency
- Losses were ameliorated, excluding the recently-acquired FUJIMI

(Note) FIVEISM×THREE results have been included in THREE from the third quarter, due to the transfer of brand operation functions (same standard basis)

Q4 (YTD)	Results (mil. yen)	YoY Change
Net sales	16,637	2.8%
Operating income <sup>(1)</sup>	(2,901)	(824)
ACRO Net sales	8,487	(4.9%)
ACRO OP income <sup>(1)</sup>	(2,663)	288
THREE Net sales	7,046	(4.2%)
THREE OP income <sup>(1)</sup>	(1,325)	20
DECENCIA Net sales	5,546	0.9%
DECENCIA OP income	823	21.4%

### Key indicators

#### THREE

Sales ratio	Domestic storefronts, etc.	63.3%
	Domestic e-commerce	11.7%
	Overseas	25.0%
Sales growth <sup>(2)</sup>	Domestic storefronts, etc.	down 1.4%
	Domestic e-commerce	down 27.8%
	Overseas	up 4.6%

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

(2) YoY basis

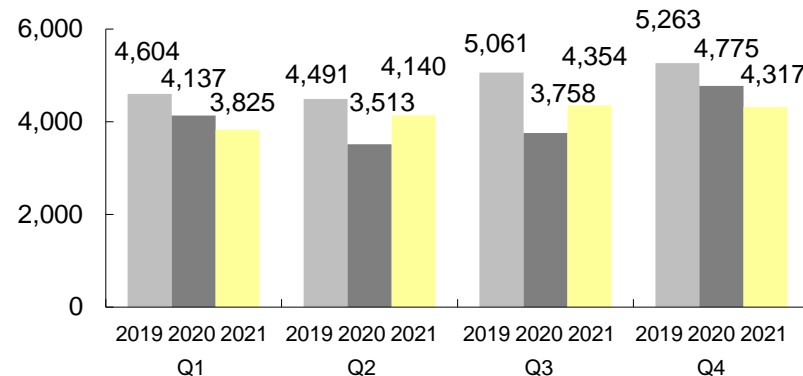
## Topics

- THREE launched the SQ series (October)

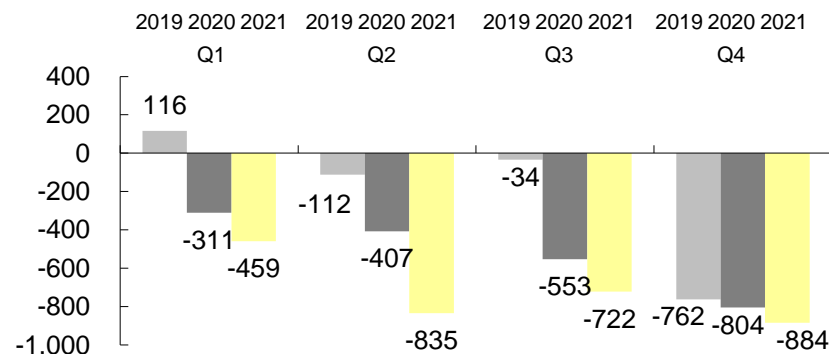


THREE BALANCING SQ SERIES

### Quarterly net sales (mil. yen)



### Quarterly operating income (mil. yen)

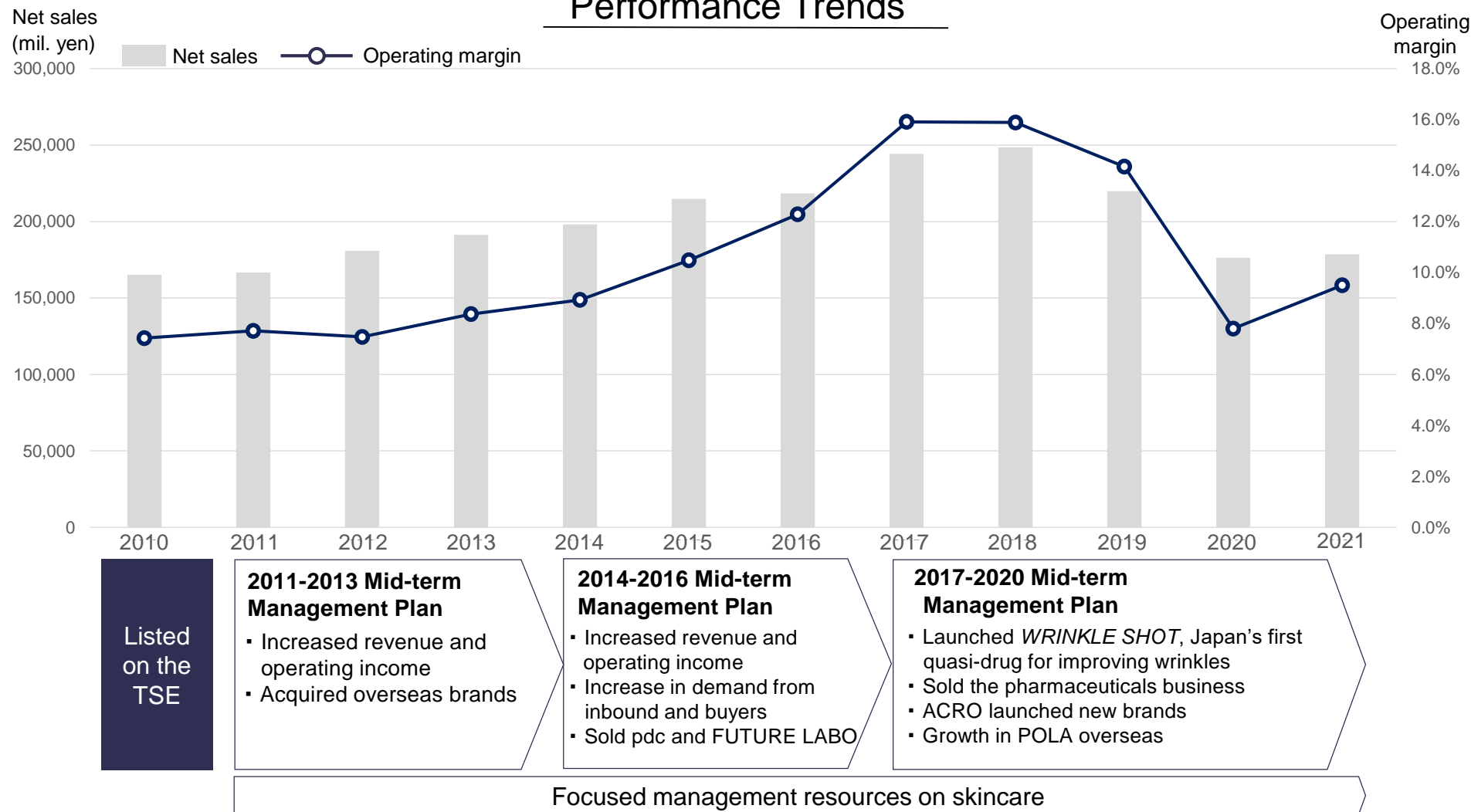


## Part II 2022 – 2029 Long-term Management Plan

1. 2022 – 2029 Long-term Management Plan
2. 2029 Sustainability and ESG Policies



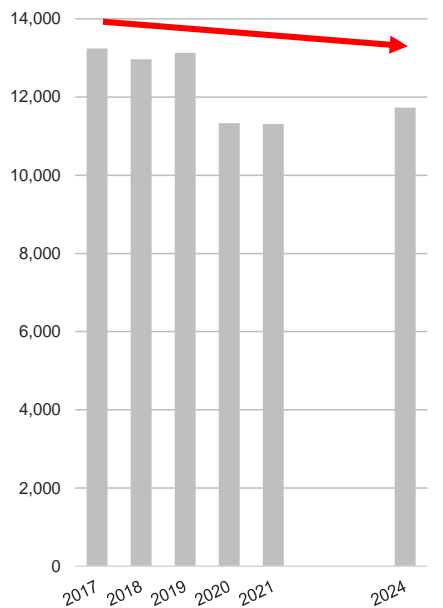
## Performance Trends



- ✓ Has evolved the brand portfolio, focusing management resources mainly on skincare to achieve growth since the listing on the Tokyo Stock Exchange in 2010
- ✓ Decline in net sales since 2019 due to the decrease in inbound, buyers and the impact of COVID-19

## Domestic cosmetics market

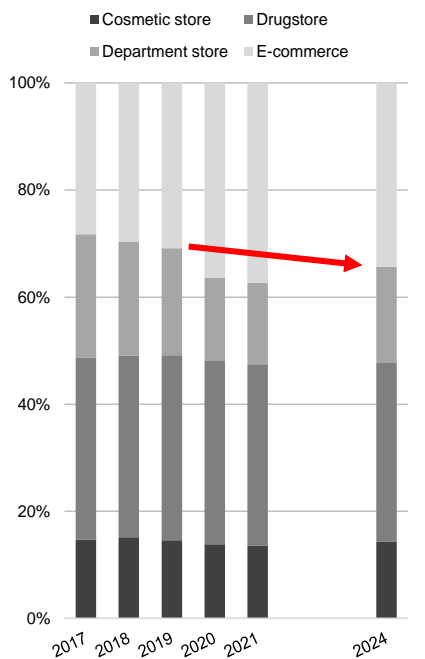
(100 mil. yen)



Source: Intage SLI  
Jan. 2022 Data published

Company  
Assumption

## Percentage by Route

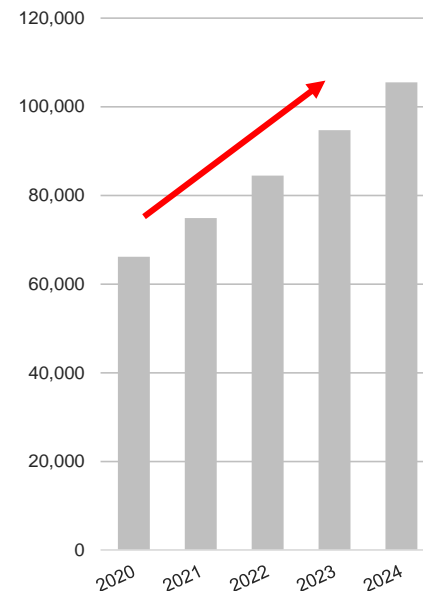


Source: Intage SLI  
Jan. 2022 Data published

Company  
Assumption

## China Cosmetics Market

(100 mil. yen)



Source: Euromonitor  
Jan. 2022 Data published

\*Market data collection methods differ among survey companies

The spread of COVID-19 infections since January 2022 has not been reflected in the data

## 【Domestic market】

- Shrinking as customers change their behavior and refrain from outdoor activities amid COVID-19 in addition to the evaporation of inbound demand
- Gradually recovering, but expected to be 2024 or later before approaching pre-COVID-19 levels  
The timing of the recovery is anticipated to change depending on the spread of COVID-19 from January 2022 onwards
- Sales are brisk in e-commerce markets due to the tailwinds provided by a new way of life and stay-at-home consumption, and digital marketing is becoming increasingly important
- The increasing awareness of sustainability has led to greater penetration for products and services that respond to changes in value perceptions of consumption and address social issues

## 【Overseas market】

- The Chinese market is forecast to continue to grow, and is the key market for the Group's overseas development
- The competitive environment in the Chinese market is becoming increasingly intense, but the Group aims for sustainable growth with profit



<b>Mission</b>	Sensitize the world to beauty.				
<b>Vision</b>	To maximize the unique character of each brand, and become a global corporate group that enriches the lives of people around the world.				
<b>Operations</b>	<table> <tr> <th>Our Strengths</th><th>Sustainability Policy</th></tr> <tr> <td> <ul style="list-style-type: none"> <li>■ Direct selling</li> <li>■ Multiple brands</li> <li>■ R&amp;D capabilities</li> </ul> </td><td> <ul style="list-style-type: none"> <li>■ QOL improvement through innovative technology services</li> <li>■ Regional revitalization</li> <li>■ Culture, Arts, and Design</li> <li>■ All-inclusive human resources</li> <li>■ Environment</li> </ul> </td></tr> </table>	Our Strengths	Sustainability Policy	<ul style="list-style-type: none"> <li>■ Direct selling</li> <li>■ Multiple brands</li> <li>■ R&amp;D capabilities</li> </ul>	<ul style="list-style-type: none"> <li>■ QOL improvement through innovative technology services</li> <li>■ Regional revitalization</li> <li>■ Culture, Arts, and Design</li> <li>■ All-inclusive human resources</li> <li>■ Environment</li> </ul>
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Aspiring to take on challenges in new domains  
ever since the establishment of the corporate philosophy in 2017

<b>Business challenges</b>	<ul style="list-style-type: none"> <li>■ Optimizing channels with and after COVID-19</li> <li>■ Prioritize the maximization of domestic LTV, to be a business that can secure stable growth and high profits</li> <li>■ Accelerate overseas operations, primarily in Mainland China</li> <li>■ Improve the profitability of POLA and ORBIS, and achieve profits in currently unprofitable brands</li> </ul>	<b>External environment</b>	<ul style="list-style-type: none"> <li>■ Shrinking domestic cosmetics market</li> <li>■ Recovery of the inbound evaporation will take time</li> <li>■ Dramatic shift to online sales</li> <li>■ Expanded definition of beauty</li> <li>■ Consumer behavior that emphasizes social sustainability</li> </ul>
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## VISION 2029

A collection of unique businesses that respond to diversifying values of “beauty”

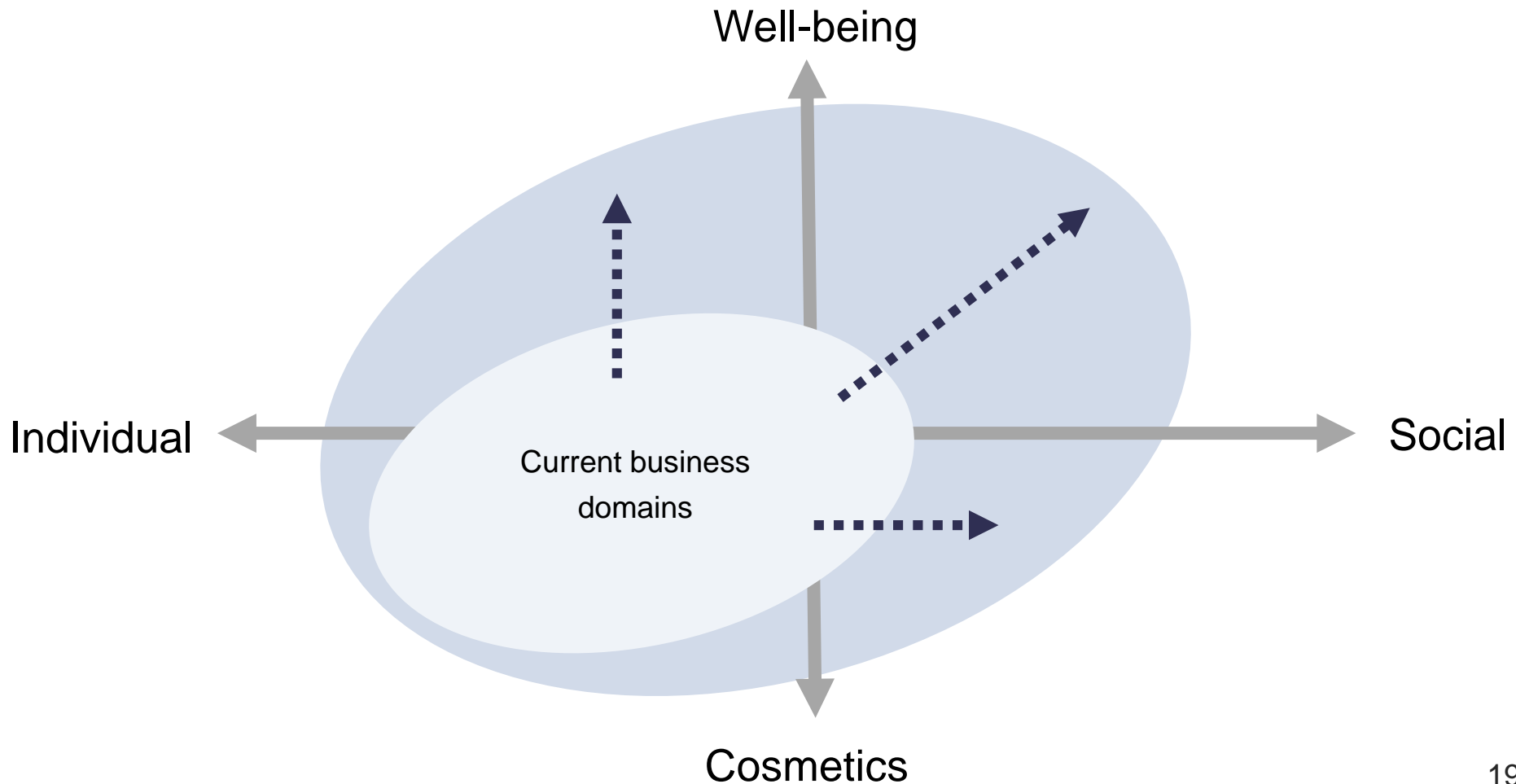
- ✓ In addition to providing value centered on cosmetics, expand the portfolio towards well-being and the social domain, aiming for sustainable business growth both domestically and overseas
- ✓ Strengthen existing businesses, further enhance profitability, and secure funds for new businesses

## VISION 2029

A collection of unique businesses that respond to diversifying values of “beauty”

Approach to the Business Portfolio

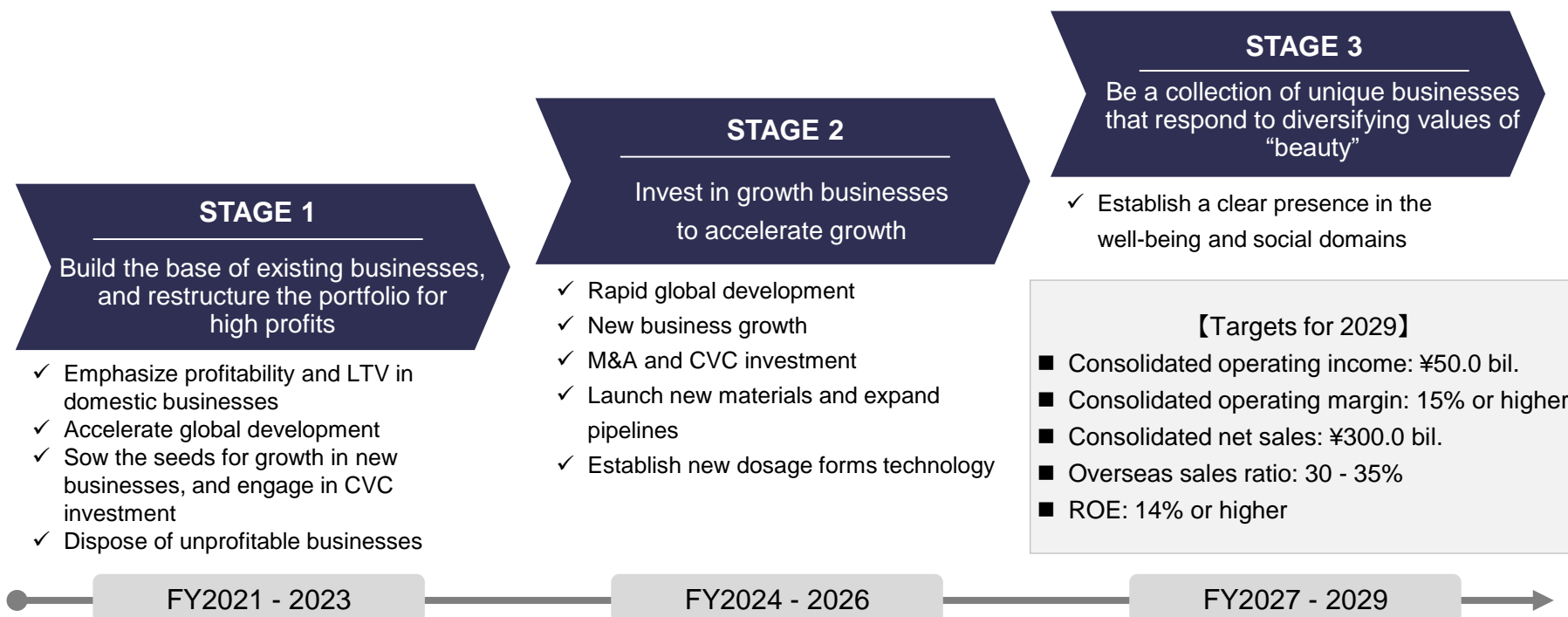
Expand into well-being and social domains



## VISION 2029

A collection of unique businesses that respond to diversifying values of “beauty”

Basic strategy 1	Develop the cosmetics business globally; reform and enhance the brand portfolio
Basic strategy 2	Create new value and expand business domains
Basic strategy 3	Strengthen research and technical strategy



## Basic Strategy 1: Develop the cosmetics business globally; reform and enhance the brand portfolio

- Domestic: Improve profitability and achieve sustainable growth with profit
- Overseas: Emphasize the enhancement of brand value, and create growth drivers
- Determine the continuity of unprofitable brands through the evaluation of KPIs over short cycles

### Domestic

#### Net Sales Targets for 2029

¥180.0 bil. or higher (stable growth with a CAGR of 2-3%)

#### Basic Strategy

- Rebuild the business structures and models for flagship brands
  - ✓ Promote digital shift, reorganize IT functions across the Group, and speed up DX
  - ✓ Accelerate OMO and optimize channels
  - ✓ Leverage customer lists and direct selling assets that provide special experiences to maximize LTV
- Swiftly ascertain the return on investment for brands under development and additional new brands in the future

### Overseas

#### Net Sales Targets for 2029

¥100.0 bil. or higher (growth with a CAGR of 15% or higher)

#### Basic Strategy

- Accelerate growth with Mainland China as the key market



- ✓ Achieve greater brand value penetration and differentiation for POLA through branding investment while expanding stores providing aesthetic treatment
- ✓ Swiftly expand China operations for brands other than POLA
- Plan expansion into new countries in ASEAN etc.
- Focus on branding, and actively reduce the flow of products into CtoC markets due to the risk of damaging brands in the future

## Basic Strategy 2: Create new value and expand business domains

- Aim for a business portfolio that transcends the bounds of cosmetics to contribute to well-being and social value

Past

Centered around businesses that realize “individual beauty” through cosmetics

### 【Illustration of Business Development\*】

Well-being

Well-being × Individual

- AI counseling
- Aesthetic medicine
- Artificial skin (*Mirror Skin*)
- Health foods
- Scents

Well-being × Social

- Wellness tech
- Femtech
- Effective use of real estate
- Food
- Travel
- Learning

Individual

Social

Cosmetics × Individual

- Personal counseling
- Skincare
- Beauty support foods
- Makeup
- Aesthetic treatment

Cosmetics × Social

- DIY cosmetics
- Specialized cosmetics (atopy, etc.)
- Sustainable manufacturing

Cosmetics

Future

- Business scale in 2029: aim for five businesses with net sales of ¥2.0 - 3.0 bil.

### 【Topics】

#### ■ *me-fullness*

A wellness tech project for fatigue care utilizing POLA CHEMICAL's facial analysis and haptic technologies



*me-fullness*

- Development of the New Aoyama Building  
Regional revitalization utilizing the Group's real estate



## Basic Strategy 3: Strengthen research and technical strategy

- Expand new materials pipelines (world-first, industry-first)
- Extend new cosmetics domains (moonshot R&D pivoting on artificial skin research)
- Develop next-generation technologies and establish new dosage forms technology (sustainable manufacturing)

## Approach to Investment in Research and Development

- Actively invest 2% or more of consolidated net sales
- Expand research targets (skin⇒people⇒feelings, bodies, environment)

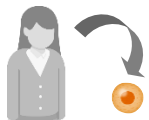
## Unique Research Strategy

### New Value Creation

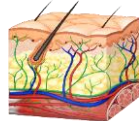
- Progress skin research and research into artificial skin  
⇒ Use iPS cells to create skin copies of individuals  
(*Mirror Skin*)

#### 【Illustration】

Create seeds that will form the base of skin from individuals



Nurture and grow these seeds into skin



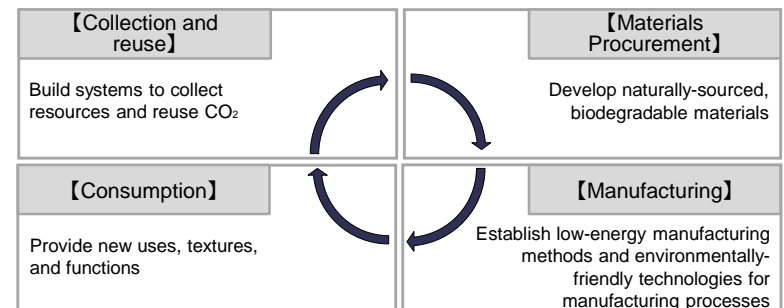
Recreate the skin characteristics of each individual

- ✓ Aim to resolve negative skin conditions through the ultimate in personalization
- ✓ Use the insight gained in the technology development process for a range of different outputs

- Establish a new research base in Singapore, and build the infrastructure for value creation, beginning with research into artificial skin

### Development of New Technologies (Technical Development Center)

- Sustainable manufacturing  
(1) Manufacturing methods that do not produce CO<sub>2</sub>  
(2) Usage methods that do not waste water



- ✓ Establish cycles from procurement to collection and reuse  
Aim for uniquely sustainable manufacturing
- ✓ Develop new dosage forms based on manufacturing equipment from different fields



## Part II 2022 – 2029 Long-term Management Plan

1. 2022 – 2029 Long-term Management Plan
2. 2029 Sustainability and ESG Policies

QOL improvement through innovative technology services

Regional revitalization

Culture, Arts, and Design

All-inclusive human resources

Environment

## QOL improvement through innovative technology services



- Accelerate new value creation through multiple schemes
  - ✓ MIRC (Multiple Intelligence Research Center)  
Strengthen the incubation function and raise the quantity, quality and speed of new business development
  - ✓ CVC  
Continue to invest in start-ups, and promote collaboration with investment targets to create new businesses
  - ✓ Internal ventures  
Strengthen the function of accelerating new business creation
- Establish a new body to decide on commercialization or withdrawal from new businesses, to enable faster decision-making
- Plan to apply research into DIY cosmetics, which won an IFSCC\* Magazine award, in the Group's products and services

**mirc**  
multiple intelligence  
research center

**POLA ORBIS  
CAPITAL**



\*International Federation of Societies of Cosmetic Chemists

## Regional revitalization / Culture, Arts, and Design



- Regional revitalization utilizing the Group's real estate
  - ✓ Change the approach to the real estate business, transforming it from a business that provides office buildings into one that provides spaces and content integral to lifestyles
  - ✓ Collaborate with the Pola Museum of Art and the POLA Research Institute of Beauty & Culture to provide unique, high value-added content utilizing art, cultural, and other assets
  - ✓ At the same time, progressively sell unprofitable properties to enhance profitability



New Aoyama Building  
Completion January 2024 (planned)

## All-inclusive human resources (Governance)



- Elected multiple independent Outside Directors to ensure the transparency of the Board of Directors, and aim to increase diversity further in the future
- Response and view to the revision of Japan's Corporate Governance Code
  - ✓ Ensuring diversity:
    - A Personnel Development Committee for strengthening the development of future senior management, and established KPIs for 2029
    - Established a Diversity Promotion Committee to lead the promotion of diversity in the Group  
Aim to swiftly achieve advanced goals not limited to gender equality
  - ✓ Ensure the fulfillment of functions by the Board of Directors:  
Revise the behavioral characteristics (Competency) required of senior managers, with an emphasis on a “person-centered approach,” “progress,” and “transformation”



Miki Oikawa  
Senior Corporate Officer  
Responsible for Group Diversity  
Representative Director and  
President of POLA INC.

## Environment



- At TDC (Technical Development Center), create new manufacturing methods and dosage forms to reduce environmental impact
- By 2029, aim to establish a 100% recycling model for plastic containers and packaging used for cosmetics, based on the 4 Rs\*
- Abolish shopping bags for purchased products



POLA SHOWER BREAK  
With the product renewal, 100% recyclable PET has been used as the base material for applicators

\*Reduce, Reuse, Replace and Recycle

## Part III Forecasts for Fiscal 2022 and Initiatives Going Forward

1. Progress on the Medium-term Management Plan
2. Forecasts for Fiscal 2022
3. Initiatives Going Forward & Appendices

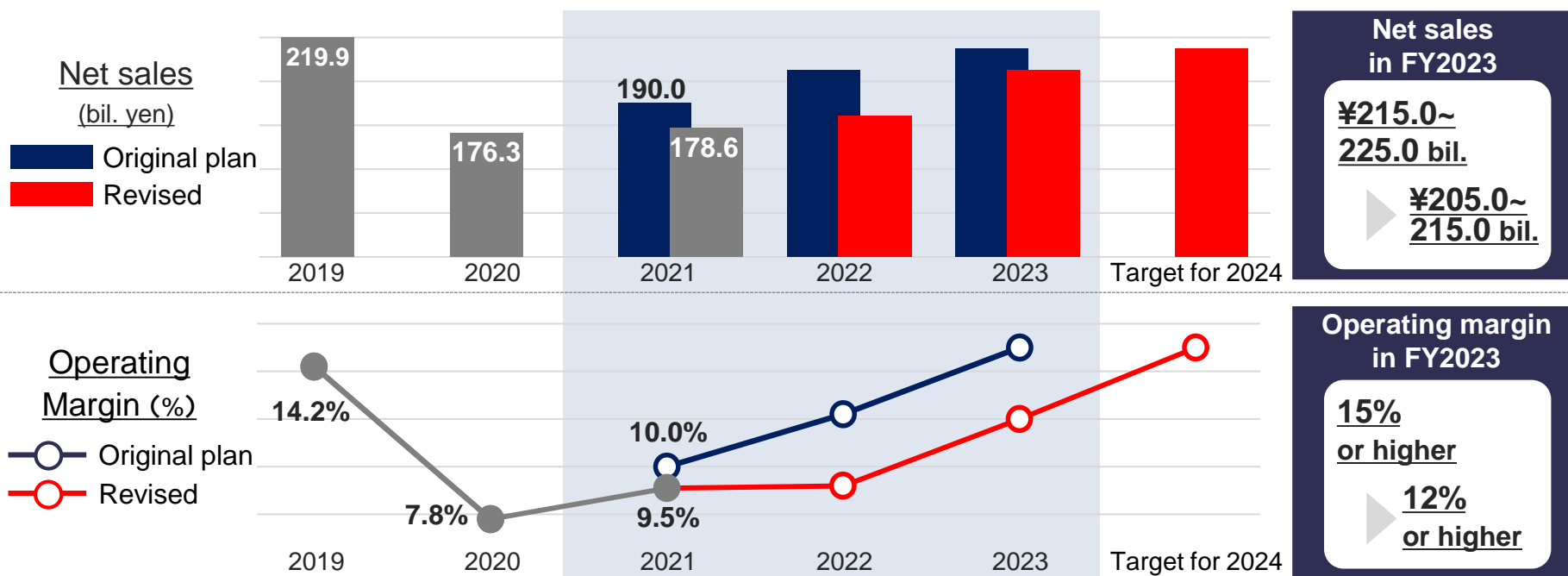
Strategies		Evaluation	
1	Evolve domestic direct selling	Slightly behind	<ul style="list-style-type: none"> <li>- POLA e-commerce grew, but the growth was insufficient to compensate for struggling storefront channels</li> <li>- The downwards trend in ORBIS customer numbers continued</li> </ul>
2	Grow overseas businesses profitably	Slightly behind	<ul style="list-style-type: none"> <li>- POLA grew in Mainland China and travel retail</li> <li>Recognize that reducing the flow of products into CtoC markets is vital to achieve long-term growth in Mainland China</li> <li>- Structural reform of overseas brands is progressing</li> </ul>
3	Profit contribution from brands under development	Slightly behind	<ul style="list-style-type: none"> <li>- Radical structural reform is underway for THREE, Amplitude, ITRIM, and FIVEISM × THREE</li> <li>- Losses were ameliorated, excluding the recently-acquired FUJIMI</li> </ul>
4	Strengthen operations	On track	<ul style="list-style-type: none"> <li>- The creation of new pipelines is progressing smoothly</li> <li>- Renewed the commitment to sustainability, enhancing effectiveness by linking non-financial KPIs with compensation for corporate executives</li> </ul>
5	Expand new brands and domains of “beauty”	On track	<ul style="list-style-type: none"> <li>- Commenced consideration of business expansion into new domains, including the formation of a cosmetic medicine task force</li> </ul>

Management indicators progressed below targets due to the prolonged COVID-19 pandemic. Accelerating overseas business growth, transforming the business model through OMO, turning a profit in overseas brands and brands under development, and expanding the business portfolio for future growth are key to returning to a growth trajectory and achieving sustainable growth.

Updated to the current targets (moved back by one year) because of changes that have occurred in assumptions since the current Medium-term Management Plan was announced

## Changes in the assumed conditions and circumstances since the current Medium-term Management Plan was announced

Change in the forecast for the return of inbound demand	2022: approx. 30% of 2019 2023: approx. 60% of 2019	2022 : No return is anticipated 2023
Stronger global branding	Suppressed the flow of products into CtoC markets to optimize market pricing (resulting from lower duty free sales in South Korea)	
Progress in domestic cosmetics businesses	Progress has been delayed, falling below targets in the first fiscal year of the Medium-term Management Plan	



## Part III Forecasts for Fiscal 2022 and Initiatives Going Forward

1. Progress on the Medium-term Management Plan
2. Forecasts for Fiscal 2022
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## ■ Main Impact on the Group

<b>1. Sales with the award of points</b>	Where points provided to customers with the sale of products (SG&A expenses ⇒ deducted from net sales)
<b>2. Sales on consignment</b>	Sales commissions to department stores (Deducted from net sales ⇒ recognized in both net sales and SG&A expenses)
<b>3. Sales with attached promotional items</b>	Novelty items for customers (Cost of the novelty items recognized in SG&A expenses ⇒ recognized in cost of sales)
<b>4. Aesthetic treatments</b>	Sales of aesthetic treatments (Recognized in sales at the time when the aesthetic treatment service is sold ⇒ recognized in sales at the time when the treatment is provided)

(mil. yen)	FY2021	FY2021	Main Changes
	Full-year Results	Full-year Results (recalculated under the 2022 standard)	
Consolidated net sales	178,642	174,896	- 1. Reduced by the expense of point program (approx. ¥4,400 mil.) + 2. Increased by the difference between retail and wholesale prices in contracts for sales on consignment (approx. ¥3,400 mil.) - 4. Reduced by the amount for aesthetic treatments not yet provided (approx. ¥2,000 mil.)
Cost of sales	28,720	31,291	+ 3. Increased by the cost of novelty items (approx. ¥2,100 mil.)
SG&A expenses	133,033	128,022	- 1. Reduced by the expense of point program (approx. ¥4,400 mil.) + 2. Increased by the difference between retail and wholesale prices in contracts for sales on consignment (approx. ¥3,400 mil.) - 3. Reduced by the cost of novelty items (approx. ¥2,100 mil.)
Operating income	16,888	15,582	- 4. Reduced by the amount for aesthetic treatments not yet provided (approx. ¥800 mil.)

\*Full-year financial results for 2021 (recalculated under the 2022 standard) have been provided for reference only (unaudited)



# Forecasts for Fiscal 2022

(mil. yen)	FY2021	FY2022	YoY Change	
	Full-year Results (previous standard)	Full-year plan	Amount	%
Consol. net sales	178,642	186,000	7,357	4.1%
Beauty care	174,150	181,800	7,649	4.4%
Real estate	2,112	1,900	(212)	(10.1%)
Others	2,379	2,300	(79)	(3.3%)
OP income	16,888	17,700	811	4.8%
Beauty care	17,060	19,130	2,069	12.1%
Real estate	488	400	(88)	(18.2%)
Others	70	70	0	(0.6%)
Reconciliations	(731)	(1,900)	(1,168)	-
Ordinary income	18,968	17,700	(1,268)	(6.7%)
Net income attributable to owners of parent	11,734	11,900	165	1.4%

	FY2021	FY2022	YoY Change	
	Full-year Results (recalculated under the 2022 standard)	Full-year plan	Amount	%
	174,896	186,000	11,103	6.3%
	170,403	181,800	11,396	6.7%
	2,112	1,900	(212)	(10.1%)
	2,379	2,300	(79)	(3.3%)
	15,582	17,700	2,117	13.6%
	15,754	19,130	3,375	21.4%
	488	400	(88)	(18.2%)
	70	70	0	(0.6%)
	(731)	(1,900)	(1,168)	-
	17,662	17,700	37	0.2%
	10,823	11,900	1,076	9.9%

Assumed exchange rates: 1.00 AUD = 85 JPY (PY 82.48) 1.00 USD = 107 JPY (PY 109.8) 1.00 CNY = 16.7 JPY (PY 17.03)

## Assumptions used for this guidance

- No recovery in inbound demand can be expected in 2022 compared to 2021
- Reflects the suppression of the flow of product into CtoC markets

	FY2021	FY2022 (plan)
Shareholder returns	Annual ¥51 (Consol. Payout ratio 96.1%)	Annual ¥52 (Interim ¥21, Year-end ¥31) (Consol. Payout ratio 96.7%)
Capital investment	¥8,945 mil.	¥12,000 mil. - ¥14,000 mil.
Depreciation	¥7,110 mil.	¥8,000 mil. - ¥9,000 mil.

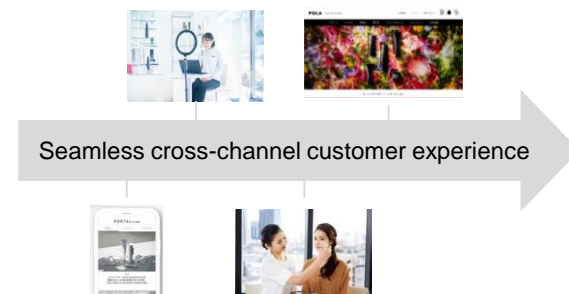
Note: Full-year financial results for 2021 (recalculated under the 2022 standard) have been provided for reference only (unaudited)

## Part III Forecasts for Fiscal 2022 and Initiatives Going Forward

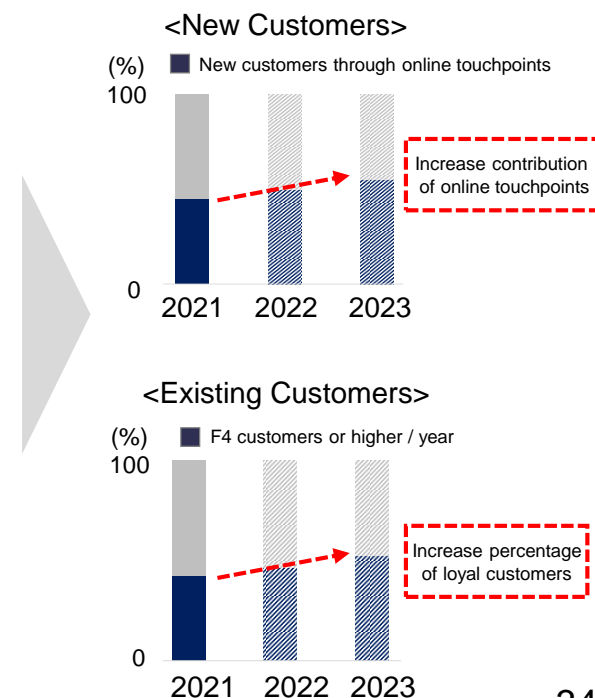
1. Progress on the Medium-term Management Plan
2. Forecasts for Fiscal 2022
3. Initiatives Going Forward & Appendices

### POLA: Evolve domestic direct selling

- Leverage direct selling to build unique OMO and enhance customer experience
  - ✓ Design diverse channels for customers to choose, and enhance convenience
  - ✓ Provide personalized communication at all touchpoints
- Expand the number of loyal customers and stabilize the customer base through communication that transcends the boundaries of online and offline



Online	<ul style="list-style-type: none"> <li>■ Expand touchpoints and enhance convenience                             <ul style="list-style-type: none"> <li>✓ Organize the factors that lead customers into stores (completion planned in 2023)</li> <li>✓ Introduce online payments and direct delivery systems for consignment sales, and reflect the online activities of Beauty Directors in commissions</li> </ul> </li> <li>■ Expand the scale of net sales from e-commerce to ¥10.0 bil. in 2023</li> </ul>
Offline	<ul style="list-style-type: none"> <li>■ Emphasize the value that can only be provided by physical stores to enhance real experience value                             <ul style="list-style-type: none"> <li>✓ Focus management resources on penetrating and expanding OMO in consignment sales</li> <li>Transition to systems that place greater weight on contribution (by aesthetic treatments, etc.) to enhancing LTV</li> </ul> </li> <li>■ Accelerate the establishment of corporations, which achieves high LTV in the consignment sales channel</li> </ul>



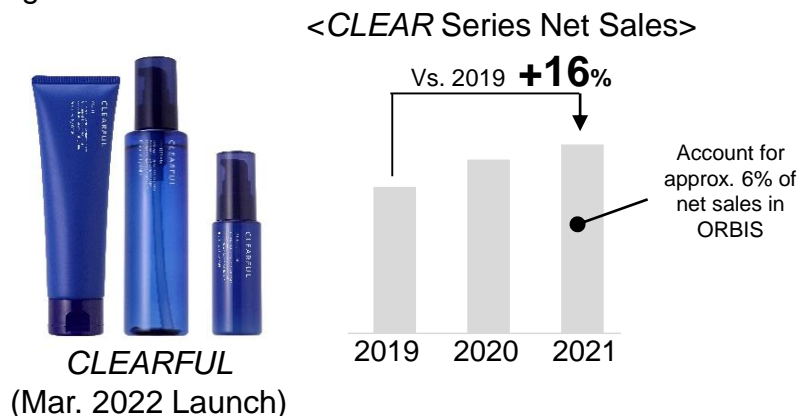
### ORBIS: Evolve domestic direct selling

- Increase the frequency of contact with the brand through unique CRM to enhance LTV, and return to a growth trend
  - ✓ Expand contribution from the target demographics acquired since rebranding, and stop the decline in customer numbers
  - ✓ Launch new CRM and evolve customer communication
    - Leverage [interests and tastes data] in addition to the existing [purchase and attribute data] to engage in more sophisticated customer analysis, and build a new customer data platform
    - Update one of the largest beauty apps in Japan\* to strengthen brand experience

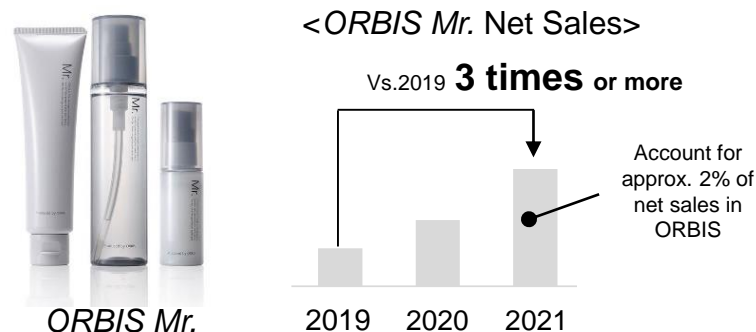
\* Number of registered users of the ORBIS official app: approx. 2.7 million (as of Jan. 2022)

- Expand the scale of target markets through the strategic extension of the skincare domain, and develop channels to match product characteristics (BtoB)

- ✓ Release an acne care series on the sensitive skin market, a growth area



- ✓ Expand ORBIS' share in the newly-emerging men's cosmetics market

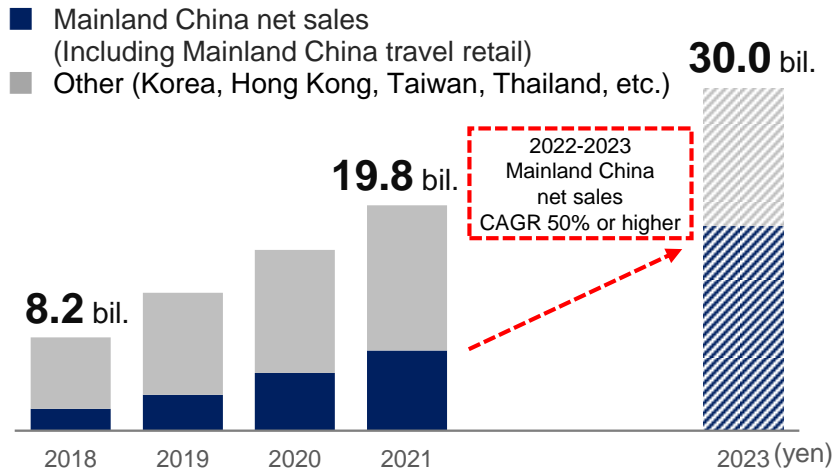


- Mark the 35th anniversary of ORBIS brand's founding with the launch of a major product, and carry out extensive marketing

### POLA: Grow overseas businesses profitably

2022-2023 CAGR 20-25 %

#### Overseas sales



#### Basic Strategy

- Accelerate growth to achieve a 50:50 spread of overseas and domestic sales in 2029 (based on retail net sales)
- Mainland China is the key market
  - ✓ Expand both offline and online touchpoints, and open new stores centered on stores providing aesthetic treatment
  - ✓ Strengthen investment in branding promotion, predicated on profitable growth

#### Plan for new store openings (Mainland China)

Department stores / stores providing aesthetic treatment

110 stores in 2023 (up 43 from 2021)



Travel retail

10 stores in 2023 (up 6 from 2021)



E-commerce

Expand platform



## Grow overseas businesses profitably

### Jurlique

- Accelerate growth in key markets, and expand the top line
  - ✓ Focus on skincare in Mainland China, and expand online sales
  - ✓ Strengthen CRM in Australia to promote repeat purchases
- Develop a new brand strategy in Australia, where Jurlique originated, and strengthen the holistic approach
- Structural reforms aimed at turning to profit
  - ✓ Review the structure of business operations, and lower the breakeven point through further reductions in fixed costs
  - ✓ Reduce costs



## Overseas development in other brands

### ORBIS

- Actively invest in the key market of Mainland China to accelerate the growth
  - ✓ Expand customer touchpoints both online and offline

For offline sales, target the expanding inland urban middle-class volume zone

- ✓ Improve brand recognition through brand investment



(Left) UV CUT SUNSCREEN ON FACE  
(Right) ORBIS U.

### T H R E E

- Enter the Chinese market and swiftly expand brand touchpoints to improve brand recognition

## Profit contribution from brands under development

**T H R E E**

*Amplitude*

**ITRIM**

**FIVEISM**  
×  
**T H R E E**

- Continue structural reforms aimed at making ACRO profitable as a whole by 2024
- ✓ Reduce fixed costs
  - Cut down on stores and increase the proportion of e-commerce sales
  - Restructure headquarters functions to be more compact, and abolish the business department system
- ✓ Cost reductions
  - Restructure the development function and flow
  - Reduce SKU and increase the proportion of skincare sales



THREE AIMING



ITRIM Elementary Essential PP Cream

**DECENCIA**

- Establish recognition as a prestige brand in the sensitive skin market
- Establish a model of success in cross-border e-commerce, in preparation for full-scale entry into Mainland China



DECENCIA ayanasu wrinkle O/L BB essence

**F U J I M I**

- Open directly-operated stores, and strengthen branding (planned for March)



Personalize protein

## Initiatives to Improve Capital Efficiency

Target for 2023  
**ROE 9%  
or higher**  
(Return on equity)

=

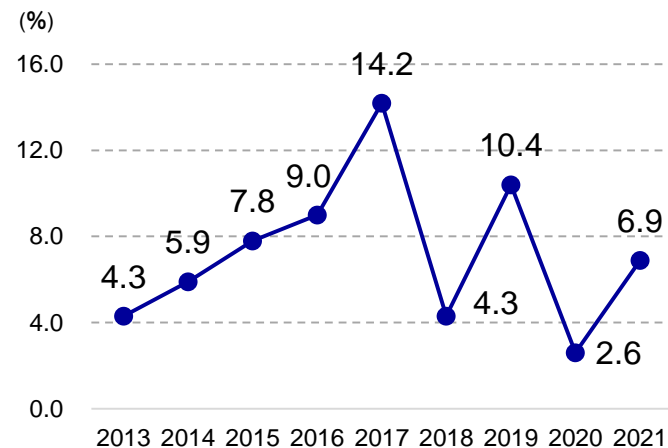
**EPS**  
(Earnings per share)

**BPS**  
(Book value per share)

- Operating income CAGR 25%
- 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

ROE movement



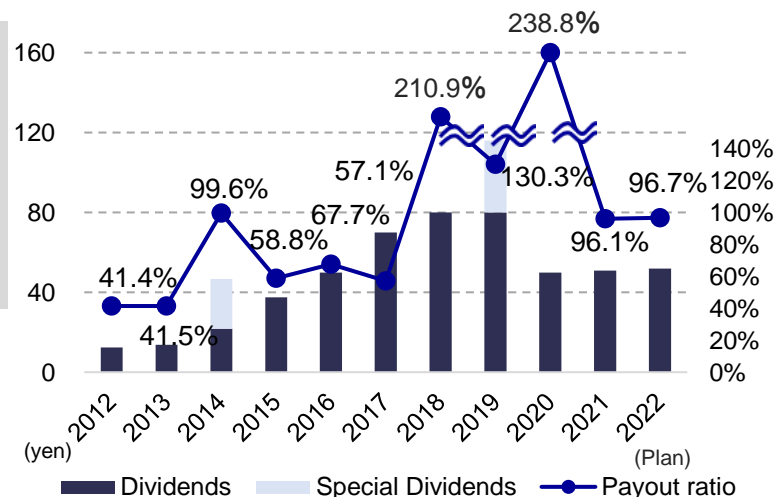
## Improvement of Shareholder Return

### Basic Policy :

- With a policy of consolidated payout ratio of **60% or higher**, aim for steady increases in dividends, in line with profitable 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 FY2022:

- Dividend per share : **¥52** (Interim ¥21, Year-end ¥31)
- Consol. payout ratio : 96.7%





Management Indicators for 2023		Original plan (Feb. 12, 2021)	Revised
Net Sales	■ Consolidated net sales	⇒ <b>¥215.0 to 225.0 bil.</b> in FY2023 CAGR 7 to 9%	<b>¥205.0 to 215.0 bil.</b> in FY2023 CAGR <b>6% or higher</b>
	■ Overseas sales ratio	⇒ <b>20 to 25%</b> in FY2023 CAGR 20 to 25% (15% in FY2020)	Unchanged
	■ Domestic e-commerce sales ratio	⇒ <b>30%</b> in FY2023 (24% in FY2020)	Unchanged
Operating Income	■ Operating margin	⇒ <b>15% or higher</b> in FY2023	<b>12% or higher</b> in FY2023
	■ Operating income	⇒ CAGR <b>30% or higher</b>	CAGR <b>25% or higher</b>
Capital Efficiency	■ ROE	⇒ <b>12%</b> in FY2023	<b>9% or higher</b> in FY2023
Shareholder Returns	■ Consolidated payout ratio	⇒ <b>60% or higher</b>	Unchanged

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”

# (Appendix) The Commitment to Sustainability

- Establish five key domains to realize a sustainable society, ensuring effectiveness by linking some KPIs with compensation for corporate executives

Five Domains	Corresponding SDGs	KPIs	Targets for 2029
<b>QOL improvement through innovative technology services</b>	  	<ul style="list-style-type: none"> <li>Number of new businesses created</li> <li>Job satisfaction and engagement score</li> <li>Brand recognition and loyalty</li> <li>Number of research awards won at home and abroad</li> <li>Number of researchers in cutting-edge dermatology research</li> </ul>	<ul style="list-style-type: none"> <li>10 in total (2023 target)</li> <li>75%</li> <li>Establish brand appreciation</li> <li>10 in total</li> <li>120</li> </ul>
<b>Regional revitalization</b>	  	<ul style="list-style-type: none"> <li>Number of regional entrepreneur owners</li> <li>Number of initiatives contributing to the local economy</li> </ul>	<ul style="list-style-type: none"> <li>1,200</li> <li>78</li> </ul>
<b>Culture, Arts, and Design</b>	 	<ul style="list-style-type: none"> <li>Number of new brand experiences created that utilized art</li> <li>Number of participants in liberal arts workshops</li> </ul>	<ul style="list-style-type: none"> <li>20</li> <li>550,000 in total</li> </ul>
<b>All-inclusive human resources</b>	  	<ul style="list-style-type: none"> <li>Percentage of female executives</li> <li>Percentage of female managers</li> <li>Percentage of candidates to become management executives</li> <li>Number of people leaving the company for health reasons</li> </ul>	<ul style="list-style-type: none"> <li>30-50%</li> <li>50% or higher</li> <li>200%</li> <li>0</li> </ul>
<b>Environment</b>	    	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions</li> <li>Water consumption</li> <li>Waste</li> <li>Plastics consumption</li> </ul>	<ul style="list-style-type: none"> <li>42% reduction in actual Scope 1 and 2 emissions (vs. 2019)</li> <li>30% reduction in actual Scope 3 emissions (vs. 2019)</li> <li>26% reduction in water consumption in Scope 1 and 2 per unit of sales (vs. 2019)</li> <li>26% reduction in waste in Scope 1 and 2 per unit of sales (vs. 2015)</li> <li>Use 100% sustainable materials based on 4 Rs in plastic containers and packaging for cosmetics</li> </ul>

Selected by CDP as a “climate change A List” company, we will continue our initiatives to actively address climate change and aim to realize a better society, as a company at the forefront of climate change response

# (Appendix) Beauty Care Business Results for FY2019 – FY2021 by Brands

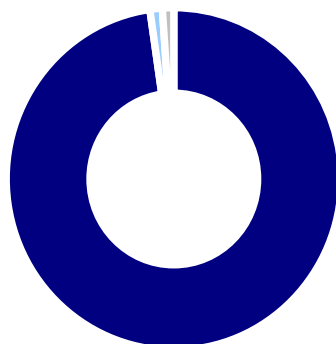
(mil. yen)	FY2019 Results	FY2020 Results	FY2021 Results	FY2021 Results (recalculated under the 2022 standard)
Consolidated net sales	219,920	176,311	178,642	174,896
Beauty care net sales	214,886	171,658	174,150	170,403
POLA	135,502	102,888	105,168	105,769
ORBIS	50,726	45,415	43,389	39,071
Jurlique	7,765	6,444	7,838	7,940
H2O PLUS	1,470	722	1,116	1,116
Brands under development	19,421	16,186	16,637	16,505
Consol. operating income	31,137	13,752	16,888	15,582
Beauty care operating income	30,193	12,965	17,060	15,754
POLA	25,529	10,927	16,374	15,144
ORBIS	9,252	7,329	5,925	5,965
Jurlique	(2,968)	(2,489)	(1,536)	(1,542)
H2O PLUS	(825)	(724)	(802)	(802)
Brands under development	(794)	(2,076)	(2,901)	(3,011)

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

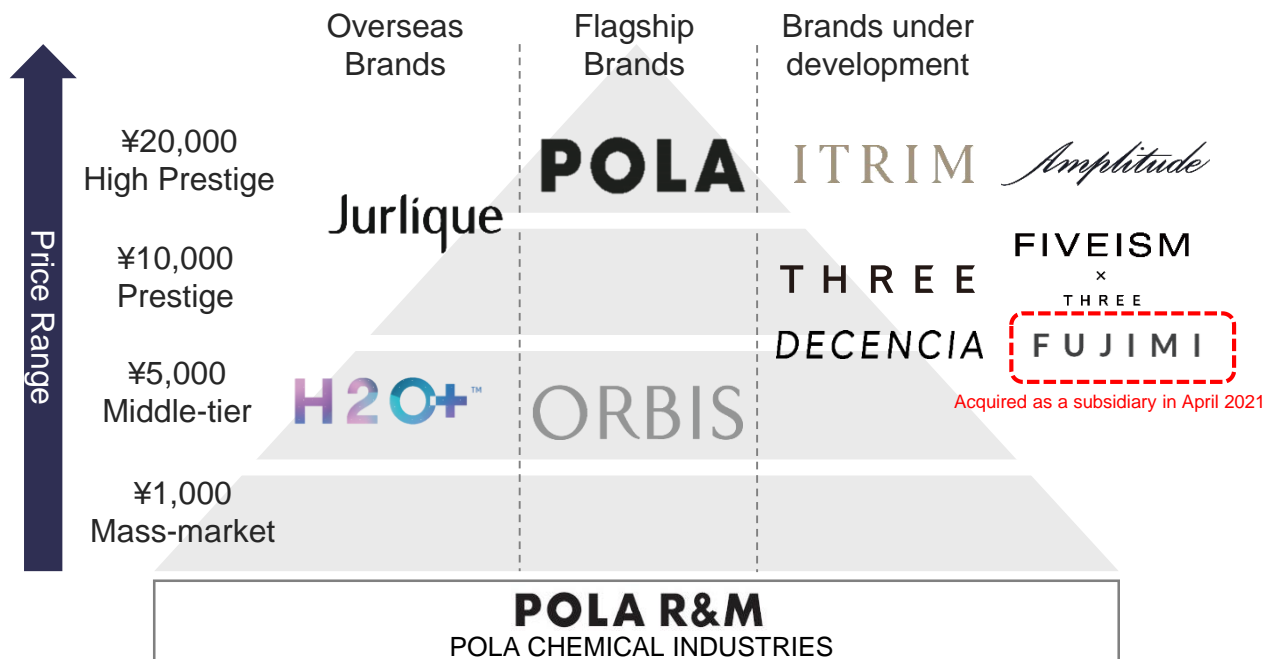
\*Full-year financial results for 2021 (recalculated under the 2022 standard) have been provided for reference only (unaudited)

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

FY2021  
Consol. Net Sales  
¥178.6 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%	<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-brightening fields</li> </ul>	Approx. ¥10,000 or higher	<ul style="list-style-type: none"> <li>JP: Consignment sales, department stores and e-commerce</li> <li>Overseas: Department stores, directly-operated stores, DFS<sup>(1)</sup>, e-commerce and cross-border e-commerce</li> </ul>
	25%	<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 (e-commerce and catalog) and directly-operated stores</li> <li>Overseas: E-commerce, 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 stores, directly-operated stores and e-commerce</li> <li>Overseas: Department stores, directly-operated stores, DFS<sup>(1)</sup>, e-commerce and cross-border e-commerce</li> </ul>
	1%	<b>H2O+</b> 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: E-commerce, hotel amenities</li> </ul>
Brands under development	10%	<b>T H R E E</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 stores, directly-operated stores and e-commerce</li> <li>Overseas: Department stores, DFS<sup>(1)</sup>, e-commerce 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 e-commerce</li> <li>Overseas: DFS<sup>(1)</sup> and cross-border e-commerce</li> </ul>
		<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 e-commerce</li> <li>Overseas: DFS<sup>(1)</sup> and cross-border e-commerce</li> </ul>
		<b>FIVEISM</b> x <b>T H R E E</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 e-commerce</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: E-commerce, department store</li> <li>Overseas: Cross-border e-commerce</li> </ul>
		<b>F U J I M I</b> Acquired in 2021	<ul style="list-style-type: none"> <li>Personalized beauty care brand operated by tricot, Inc.</li> </ul>	Approx. ¥6,000~¥10,000	<ul style="list-style-type: none"> <li>JP: E-commerce</li> </ul>

Operated by ACRO INC.

\*Sales ratio in the beauty care business as of FY2021. Brands under development includes OEM business.