

Third Quarter of Fiscal 2015 Supplementary Material

POLA ORBIS HOLDINGS INC.

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

Naoki Kume

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Forecasts for Fiscal 2015
4. Reference

Cosmetic Market

- Japanese cosmetic market showed moderate recovery trend mainly in the urban areas.
- Japanese department stores showed growth driven by the inbound tourists.*
- Chinese department stores in urban areas continued to show negative trend. Consumer trends to scatter towards rural areas and online channels were notable.

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

Our Group

- Thanks to the successful new products mainly at the flagship brand POLA, both consolidated sales and operating income were up versus the same period last year.
- POLA outperformed the expectation due to the strong sales of the new product launched this year.
- ORBIS performed in line with the expectation with positive impact from the new product launches such as ORBIS =U encore in September.
- Jurlique performed well in Australia, but existing stores in China continued to struggle.
- H2O PLUS recorded sales and operating income below the same period last year due to revisions to the distribution strategy such as closures of underperforming stores in China, but the results were in line with the expectation.
- As for brands under development, THREE and decencia sustained the strong performance from H1 and outperformed the expectation.
- Net income was up versus the same period last year due to increase in operating income and decrease in extraordinary loss.

Reference: Impact from the inbound sales

- As of FY2015 Q1: Approx. 0.5% of consolidated net sales



- As of FY2015 Q3: Approx. 2% plus of consolidated net sales

WHITE SHOT Inner Lock IX (skin whitening health food) from POLA which was launched in February became popular among the inbound tourists. In the beginning, sales were mainly concentrated at department stores, but gradually expanded into other sales channels including POLA THE BEAUTY stores. The inbound sales are continuing to grow, mainly from health food products and some of the skincare products. As a result, the inbound sales increased to 2% plus of consolidated net sales as of Q3.



WHITE SHOT Inner Lock IX

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

(mil. yen)	FY2014	FY2015	YoY Change		Vs. FY2013Q3	
	Q3 Results	Q3 Results	Amount	%	Amount	%
Consolidated net sales	142,019	152,503	10,483	7.4%	15,156	11.0%
Cost of sales	27,896	29,081	1,184	4.2%	1,545	5.6%
Gross profit	114,122	123,421	9,299	8.1%	13,611	12.4%
SG&A* expenses	103,754	108,174	4,419	4.3%	8,173	8.2%
Operating income	10,367	15,247	4,879	47.1%	5,437	55.4%

*Selling, General and Administrative Expenses

FY2015Q3 Results shown above includes impact from both increases in sales and sales related expenses following switchover to the point system at ORBIS.

Key Factors

- Consol. nets sales** Driven by the strong new product sales at POLA and solid growth at brands under development, domestic brands achieved increase in sales.
 As for overseas brands, Jurlique showed growth in Australia, but H2O PLUS' sales were down.
 Overseas sales ratio: 11.5%
- Cost of sales** Cost of sales ratio decreased due to increased sales ratio of high-priced products and increased sales following the switch to the point system at ORBIS.
 Cost of sales ratio FY2014Q3: 19.64% ⇒ FY2015Q3: 19.07%
- SG&A expenses**
 - Labor expenses: up ¥159 mil. yoy
 - Sales commissions: up ¥800 mil. Yoy
 - Sales related expenses: up ¥3,403 mil. yoy (including point related expenses at ORBIS)
 - Administrative expenses: up ¥56 mil. yoy
- Operating income** Beauty care: up ¥4,723 mil. yoy
- Operating margin** 10.0% up 2.7 pt yoy

Analysis of Consolidated P&L Changes

Operating Income to Net Income

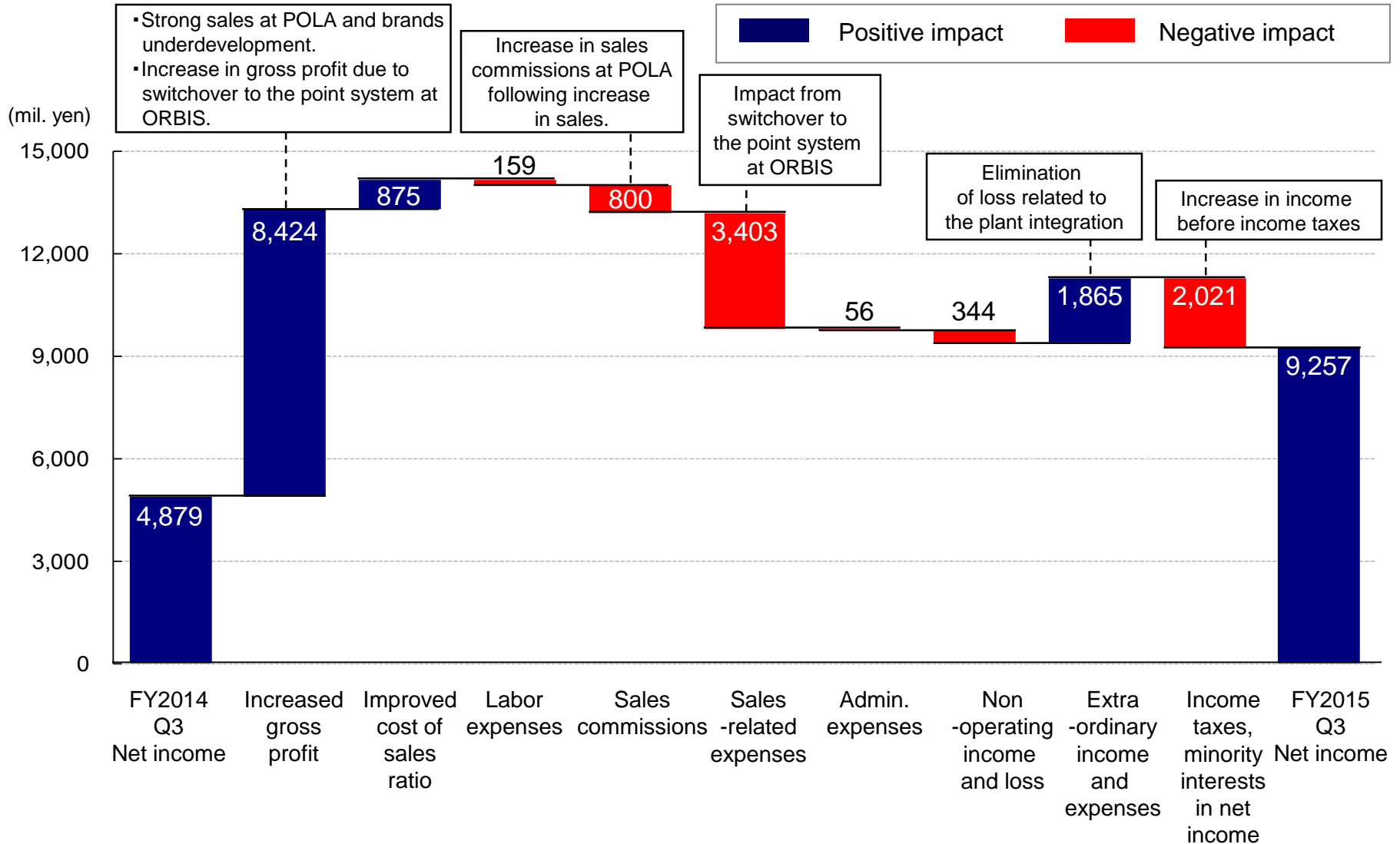
(mil. yen)	FY2014	FY2015	YoY change		Vs. FY2013Q3	
	Q3 Results	Q3 Results	Amount	%	Amount	%
Operating income	10,367	15,247	4,879	47.1%	5,437	55.4%
Non-operating income	706	457	(248)	(35.2%)	(668)	(59.4%)
Non-operating expenses	205	301	96	46.8%	217	260.0%
Ordinary income	10,869	15,404	4,534	41.7%	4,552	41.9%
Extraordinary income	337	543	205	61.0%	221	69.0%
Extraordinary loss	1,860	201	(1,659)	(89.2%)	(1,898)	(90.4%)
Income before income taxes	9,345	15,745	6,400	68.5%	6,672	73.5%
Income taxes	4,677	6,454	1,776	38.0%	2,213	52.2%
Minority interests in net income / loss of consol. subsidiaries	(210)	33	244	-	106	-
Net income	4,879	9,257	4,378	89.7%	4,352	88.7%

Key Factors

- Non-operating income and expenses FY2015Q3: Loss from unfavorable foreign exchange: down ¥407 mil. yoy
- Extraordinary income FY2015Q3: Gain from liquidating ORBIS Korea in FY2014: ¥538 mil.
- Extraordinary loss FY2014Q3: Loss related to the plant integration: ¥1,566 mil.
- Income taxes FY2015Q3: Increase in income taxes following increase of domestic "income before income taxes": up ¥1,529 mil. yoy

Factors Impacting Net Income

Gross profit increased due to increase in sales at beauty care business.
Net income was significantly increased by 89.7% due to decrease in extraordinary loss versus the same period last year.



1. Highlights of Consolidated Performance
2. **Segment Analysis**
3. Forecasts for Fiscal 2015
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Segment Results

(mil. yen)	FY2014	FY2015	YoY change		Vs. FY2013Q3	
	Q3 Results	Q3 Results	Amount	%	Amount	%
Consolidated net sales	142,019	152,503	10,483	7.4%	15,156	11.0%
Beauty care	131,944	142,005	10,060	7.6%	14,285	11.2%
Real estate	2,379	2,198	(181)	(7.6%)	(67)	(3.0%)
Others	7,695	8,299	603	7.8%	939	12.8%
Operating income	10,367	15,247	4,879	47.1%	5,437	55.4%
Beauty care	9,405	14,128	4,723	50.2%	5,451	62.8%
Real estate	1,031	911	(120)	(11.6%)	(99)	(9.9%)
Others	311	398	87	28.0%	47	13.5%
Reconciliations	(380)	(190)	189	-	38	-

Segment Results Summary

- Beauty care** Both flagship brands and brands under development achieved sales and operating income growth.
 (ORBIS' actual sales were down by 1% excluding the impact from switchover to the point system.)
- Real estate** Sustained high occupancy rate, but sales were down due to sales of property in FY2014.
- Others** Thanks to the sales activities, pharmaceutical and building maintenance businesses progressed steadily.

Beauty Care Business Results by Brands

(mil. yen)	FY2014	FY2015	YoY change		Vs. FY2013Q3	
	Q3 Results	Q3 Results	Amount	%	Amount	%
Beauty care net sales	131,944	142,005	10,060	7.6%	14,285	11.2%
POLA	72,118	76,382	4,263	5.9%	3,960	5.5%
ORBIS	37,641	41,702	4,061	10.8%	6,235	17.6%
Jurlique	11,532	12,196	664	5.8%	2,458	25.3%
H2O PLUS	3,259	2,914	(344)	(10.6%)	(782)	(21.2%)
Brands under development	7,393	8,809	1,415	19.1%	2,413	37.7%
Beauty care operating income	9,405	14,128	4,723	50.2%	5,451	62.8%
POLA	4,990	8,499	3,509	70.3%	3,714	77.6%
ORBIS	7,684	8,562	877	11.4%	1,880	28.1%
Jurlique	(1,410)	(1,543)	(133)	-	(299)	-
H2O PLUS	(1,191)	(1,349)	(158)	-	(773)	-
Brands under development	(668)	(40)	628	-	929	-

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

Q3 Result

- Thanks to the successful new products, sales were up yoy.
- Operating income increased significantly. Sales and gross profit were increased, and marketing expenses remained flat yoy.
- Purchase per customer was up 8.1% yoy due to the increase in sales ratio of the high-priced products.
- Inbound sales outperformed the expectation, but domestic sales were in line with the expectation. POLA will continue to aim for accelerating growth from the domestic demand.

Q3	Results (mil. yen)	YoY change
Net sales	76,382	5.9%
Operating income	8,499	70.3%

Key indicators

Number of sales offices (vs. Dec. 2014)		4,747 (down 52)
Number of PB ⁽¹⁾ (vs. Dec. 2014)		625 (up 3)
Cosmetic sales ratio	PB ⁽¹⁾	41.1%
	Esthe-inn	40.0%
	D2D ⁽²⁾ and other	18.9%
Sales growth*	PB	up 18.0%
	PB (like-for-like)	up 18.1%
	Esthe-inn	down 1.3%
	D2D	down 13.2%
Purchase per customer*		up 8.1%
Number of new customers*		up 7.0%

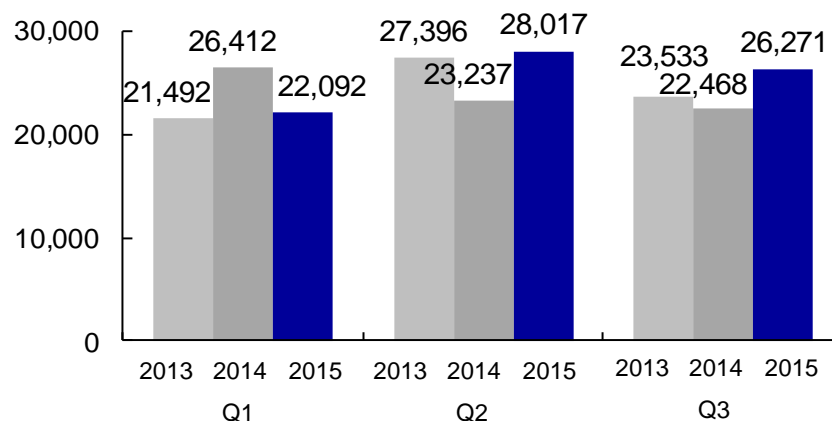
(1) PB: POLA THE BEAUTY stores (2) D2D: Conventional door-to-door *YoY

Topics

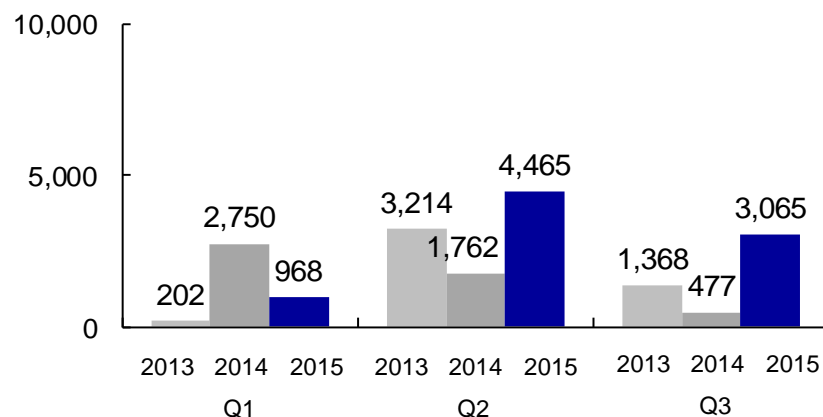
- Fully renewed skincare products in "B.A", the most prestige series within POLA in August.



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Q3 Result

- Actual sales were down 1% yoy, but showed recovery trend since H1's negative 3% sales growth.
- Operating income were up yoy. In FY2014Q3, there was one-time expense related to bonus points which did not occur this year.
- New customer acquisition through social media continued to be strong.
- The overall brand performed in line with the expectation.

Q3	Results (mil. yen)	YoY change
Net sales	41,702	10.8% (Actual basis down 1%) ⁽¹⁾
Operating income	8,562	11.4%
Key indicators		
Sales ratio	Online	44.0%
	Other mail-order	29.7%
	Store and overseas	26.3%
Sales increase*	Online	up 21.3%
	Other mail-order	up 6.5%
	Stores and overseas	up 0.7%
Mail-order ⁽²⁾ purchase per customer*		up 16.0%
Number of mail-order customers*		down 1.0%
Mail-order skincare purchase ratio*		down 2.5%

(1) Actual sale growth excluding the impact of the point system started from September 24th 2014.

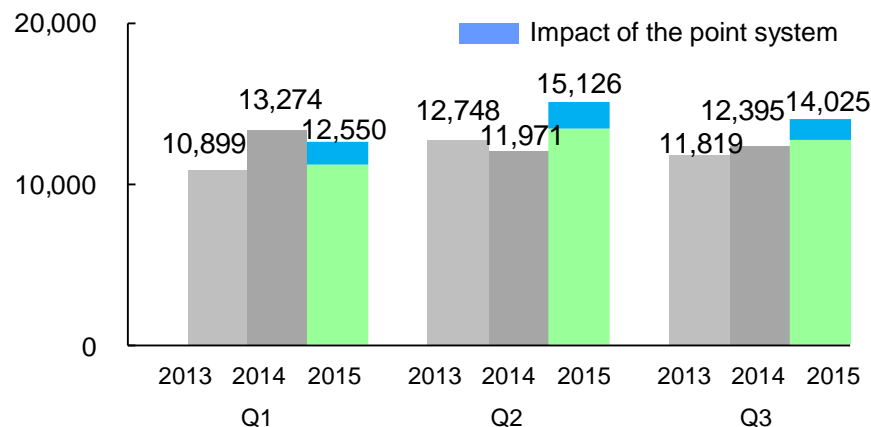
(2) Mail-order includes online and other mail-order *YoY

Topics

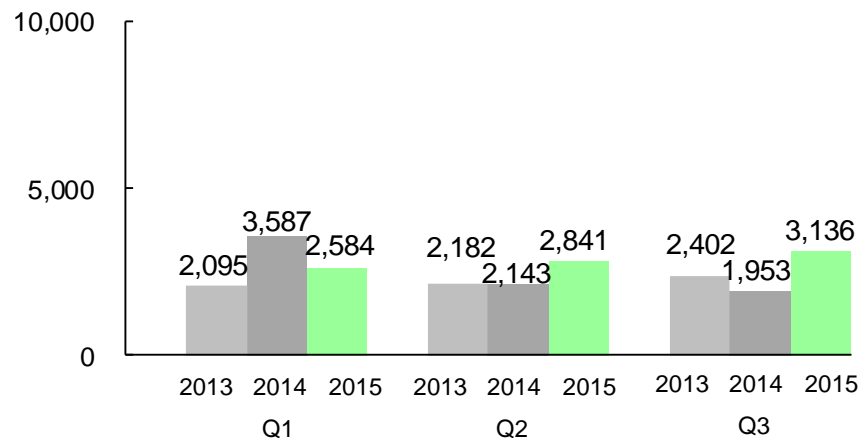
- Launched "ORBIS =U encore", full scale anti-aging skincare products from "ORBIS =U" series in September.



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Q3 Result

- Net sales were up 8% yoy on AUD basis.
- Department stores in urban cities in China showed negative trend.
The positive impact from new product launches could not cover the sluggish sales in H1 and the same-store sales as of Q3 were down 9% yoy.
- On the other hand, Australia continued to perform steadily.
- Operating income was slightly down yoy due to the struggle in China and unfavorable foreign exchange rate from local currency.

Q3	Results (mil. yen)	YoY change ⁽¹⁾
Net sales	12,196	5.8%
Operating income (before goodwill amortization)	(961)	-
Operating income	(1,543)	(133)

Key indicators

Number of doors in China (vs. Dec. 2014)		112 (up 9)
Sales ratio	China	29%
	Hong Kong	13%
	Duty free stores	17%
	Australia	24%
Sales growth ⁽²⁾	China	up 13%
	Hong Kong	down 1%
	Duty free stores	up 11%
	Australia	up 15%

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

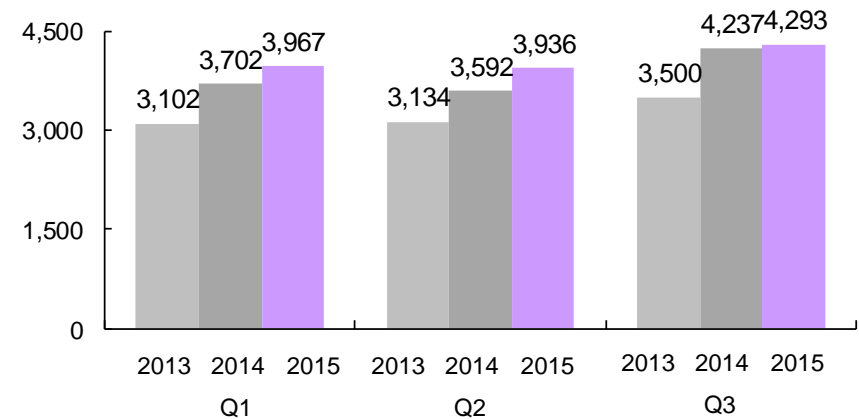
(2) AUD basis, YoY

Topics

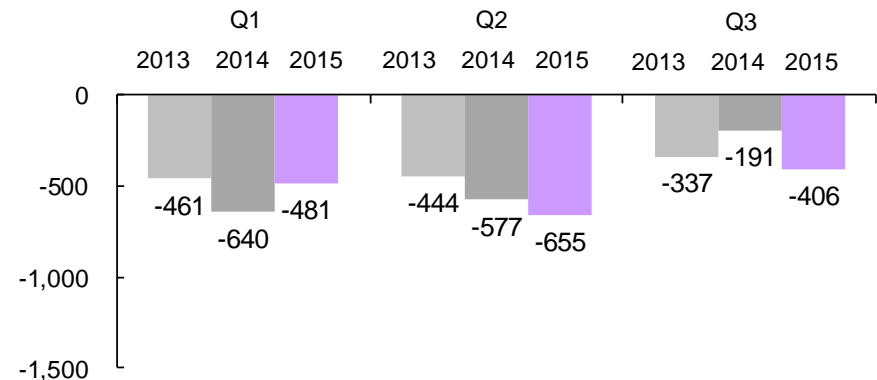
- Launched additional products in the prestige anti-aging skincare series, "Nutri-Define".



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Q3 Result

- Net sales for the brand were down 24% yoy on USD basis.
- Operating loss increased due to decrease in gross profit.
- These are due to the strategic decisions to close underperforming stores in China and cut-down sales channels in North America. Therefore, results were in line with the expectation.

Q3	Results (mil. yen)	YoY change ⁽¹⁾
Net sales	2,914	(10.6%)
Operating income	(1,349)	(158)
Key indicators		
Number of doors in China (vs. Dec. 2014)		136 (down 246)
Sales ratio	China	17%
	North America	64%
Sales growth ⁽²⁾	China	down 53%
	North America	down 14%

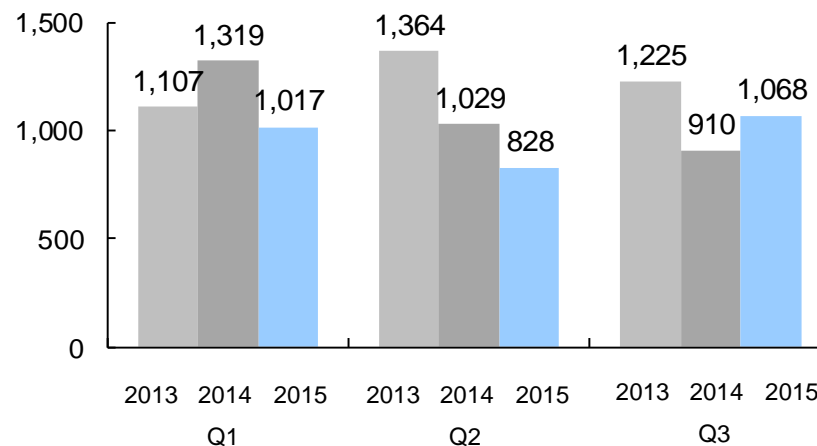
(1) For operating income YoY difference is shown in amount (mil. yen).

(2) USD basis, YoY

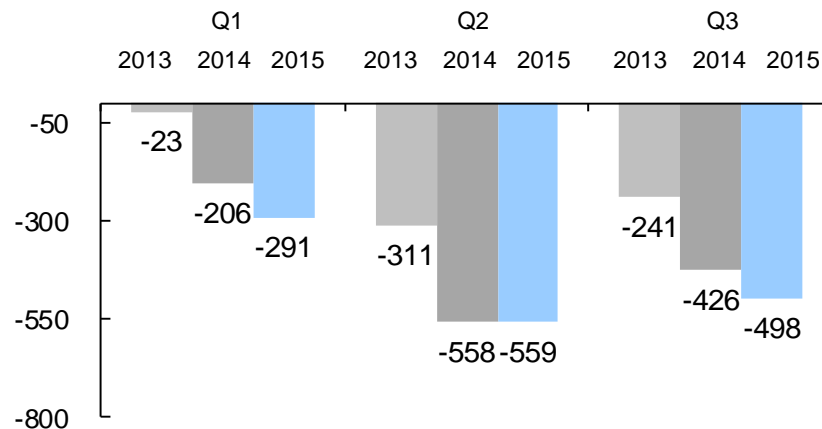
Topics

- On track with relocation and outsourcing plans for the brand restage.

Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



Q3 Result

- THREE and decencia continued to lead growth.
- At THREE, new store openings, strong same-store sales, and successful overseas expansion led to approx. 50% yoy sales growth.
- At decencia, purchase per customer from both new and existing customers were strong, and sales were approximately doubled yoy.
- Future Labo sold through TV shopping channels struggled to secure airtime and sales were down yoy.

Q3		Results (mil. yen)	YoY change*
Net sales		8,809	19.1%
Operating income		(40)	628
Key indicators			
THREE	Dept. store counters in Japan		29
	Other stores in Japan		35
	Overseas stores (Thailand, Taiwan and Indonesia)		19

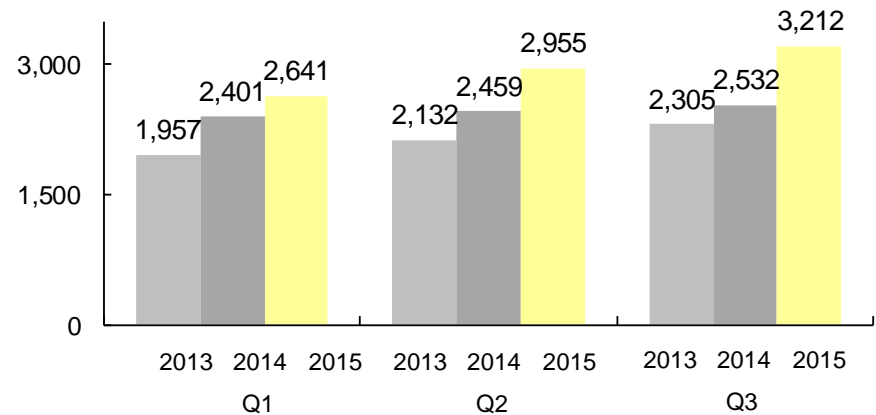
*For operating income YoY difference is shown in amount (mil. yen).

Topics

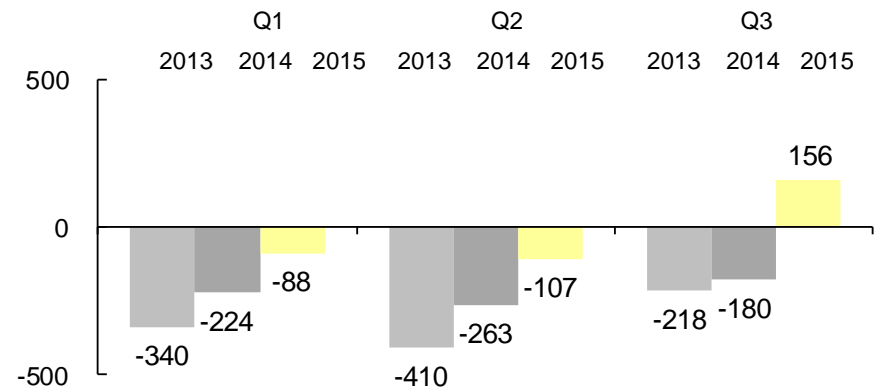
- THREE launched new products in the hair care series, "SCALP & HAIR" in September.



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



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Forecasts for FY2015 (revised from July 30 forecasts)

Increased ¥2.5 bil. in consolidated net sales forecast and ¥1 bil. in operating income forecast.
 Aiming to achieve increase in sales and operating income for the 6th consecutive year.

(mil. yen)	Full Year Forecast		YoY change		Full Year Forecast	
	As of Oct. 30 (A)	Amount	%	As of Jul. 30 (B)	Change (A) - (B)	
Consol. net sales	210,000	11,905	6.0%	207,500	2,500	
Beauty care	196,100	11,624	6.3%	193,600	2,500	
Real estate	2,900	(279)	(8.8%)	2,900	0	
Others	11,000	559	5.4%	11,000	0	
Operating income	21,000	3,316	18.8%	20,000	1,000	
Beauty care	20,000	3,464	20.9%	19,000	1,000	
Real estate	1,100	(127)	(10.4%)	1,100	0	
Others	350	(122)	(25.9%)	350	0	
Reconciliations	(450)	101	-	(450)	0	
Ordinary income	21,000	1,932	10.1%	20,000	1,000	
Net income	11,000	617	5.9%	10,500	500	

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

	FY2014	FY2015 (Plan)
Shareholder return (Dividend)	Annual ¥87, Special ¥100 Consol. payout ratio 99.6%	Interim ¥70 Year-end ¥80 Payout ratio 75.4%
Capital efficiency	ROE 5.9%	ROE 6.2%

Realizing 2014 - 2016 Medium-term Management Plan

Sustain stable growth of flagship brands to lead Group earnings

POLA

- Launch limited products from “B.A” series, which was renewed in Q3, to promote repeat purchase and increase in purchase per customer from existing domestic customers.
- Make strategic investment to reinforce POLA’s mid-long term branding.
- Renewed the official online store which is the contact point with customers. The new online store is designed to reinforce one-to-one marketing and smartphone compatibility to offer more convenient and easy shopping experience for the customers.
- Acquire new customers with ORBIS =U encore.

ORBIS



B.A Cream
Royal Synergy Collection

Overseas brands contributing to profitability through high sales growth

Jurlique

- Activate repeat customer sales with sales promotions centering the brand’s 30th anniversary limited products.
- Plan strategies for China to realize early monetization.

h2o+

- Establish a foundation for next year onwards to improve profitability by proceeding with measures for the brand restage and reforming the business model along with the relocation.



Rosewater Balancing Mist
Intense Limited Edition

Sales growth and monetization of brands under development

T H R E E

- Sustain growth by focusing on marketing activities for the new Fall/Winter products.

decencia

- Aim for further growth by expanding sales channels with the launch of new products targeted for dermatologists.

POLA CHEMICAL INDUSTRIES wins the Best Basic Research Award at IFSCC* Conference Zurich 2015

POLA R&M

- POLA CHEMICAL INDUSTRIES, INC. won the Best Basic Research Award at the IFSCC Conference held in Zurich from September 21st to 23rd.
- This is the 8th award (first award from the conference) that POLA CHEMICAL INDUSTRIES received from IFSCC.
The Company also received an award at the congress held in 2014 in Paris.



Researcher, Aya Sakata, received the Best Basic Research Award at IFSCC Conference Zurich 2015

“Breakthrough in improving the skin sagging with focusing on the subcutaneous tissue structure, retinacula cutis”

- Skin sagging is one of the biggest skin concerns for women, especially those who are middle age or older.
In order to find an effective approach to improve skin sagging, for the first time in the world, this research focused on the relationship between skin sagging and the fiber network structure called retinacula cutis (RC), which is located in subcutaneous tissue structure deeper than dermis.
This research will be used to offer more effective skincare products.

Awards received by POLA CHEMICAL INDUSTRIES

2014	Paris Congress	Best Basic Research Award
2012	Johannesburg Congress	Best Poster Award
2008	Barcelona Congress	Best Basic Research Award
1998	Cannes Congress	Best Award
1996	Sydney Congress	Second Best Award
1994	Venice Congress	Best Award
1986	Barcelona Congress	Second Best Award

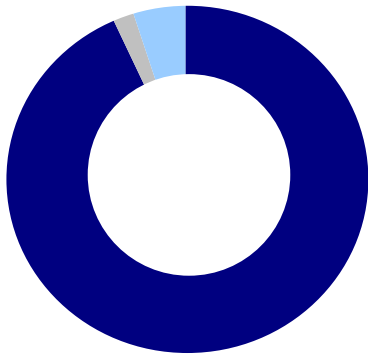
*The International Federation of Societies of Cosmetic Chemists

- A worldwide federation dedicated to international cooperation in cosmetic science with members from 47 countries.
- It holds a congress for research every 2 years and there is a conference held in between congresses.

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

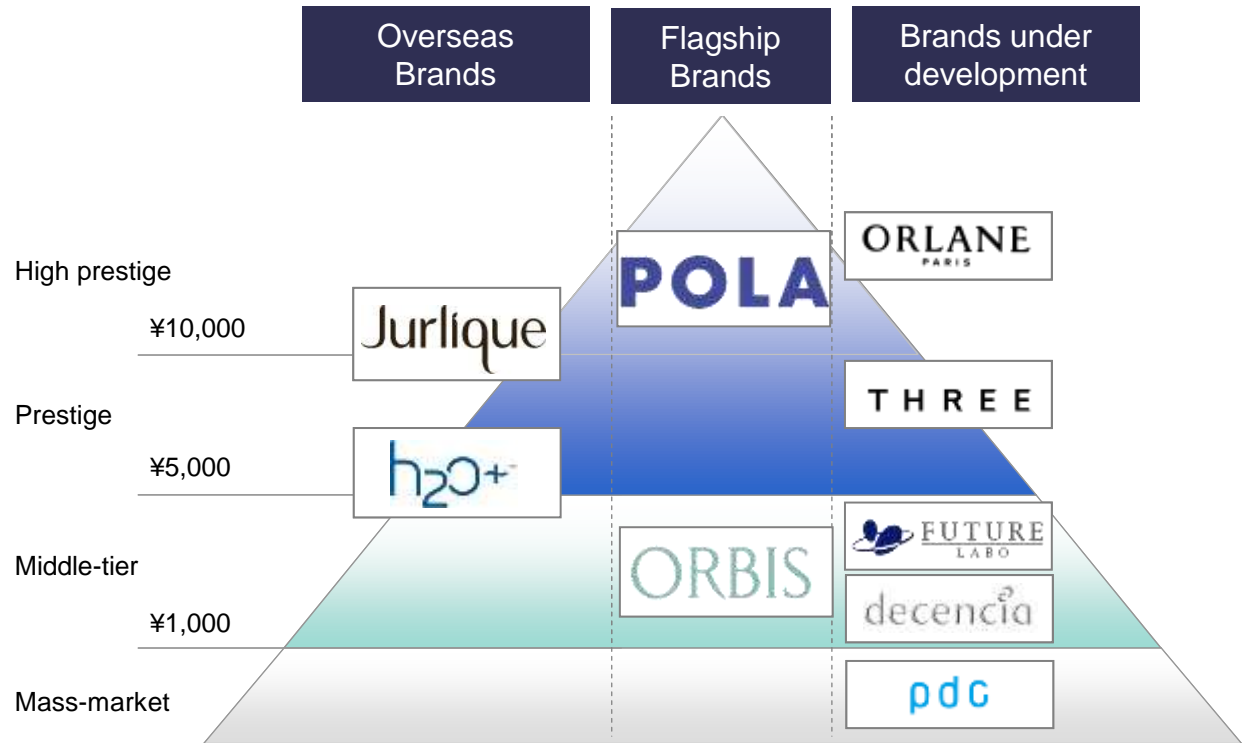
FY2014
Consol. Net Sales
¥198.1 bil.



Beauty care business 93%

Real estate business 2%

Other businesses 5%
(dermatological drugs and building maintenance business)












Our strengths

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



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

Appendix: Beauty Care Business Brand Portfolio

	Sales ratio*	Brand	Concept and products	Price	Sales channel
Flagship brands	54%		<ul style="list-style-type: none"> ■ High-prestige skincare ■ Leading-edge technology in anti-aging and skin-whitening fields 	Approx. ¥10,000 or higher	<ul style="list-style-type: none"> ■ Consignment sales through POLA LADIES: POLA THE BEAUTY (PB), Esthe-inn and conventional door-to-door ■ Directly operated counters in department stores
	28%		<ul style="list-style-type: none"> ■ Provides original-concept 100% OIL-FREE skincare products ■ Anti-aging product series to meet demands from all ages 	¥1,000~ ¥3,000	<ul style="list-style-type: none"> ■ Online ■ Catalog ■ Retail stores
Overseas brands	10%		<ul style="list-style-type: none"> ■ Prestige organic skincare brand from Australia 	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> ■ Directly operated counters and stores in department stores and shopping malls ■ Duty free stores
	3%		<ul style="list-style-type: none"> ■ Skincare products made with natural, sea-derived ingredients 	Approx. ¥4,000 not sold in Japan	<ul style="list-style-type: none"> ■ China: Department stores, shopping malls and specialty stores ■ US: Specialty stores and directly operated stores
Brands under development			<ul style="list-style-type: none"> ■ Skincare made with natural ingredients from Japan and fashion-forward make-up 	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> ■ Directly operated counters in department stores
			<ul style="list-style-type: none"> ■ Affordably priced cosmetic products for mass-market 	Approx. ¥1,000	<ul style="list-style-type: none"> ■ Drug stores, GMS ■ Variety stores
	5%		<ul style="list-style-type: none"> ■ Cosmetic and other products with unique features 	¥3,000~ ¥6,000	<ul style="list-style-type: none"> ■ Mainly sold through TV shopping channels
			<ul style="list-style-type: none"> ■ Skincare for dry, sensitive skin 	¥2,000~ ¥5,000	<ul style="list-style-type: none"> ■ Online
			<ul style="list-style-type: none"> ■ High prestige anti-aging skincare cosmetics from France 	Approx. ¥10,000 or higher	<ul style="list-style-type: none"> ■ Directly operated counters in department stores ■ Specialty stores

*Sales ratio in the beauty care business as of FY2014

POLA



B.A

Anti-aging

The most prestige skincare and foundation make-up series at POLA.



APEX

Anti-aging

Launched in 1989 as the first tailor-made skincare and foundation make-up series in the industry.



WHITISSIMO

WHITE SHOT

Skin-whitening

Skin-whitening series infused with the latest research findings in the field.

ORBIS



CLEAR

Acne treatment

Renewal launch in March 2015
Acne treatment skincare products



AQUA FORCE

Moisturizing

One of the most famous product series at ORBIS. Skincare products focused on the moisturizing features of water.



ORBIS =U

Anti-aging

Launched in February 2014
Anti-aging skincare products

Appendix: Beauty Care Business FY2014 Results by Brands

(mil. yen)	FY2013 Results	FY2014 Results	YoY change	
			Amount	%
Consol. net sales	191,355	198,094	6,738	3.5%
Beauty care net sales	178,306	184,475	6,168	3.5%
POLA	100,740	99,571	(1,168)	(1.2%)
ORBIS	48,163	52,302	4,139	8.6%
Jurlique	14,810	17,600	2,789	18.8%
H2O PLUS	5,488	4,876	(611)	(11.1%)
Brands under development	9,104	10,123	1,019	11.2%
Consol. operating income	16,017	17,683	1,665	10.4%
Beauty care operating income	14,780	16,535	1,755	11.9%
POLA	7,951	8,583	632	7.9%
ORBIS	8,807	10,792	1,985	22.5%
Jurlique	(399)	(445)	(46)	-
H2O PLUS	(496)	(1,435)	(939)	-
Brands under development	(1,082)	(958)	123	-

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

Corporate Philosophy

“Inspire all people and touch their hearts”

Consolidated
Net sales
(bil. yen)

STAGE1

Generate stable domestic profits and create a successful business model overseas

FY 2013 Results:

- Consol. net sales: ¥191.3 bil.
- Overseas sales ratio: 12.2%
- Operating margin: 8.4%

STAGE2

Further strengthen domestic earnings structure and accelerate overseas expansion

Goals for FY2016:

- Consol. net sales: ¥210.0 bil.
- Overseas sales ratio: 15% or higher
- Operating margin: 11% or higher

STAGE3

Become a highly profitable global enterprise

Goals for FY2020:

- Consol. net sales: ¥250.0 bil. or higher
- Overseas sales ratio: 20% or higher
- Operating margin: 13-15%

250.0

160.0

2010

2013

2016

2020

2014 – 2016 Mid-term Management Plan

Domestic and overseas:
Accelerate growth through M&As

Overseas:
Expand flagship brands overseas

Domestic:
Achieve stable growth in Japan
(CAGR of around 2%)

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

Consolidated net sales

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

Operating income

- Operating income: CAGR **15%** or higher
- Operating margin: **11%** or higher in FY2016

Capital efficiency

- Target for ROE: **8%** or higher in FY2016

Shareholder return

- Consolidated payout ratio: **50%** or higher
 from FY2014

Japan

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

Strategy 2. Sales growth and monetization of brands under development

Overseas

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

Strategy 4. Restructure overseas expansion of flagship brands

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

Strategy 6. Improve capital efficiency and shareholder return