

# Vision

To maximize the unique character of each brand,  
and become a global corporate group that enriches  
the lives of people around the world.

## Part 1

## Part 2

## Part 3

### POLA ORBIS Group direction

#### Our perception of value/ what we hold dear

- 02 To Our Stakeholders
- 04 A Message from the President

#### Special Feature 1

- 14 Human resources who shape  
the future of the POLA ORBIS Group

#### Value creation story

- 16 POLA ORBIS Group History
- 18 Strengths of the POLA ORBIS Group
- 20 Value Creation Process  
of the POLA ORBIS Group
- 22 Recognizing and Responding to  
Opportunities and Risks

#### Special Feature 2

- 24 New Medium-term Management Plan

#### Strategy

- 28 Financial Strategies
- 30 Initiatives on Sustainability
- 32 Financial and  
Non-Financial Highlights
- 34 Business Structure
- 36 Growth Strategies by Brand
  - 36 POLA
  - 38 ORBIS
  - 40 Overseas Brand
  - 41 Brands under Development

### Activities that underpin value creation

#### Five non-financial materiality categories

- 42 1. Quality of Life Improvement through Innovative  
Technology Services
- 44 2. Regional Revitalization
- 46 3. Culture, the Arts, Design
- 48 4. All-Inclusive Human Resources
- 53 5. Environment
- 60 Human Rights
- 62 Stakeholder Engagement
- 64 Basic Stance on Corporate Governance
- 66 Matters Related to the Board of Directors
- 68 Interview with Outside Director
- 70 Management Structure
- 75 Fundamental Activities That Fulfill Our Corporate  
Responsibilities

### Financial data

- 76 Ten-Year Summary of Selected Financial Data
- 78 Management's Discussion and Analysis
- 83 Corporate Information

#### Editorial Policy

This report, incorporating non-financial information such as management's policies, strategies and the underlying basis for these decisions in addition to financial information, is intended to give stakeholders greater insight into our activities. In addition, it has been compiled with reference to the *International Reporting Framework*, issued by the International Integrated Reporting Council (IIRC), as well as *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation*, prepared by Japan's Ministry of Economy, Trade and Industry. Our sustainability report and a database related to ESG are available for viewing on our website. <https://www.po-holdings.co.jp/en/csr/index.html>

#### Time Frame

This report focuses on activities and results achieved in fiscal 2023—the 12 months from January 1, 2023 to December 31, 2023—but some fiscal 2024 content is also included.

#### Scope

POLA ORBIS HOLDINGS INC. and consolidated subsidiaries

#### Disclaimer

Forecasts and other forward-looking statements in this report are predictions related to future results or events, except where the information is historical fact, and are based on assumptions made by the Company using information available at the time. The risks and uncertainties inherent in such assumptions may cause actual results to differ from stated expectations. Information related to the financial results for fiscal 2023 has been prepared on the basis of data available as of February 14, 2024.

#### Editorial Structure

The Corporate Communications Division—specifically, the IR team and the sustainability supervision team within this division—functions as the production office and coordinates with corporate planning departments, finance departments, human resources departments and Group companies to compile this report. The director in charge of PR, IR, CSR and sustainability, who holds a concurrent role as chair of the Group CSR Committee, carries responsibility for production of this report.



Our perception of value/what we hold dear  
To Our Stakeholders



鈴木郷史

Satoshi Suzuki  
Representative Director and Chairman

横手喜一

Yoshikazu Yokote  
Representative Director and President

The POLA ORBIS Group formulated the long-term management plan VISION 2029 to guide the Group toward 2029—the year marking its 100th anniversary. We seek to be a collection of unique businesses that respond to diversifying values of “beauty,” and toward this end, we aim to expand the portfolio toward well-being and the social domain, aiming for sustainable business growth both domestically and overseas in addition to providing value centered on cosmetics.

Fiscal 2023 was the final year of the medium-term management plan (2021–2023), bringing the first stage of our VISION 2029 journey to a close. The year saw the introduction of a new management structure, with Satoshi Suzuki transitioning from his role as representative director and president to that of representative director and chairman and, while retaining a central role in management, transferring decision-making authority to Yoshikazu Yokote, who took on the responsibilities of representative director and president. The POLA ORBIS Group embarked on the next stage—medium-term management plan (2024–2026)—this year, 2024, outlining “three years of re-challenging and establishing a foundation for growth” to achieve VISION 2029. The plan will drive efforts to further refine each brand and thus strengthen income-generating power in Japan and channel robust investment to growth domains, including overseas activities and new businesses, and ultimately expand operations.

Under this management structure, we will continue to convey an enduring message to consumers, unchanged since our foundation, and strive to be a global corporate group that enriches the lives of people around the world by drawing on the Group’s unique and richly diverse human resources, who realize our mission “to sensitize the world to beauty” from their own points of view.

We ask for the continued support of stakeholders as we travel new roads together.

Our perception of value/what we hold dear  
A Message from the President



To provide society with value unique to the POLA ORBIS Group, we will take on new challenges at home, overseas and in fields different from those we now pursue.

横手喜一

Yoshikazu Yokote  
Representative Director and President

### Fiscal 2023 results and a review of the medium-term management plan

#### Achieved certain level of success in getting domestic operations back on track and improving profits

#### Was a year to prepare for new medium-term management plan launched in 2024

In fiscal 2023, the domestic cosmetics market recovered, as the effects of the economic downturn caused by the COVID-19 pandemic almost completely subsided, and demand, on an annual basis, grew in the low single-digit range. But the Chinese market showed signs of sluggishness in the second half of fiscal 2023, and an uncertain atmosphere persisted there. Against this backdrop, the POLA ORBIS Group invested robustly in marketing activities to rebuild our customer base, honed a sharper ability to attract new customers and promoted OMO<sup>1</sup>, and improved customer lifetime value. As a result, consolidated net sales rose 4.2% year on year and operating income climbed 27.8%. By brand, POLA recorded an increase in revenues. In Japan, POLA was able to halt the decline in customer numbers and marked a favorable increase in sales through department store and e-commerce channels. Overseas, however, was more of a challenge, evidenced by a year-on-year drop in sales in mainland China. Fortunately, demand in other overseas markets offset lower sales in mainland China and enabled POLA to secure higher overseas sales overall. For ORBIS, fiscal 2023 underlined the success of rebranding efforts. ORBIS was able to increase its base of customers with high lifetime value—its target customer group—and also benefited from enhanced sales channels and the creation of several hit products, which propelled the brand to extremely commendable double-digit increases in sales and income.

Looking back at the previous medium-term management plan, we did not reach any of our targets. This was because lingering pandemic-related issues significantly impacted operations, and it took longer than we had imagined for domestic operations, in particular, to get back on track. Thankfully, after hitting bottom in 2022, profitability began to improve in 2023, and domestic

operations moved into recovery mode. This revival paved the way for POLA ORBIS HOLDINGS to make all the preparations needed to implement the new medium-term management plan from 2024.

A review of the previous medium-term management plan from a strategy perspective shows that efforts to evolve domestic direct selling were successful, thanks to progress on a customer data integration and management system designed to deepen connections to customers across the entire domestic business network. By seamlessly linking online and offline content using integrated customer data, we will be able to deliver enhanced value to our customers. In addition, understanding the need for POLA to relocate and reimagine its shops, which are key offline points of customer contact, we made this issue a priority under the new medium-term management plan launched in 2024. Meanwhile, ORBIS will seamlessly connect digital points, such as apps and e-commerce, with physical points, such as stores and events. Through personalized messaging fine-tuned to customer characteristics, the company will be able to attract an influx of new customers and enhance the lifetime value of the ORBIS brand.

Growing overseas businesses' profitability remains a huge issue. Mainland China, positioned as a priority market for the POLA ORBIS Group, has experienced a sharp decline in purchasing momentum paralleling an economic slowdown there, beginning in the second half of 2023. Consequently, we revised our outlook for the Chinese market, assuming more gradual growth than in the past. Going forward, the basic strategy for operations in mainland China will require better understanding the local market and providing products and services that are truly in sync with market preferences as well as an emphasis on building strong relationships with customers through local initiatives. Toward this end, in January 2024, POLA ORBIS HOLDINGS established a regional headquarters for operations in mainland China to underpin local strategy. To further reinforce overseas strategy, we are aiming to accelerate expansion of business as a corporate group, viewing the ASEAN region and North America as our next target markets. In regard to restructuring efforts at Jurlique, some issues still need to be addressed, but there are signs of growth in key markets, notably, the home market of Australia as well as mainland China, and the company is working to return to profitability as soon as possible.

To boost profit contributions from brands under development, a review of the brand portfolio was implemented, which led to significant progress in shifting from loss reduction to profitability. Going forward, the focus will be on reinforcing the customer bases of THREE, DECENCIA and FUJIMI.

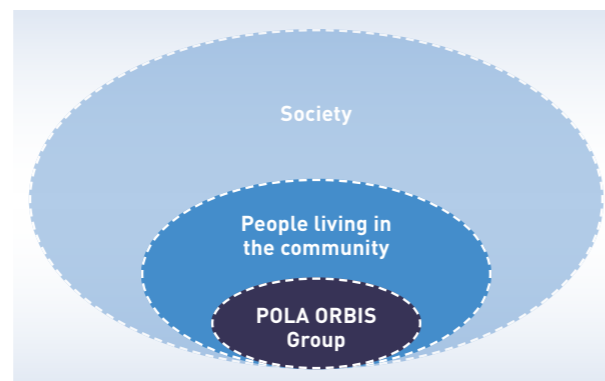
A highlight of future-oriented measures to strengthen operations and expand into new domains is the Technical Development Center (TDC), which opened its doors on schedule and began exploring new value creation. Many seeds are being sown in new fields, including the start of a business in the aesthetic medicine domain, as planned.

\*1 OMO: Online Merges with Offline

## Group purpose

**With significant changes in the business environment, now is the time to change the way we think and interact with society**

I became the president of POLA ORBIS HOLDINGS in 2023. For much of the time since then, I have been preoccupied by thinking about the new medium-term management plan that would start in 2024. I turned first to the major shifts in society that emerged during the pandemic. I had sensed that the pandemic had irreversibly altered people's attitudes and sense of values. Major shifts such as these tend to affect



what society and people expect from us as well. As a result, I knew any plan had to include a reconsideration of how Group companies interact with society and what the purpose of the Group as a whole should be.

The term "customer" is really just a word of convenience. We refer to the people who buy and use our cosmetics as "customers," but from their perspective, purchasing and using cosmetics are just parts of daily life. What I mean is, the term "customer" conjures up a certain image—limited in scope, at least from a corporate perspective, but "customers" are, essentially, "people." And where do we find these people? Not in a market per se but more broadly in society. In thinking about how we should interact with customers as a corporate group, my concern was that we had to engage the people who buy and use POLA ORBIS Group products as people in society rather than customers in a market. Otherwise, we risk losing the active purchasing interest of the people who quite literally keep us in business.

To encourage people in society to choose POLA, ORBIS or whichever brand in the POLA ORBIS Group product portfolio catches their eye, we will adhere to our mission to "sensitize the world to beauty" and, remaining alert to the slightest incongruity or shift in society, we will identify how best to respond to people's needs beyond the realm of cosmetics and bring new meaning to everyone's daily routine. I believe this is the Group's purpose.

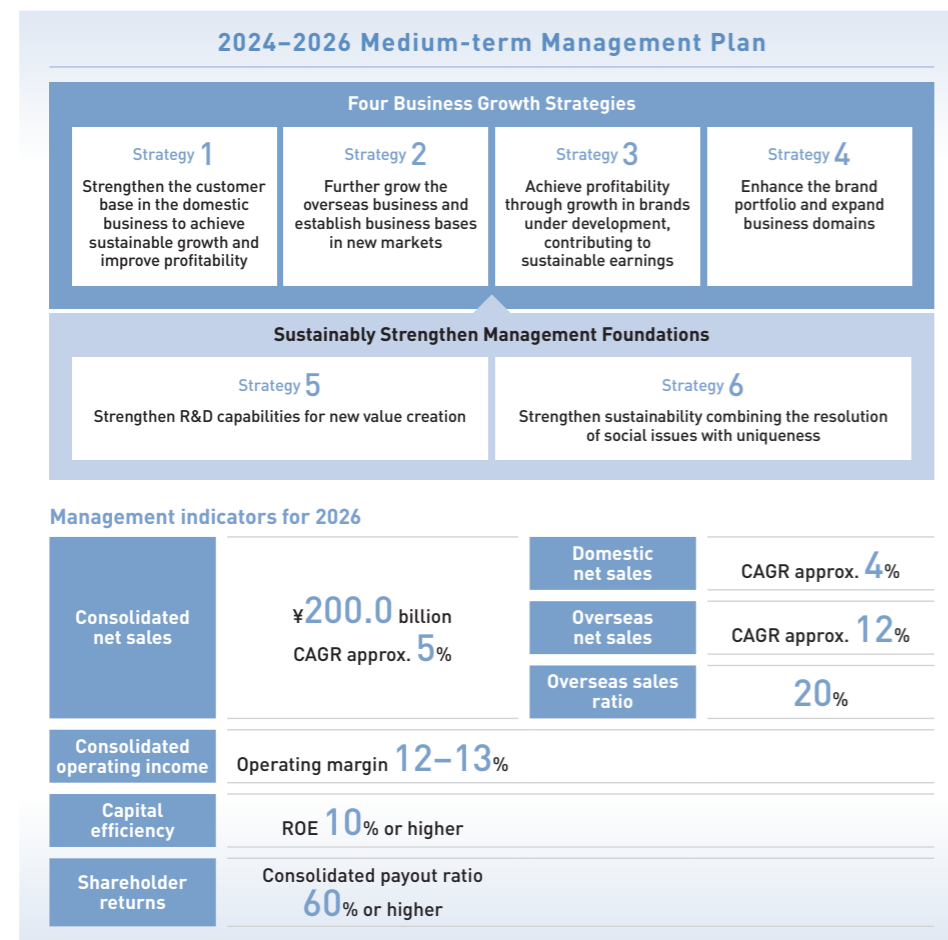
POLA, the root of the Group's corporate tree, is a brand built on a unique business model. The entire value chain, from R&D and manufacturing to sales, customer contact and customer support, is connected within the Group. Because customer data is centrally managed, POLA can create individual customer profiles covering skin type, beauty needs, where the first purchase of POLA products was made, what those products were and the timing of a second purchase. A careful analysis of collected customer information and purchasing data is a wellspring of insights for developing customer relationship management (CRM) measures that allow POLA to offer customized suggestions that delight customers. This approach to utilizing CRM to deepen direct contact with customers is not exclusive to POLA but is also used by another flagship brand, ORBIS, as well as brands under development. CRM might be considered a Groupwide strength, but there is a potential downside in that the operating companies become too dependent on information obtained only from available customer-driven data for statistical analysis. For example, the quantity and value amount of cosmetics purchased are important metrics, but just because these indicators are high does not necessarily mean that the purchasing customer is especially loyal to the brand. There is bound to be some correlation, but such indicators do not tell the whole story. We need to be more attentive to the fact that customers' perceptions of a brand and their evaluation of products under that label may have nothing to do with how many cosmetics are sold. That is precisely why we have to see customers as "people."

POLA's sales employees—Beauty Directors—have direct contact with customers and definitely understand this reality. Beauty Directors do not think of customers simply as people who purchase POLA cosmetics but rather as people they interact with on a personal level. Beauty Directors build relationships based on feelings of trust earned not only through conversations about cosmetics and beauty but also through a shared understanding of the times and the community in which they live. Such relationships extend beyond that of salesperson and customer to form a kind of like-mindedness between individuals who are members of the same community, which turns into a lifelong connection.

The market is overflowing with diverse products and services with different prices and different quality. At the same time, individuals have the ability these days through digital media, namely, social media, to express themselves as they want, and all individuals can now choose whatever things and experiences they desire or whatever suits their emotional preferences, based on their own values and judgment criteria. Against this social backdrop,

companies that cling to views and perceptions of convenience only to themselves regarding salespeople and customers will be left behind by people. Whether we are talking about a flagship brand or a brand under development, we must do our utmost to understand the values and expectations of people, think through how we can best serve them, create value that piques their interest and communicate all this in a way that meshes with their sentiments.

## Outline of new medium-term management plan



### Three years of re-challenging and establishing foundation for growth to achieve VISION 2029

I believe a perspective, like what I described earlier, where we interact with people in society rather than with customers in a market, is essential to achieving long-term VISION 2029, which looks ahead to where we want the POLA ORBIS Group to be in 2029, when the Group celebrates its 100th anniversary. Fiscal 2024 will be the first year of the 2024–2026 medium-term management plan, which is the second stage of the longer journey toward VISION 2029 and realization of the POLA ORBIS Group as a collection of unique businesses that respond to diversifying values of “beauty.” Through four strategies to fuel business growth and two strategies to sustainably strengthen the management foundation, POLA ORBIS HOLDINGS will further refine our portfolio brands to strengthen our income-generating power in Japan and investment in growth domains such as overseas and new businesses. Let me delve into each strategy.

### Strategy 1 Strengthen the customer base in the domestic business to achieve sustainable growth and improve profitability

As the domestic cosmetics market continues to grow moderately, people’s values are diversifying, and we anticipate competition between domestic and overseas brands to remain intense. Under those conditions, it is even more essential that each brand in our portfolio showcases uniqueness and strengths and maintains a base of very loyal customers to drive sustainable growth and improve profitability.

First, I will discuss POLA. The emphasis will be on utilizing an integrated customer database to provide a seamless brand experience across online and offline channels, thereby deepening connections with every customer and improving brand loyalty and lifetime value through unbroken customer contact. Shops are a vital component of operations as offline points of contact that provide customers with a personalized experience and services not found anywhere else. POLA will work to build a new salon model<sup>\*2</sup> that strategically strengthens the function and location of shops.

For ORBIS, the inspiration behind the brand came from recognition of and expectations for high-performance skincare, typified by the *ORBIS U.* series. It is therefore important to reinforce efforts to develop such products while building stronger relationships with customers to encourage them to keep ORBIS as their go-to brand. Toward this end, ORBIS will not only enhance its app and leverage its personalized CRM initiatives but also increase opportunities for direct, two-way communication between customers and the brand. The goal is to cultivate connections that go beyond product appeal and CRM and evoke affinity with the brand in customers’ minds, with a focus on close personal relationships. In the domestic market, where competition remains fierce, the solid support of customers loyal to the ORBIS brand will be a vital building block in the foundation for stable business operations.

<sup>\*2</sup>New salon model described on page 37



POLA personalized skincare recommendations



ORBIS U. series

### Strategy 2 Further grow the overseas business and establish business bases in new markets

We see the overseas business as a driver of growth for the POLA ORBIS Group, eventually becoming a pillar of our future profit base. Toward achieving this goal, we have to expand overseas activities faster than ever before. This will require a major reconsideration of our overseas strategy. To date, we have prioritized a concept based on marketing strategies drawn up in Japan to attract local customers, that is, to use the perspective developed for Japan to get customers in overseas markets to choose and use products and services in the POLA ORBIS Group portfolio. As I mentioned earlier, we used to see local areas and people living in those areas as markets with potential customers. No more. Just because there is a market and customers in a given location does not mean providing cosmetics in that market will translate into good sales. Instead, we should imagine the area as a society with people living there and ask ourselves how to ensure those people will choose and continue to choose our brands and what kind of value will best attract active interest. The purpose behind the January 2024 establishment of a regional headquarters in Shanghai to oversee business in mainland China was not to pursue general marketing such as identifying an area that attracts crowds or a mall with a high visitor count. Rather, this headquarters was set up because our overseas strategy will be shifting to a marketing strategy with a fundamentally local focus aimed at deepening our understanding of the values and expectations of local customers—those we call “people”—from a local perspective and pinpointing the best approaches for the POLA ORBIS Group to take in

providing value there. The underlying policy of our overseas strategy will be a “locally directed Groupwide structure,” which perfectly captures our new emphasis on meeting local needs from a local perspective. Since mainland China is a priority market for the Group, mainland China is the first target under the new strategy.

We must also significantly enhance next-market development or, in other words, the Next Markets to target after mainland China. Those markets are the ASEAN region and North America. In the ASEAN region, each brand is already developing a market presence, but the scale of business is still small and no real strategic market approach has yet been implemented. Going forward, rather than taking an individual brand approach, we will view the ASEAN market from a Group perspective, take a strategic approach in tapping which brands to grow in which areas and quickly expand presence.

In North America, we know that attitudes and preferences regarding skincare have changed dramatically over the past few years and see these changes as opportunities. Beginning in 2024, we will conduct Group-based test marketing as a precursor to speedy business development.

Another important management issue is returning Jurlique to profitability as soon as possible. Recently, Jurlique’s face oil won rave reviews in Australia and mainland China. The hit status of this product enabled the brand to deepen its connection to customers through skincare that should lead to repeat purchases. Jurlique will accelerate this trend under the leadership of the new president, who took over in June 2023, and expects to turn a profit in the near future.

Even as we strive to expedite overseas expansion as a Group, we will also take a broad view of M&A activities and external collaboration under the new medium-term management plan and explore and implement a range of actions to promote growth.



Jurlique Rare Rose Face Oil

**Strategy 3 Achieve profitability through growth in brands under development, contributing to sustainable earnings**

With regard to brands under development, THREE is in a brand regeneration phase. The value that THREE provides will be redefined, highlighting the power of essential oils extracted from organic plants and their natural scents, while showcasing unique characteristics of the brand through a holistic approach. *ESSENTIAL SCENTS*, a fragrance made with domestically produced original essential oils, debuted in 2023 to excellent reviews, elevating the brand’s position. While expanding THREE’s net sales through new brand experiences, we will work to reduce fixed costs and optimize marketing channels to make THREE a profitable brand.

DECENCIA, a brand for sensitive skin, has benefited from efforts to revamp customer communication methods over the last few years, evidenced by an upward trend in customer numbers. The goal is to improve the brand’s lifetime value through customer retention and cross-selling, which will enhance its presence in the sensitive skincare market.

The expanding beauty wellness market is providing a favorable backdrop for FUJIMI, which specializes in personalized offerings. The brand sees personalized protein as the driving force behind sustained purchasing by loyal customers and is aiming to raise its net sales and turn a profit by developing products for cross-selling and boosting its repeat ratio.

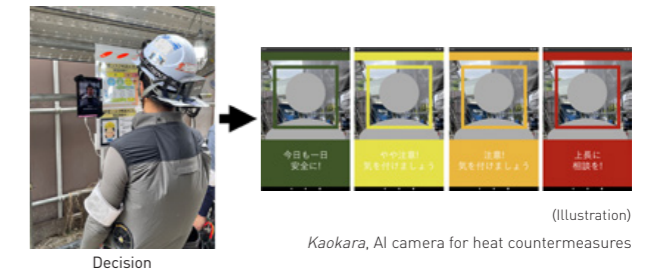


THREE ESSENTIAL SCENTS

**Strategy 4 Enhance the brand portfolio and expand business domains**

The world is heading into an era in which people will live, on average, 100 years, but it will also be a time increasingly rife with pressing social issues, including climate change and the consequences of an aging population and a decreasing birthrate. Properly engaging with people in society, as opposed to customers in a market, will naturally enable the POLA ORBIS Group to acquire strengths and knowledge that can be utilized to address social issues and facilitate an active presence in the well-being domain. We will need to think about what we, as a corporate group, can do with the capabilities we have now and what we must still do to achieve. Creating new value transcending the boundaries of the cosmetics realm and venturing into new business fields will be essential. In 2024, we welcomed the start of *Kaokara*, a business using an AI camera for heat countermeasures. This business leverages knowledge from skin analysis research conducted by our laboratories over many years and also epitomizes efforts to establish new businesses with an element of solving a social issue. We also marked the start of a business in the aesthetic medicine domain.

To accelerate value creation in new domains such as this, we are effectively utilizing research results and knowledge available within the Group, as was the case with the development of the *Kaokara* and aesthetic medicine businesses. We are also strategically pursuing collaboration and capital alliances with external start-ups and young entrepreneurs and promoting programs that give shape to ideas and passions of Group employees that might evolve into new businesses.



Decision

(Illustration) Kaokara, AI camera for heat countermeasures

**Must sustainably strengthen management foundation to support growth strategies**

**Strategy 5 Strengthen R&D capabilities for new value creation**

Two additional strategies will underpin efforts to strengthen the management foundation, which in turn will facilitate execution of the four growth strategies described over the previous few pages. The first is to strengthen R&D capabilities. For the POLA ORBIS Group, R&D capabilities are an extremely valuable source of competitiveness, both in terms of enhancing the uniqueness of brands and in creating new value. One noteworthy topic in the cosmetics domain is the completion and opening of the Technical Development Center (TDC) in 2024, POLA’s first new production facility in 47 years. The design of the center is a radical change from that of conventional cosmetics factories. Here, through the introduction and practical application of innovative manufacturing techniques unlike any cosmetics-making processes used to date, TDC will create original formulations and develop unprecedentedly high-performance, highly effective cosmetics. In addition, TDC will pursue innovation in cosmetics, including the evolution of multiple new materials pipelines, which is a Group strength. The POLA ORBIS Group will also go beyond the borders of cosmetics, promoting strategic research on artificial skin (*Mirror Skin*) and in domains dealing with frailty<sup>\*3</sup>, which is directly linked to the well-being of older people. POLA ORBIS HOLDINGS will continue to authorize investment of at least 2% of consolidated net sales for R&D to accelerate the creation of new value.



TDC: Technical Development Center

\*3 Frailty: Concept of state between wellness and the need for long-term care

### Strategy 6 Strengthen sustainability combining the resolution of social issues with uniqueness

The second way to strengthen the management foundation is through a sustainability strategy. We will establish Group-original KPIs, reflecting inherent strengths and social responsibilities, which will underpin the management foundation. These KPIs target five areas of activity: 1) quality of life improvement through innovative technology services; 2) regional revitalization; 3) culture, the arts, design; 4) all-inclusive human resources; and 5) environment.



Leadership team discussing management issues

### All-inclusive human resources are foundation of sustainability

A topic of particular interest to me is all-inclusive human resources. As I have mentioned in this message, I believe it is our people who ultimately polish the brand image, engage with customers and create new value. The results we achieve are supported by each and every employee or, more precisely, their motivation, passion and loyalty to the brand they are associated with. In other words, we understand that people are the POLA ORBIS Group's greatest asset, and we will grow as a corporate group as long as our people grow in their daily work. Our human resources management policy is defined as a person-centered management style. We believe that change will occur within the organization and that new networks will emerge, ultimately leading to new value creation, if we draw out intrinsic motivation and encourage individuals to take the initiative. Furthermore, diversity can be encouraged in a healthy way only if the culture within an organization respects the individuality and capabilities of each and every employee. With this in mind, we emphasize measures to enhance engagement between employees and their company and promote initiatives to foster mutual understanding and relationship-building. As the president of POLA ORBIS HOLDINGS, I too am involved in dialogue with employees in all divisions. I invite you to look at Special Feature 1, which spotlights some of the diverse human resources on whose shoulders the Group's future rests.

Regarding environmental initiatives, POLA ORBIS HOLDINGS aims to achieve net-zero CO<sub>2</sub> emissions by 2050. As part of our efforts to combat climate change, we have taken a robust approach to the introduction of renewable energy sources at Group factories and offices, and progress toward our CO<sub>2</sub> emissions reduction target is on track. Furthermore, since plastic is used in many cosmetics containers and packaging, we aim to achieve 100% sustainability in container and packaging designs, based on the 4R's<sup>4</sup>, as part of the cosmetics development process.

The POLA Aoyama Building falls under the two topics of regional revitalization and culture, the arts and design. Completed in March 2024, the building features an incubation space that supports startup companies, a multipurpose hall, a daycare and a cultural research center. It will be a hub for cocreating new value with the local community and tenants and for promoting activities to share information in the POLA ORBIS style.

For governance, it is important for the POLA ORBIS HOLDINGS management team, whose new management structure went into effect in 2023, to demonstrate leadership from a medium- to long-term perspective. In addition to the new medium-term management plan that I have explained in this message, we identified themes such as overseas operations, human resources and digital technologies, which may require a Groupwide response or specified measures as we work toward realizing VISION 2029. The leadership team meets

regularly to discuss these themes, with participation by departments Groupwide that offer constructive input. The results of these meetings are then used to facilitate deeper discussion by the Board of Directors and to promote understanding of these issues within the Group as a rolling agenda. Our outside directors and outside corporate auditors actively take part in discussions at Board of Directors' meetings, but we also provide discussion opportunities exclusively for outside officers where they can point out issues from a more objective perspective. We will, of course, strive to address such issues, but we also want to build a more constructive and effective governance structure.

We recognize that improvement of capital efficiency is an important management metric. It is an agenda item for the Board of Directors. Under the new medium-term management plan, we have positioned stable and sustainable business growth as a pillar for improving return on capital and have set a medium-term target of at least 10% ROE by 2026 toward our long-term target of 14% ROE by 2029. To raise ROE, we will strive to turn unprofitable businesses into profitable businesses but also make quick decisions on whether to continue a business or withdraw. We will implement appropriate cash allocation, that is, earmark more investment for businesses and markets with greater growth potential. At the same time, keeping balance sheet management in mind, we will maintain our two basic policies on return to shareholders: a consolidated dividend payout ratio of 60% or more and enhanced return to shareholders, by increasing operating profit and net income per share.

<sup>4</sup>4R's: Reduce (reduce the amount), Reuse (use repeatedly), Replace (replace with other materials), Recycle (recycle resources and keep using them)

## To our stakeholders

### Major turning point for the Group—Moving forward to become a corporate group chosen by people around the world

The new medium-term management plan, launched in January 2024, will be our guide as we take on new challenges across domestic operations, across overseas operations and in new domains. It marks a major turning point for the Group.

The future is being described as a period of VUCA (volatility, uncertainty, complexity, ambiguity), characterized by changes beyond anything we can imagine. In such an uncertain environment, where the path ahead is hard to distinguish, we must not be trapped by a framework perspective created for corporate convenience. I am talking about "markets" and "customers." We have to interact with "people" in an ever-changing "society." We must be totally alert, demonstrating an acute level of sensitivity, to notice changes in society and people's behavior in a timely fashion.

Saying that the POLA ORBIS Group will be a corporate group that enriches the lives of people around the world means meeting changes in society head-on, contributing to what improves the lives of people everywhere and being chosen by them. This is our purpose, our raison d'être. I ask for your continued understanding and support as we embrace challenges and opportunities to shape the future of the POLA ORBIS Group.



## Special Feature 1 Human resources who shape the future of the POLA ORBIS Group



**Zhang Shengai**  
Managing Director,  
SHANGHAI POLA TRADING CO., LTD.

### I want to provide customers in mainland China with an enriching, unforgettable experience

Through highly effective anti-aging cosmetics and customer contact and services fine-tuned to the feelings of each customer, we hope to provide customers in mainland China with an enriching, unforgettable experience and increase the number of customers who truly love POLA. To achieve these goals, it is my mission to clearly convey to POLA employees and salespeople in mainland China the concepts and vision that embody POLA values.

### I want to delight our customers through memorable experiences

As the Jurlique Chief Executive Officer, I am committed to leading the team toward sustainable growth by enhancing the brand story. As a company, we achieve this by providing natural and efficacious skincare products, which is our mission. In addition, our passion is to delight our customers through memorable experiences in all our touch points.

My role and purpose are to inspire all our team members wherever they are, whether they work in our stores, warehouses, offices or our biodynamic farm in Australia. Connecting and leading them is what I enjoy doing.



**Loic Rethore**  
CEO,  
Jurlique International Pty. Ltd.

### I want to develop a brand with value that does not exist anywhere else in the world

I am responsible for product development at tricot, which owns the FUJIMI brand. Every day, I grapple with the question "what kind of products can we create that provide value not found anywhere else in the world?"

At the same time, I am conscious of the impact that we—the company and, by extension, the brand—have on the environment. I will continue my efforts to grow FUJIMI into an innovative, sophisticated brand that offers value to customers and is also environment friendly.

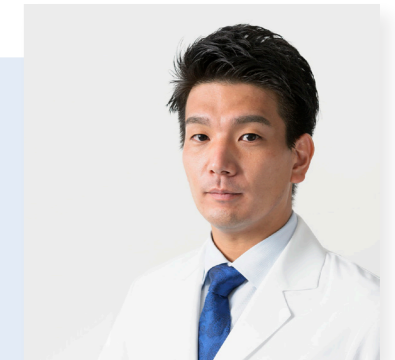


**Toshimi Kato**  
Director,  
tricot, Inc.

### I want to develop ingredients that build customer trust in and love for our products

While involved in developing new ingredients for cosmetics, I heard comments from many customers. I realized that even if people have the same skin concerns, their impression of product effectiveness varies from person to person. This experience has reinforced my commitment to deliver the best ingredients to each and every customer.

I will be there for all customers and strive to develop various ingredients that build trust in and love for the POLA ORBIS Group.



**Kazuki Nakayama**  
Frontier Research Center,  
POLA CHEMICAL INDUSTRIES, INC.



**Yoko Arakawa**  
Manager,  
Salon Business Development Office,  
POLA INC.

### I want to make a breakthrough by restoring the consignment sales channel

I would like to create a new market using a salon model unique to POLA and make a breakthrough toward restoring the total beauty business through the consignment sales channel. This will require a sincere pursuit to the best of our ability and with all our heart to give individuals more work and life possibilities while benefiting society in new ways.

I will lead a review of the current business model and the inherent value of shops, transforming the business into one truly right for the times.

### I want to use data on facial analysis and skin research to create a society that takes heat countermeasures

I developed AI technology that promotes appropriate actions in a heat stress environment from facial information collected by a camera-equipped tablet device and created a system that encourages preventative measures. A series of verification tests were conducted at construction sites, and a service called *Kaokara* is now being offered. We are promoting installation of the system primarily at construction and manufacturing sites. Looking to the future, I hope the system will be used in various everyday situations, such as when children are at school or when people play sports, and promote an environment for heat countermeasures.



**Kaoru Kasahara**  
Frontier Research Center,  
POLA CHEMICAL INDUSTRIES, INC.

# POLA ORBIS Group History


With refined sensitivity, we transform ahead of changing times.

The POLA ORBIS Group has been quick to identify changing market and customer needs and constantly transform to meet new requirements. The ability of each and every employee to understand evolving perceptions of beauty is a vital strength that we will draw on while maximizing R&D and direct marketing capabilities to achieve further growth.

**Active participation of women in society**  
As Japan welcomes more active participation of women in society, POLA embarks on what is now a 94-year history in the cosmetics business with expansion of its door-to-door business.

**1929 — 1979**  
Growth of sales channels of door-to-door business

**1929** Shinobu Suzuki founds the business in Shizuoka Prefecture.  
**1940** POLA CHEMICAL INDUSTRIES, INC. is established.  
**1946** The current POLA INC. is established.



Mortar used by the Company's founder


**2000 — 2004**  
More sales channel variety

**2000** Begins steps to transform sales approach of door-to-door business.  
**2004** POLA enters mainland China's market.

**2000** ORBIS THE SHOP is launched.  
**1981** Fashion business is launched.  
**1989** Department store business is launched.

**2000** ORBIS Inc. is established.  
**1988** Mail-order business is launched.  
**1999** Internet order system is launched.

**ORBIS**  
ORBIS' first generation 100% oil-free series




**1980 — 1999**  
Business diversification

**Diversifying lifestyles**  
Business activities becoming more diversified to match changing lifestyles. ORBIS is established and will later develop into a flagship brand.

**2005 — 2010**  
Multi-brand strategy

**2006** POLA ORBIS HOLDINGS INC. is established and the Group transitions to a pure holding company system in September.  
**2010** POLA ORBIS HOLDINGS INC. is listed on the Tokyo Stock Exchange, First Section (currently Prime Market), in December.

**2005** POLA THE BEAUTY stores are launched.



**2006** ORBIS enters the Taiwanese market.  
**2008** ORBIS enters mainland China's market.

**Environmental/Social/Governance Efforts**

- 1937** POLA hires its first POLA LADIES.
- 1979** The current POLA Foundation for the Promotion of Traditional Japanese Culture is established.
- 1985** POLA introduces product refills.
- 1990** ORBIS introduces simplified packaging.
- 1996** The current POLA Art Foundation is established.
- 1998** The Fukuroi Factory obtains ISO 9001 certification (quality-related).
- 2000** The Fukuroi Factory obtains ISO 14001 certification (environment-related).
- 2002** POLA dubs 2002 "Year of Re-Establishment." Formulates corporate philosophy "POLA VALUE."
- 2005** In-house training across the Group. Introduction of Future Study Program and Top Management Development Program (currently, Business Innovation Academy).
- 2008** Appoints outside corporate auditor.
- 2009** Seeking to energize local industry, POLA initiates the "3-9 Project."
- 2009** Creates Groupwide risk management structure.
- 2010** POLA obtains "Kurumin" certification mark from Japan's Ministry of Health, Labour and Welfare for efforts supporting development of the next generation.
- 2013** Introduces corporate officer system.
- 2015** Appoints outside directors.
- 2015** Measures and redefines executive competencies.
- 2015** Elevates level of communication with shareholders (captures first Best IR Award).
- 2016** Puts together Corporate Governance Report and forms Basic Policy on Corporate Governance.
- 2016** Initiates Board of Directors' effectiveness evaluation.
- 2017** Formulates new Group philosophy.
- 2017** Becomes signatory to UN Global Compact.
- 2017** Formulates Group Code of Conduct.
- 2017** Captures Best IR Award for second time.
- 2018** Introduces senior corporate officer system.
- 2018** Establishes Group human rights policy. Initiates human rights due diligence.
- 2018** Begins CSR procurement activities.
- 2019** Establishes voluntary advisory committees to focus on nomination and appointment of executives and associated compensation.
- 2021** Adds reduction of CO<sub>2</sub> emissions to medium- to long-term incentive evaluation criteria for corporate officers.
- 2021-2023** Included in CDP\* Climate Change A List for third consecutive year. Selected as a constituent stock of MSCI Japan Empowering Women Index (WIN). Selected as a constituent stock of the FTSE4Good Index Series and the FTSE Blossom Japan Index.
- 2024** Set reduction of CO<sub>2</sub> emissions, reduction of water consumption, sustainable palm oil procurement, number of new businesses created and percentage of female managers as medium- to long-term incentive evaluation criteria for directors.

Part 1 POLA ORBIS Group direction

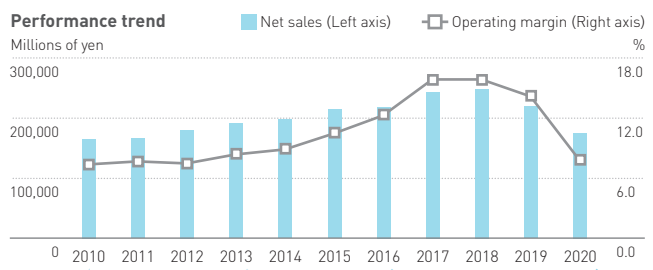
Part 2 Activities that underpin value creation

Part 3 Financial data

**New stage of growth**  
Took opportunity afforded by stock listing to draw up long-term vision. Made headway on improving domestic profitability and expanding overseas presence. But in final year of vision, operating environment underwent huge shift.

**2011 — 2020**  
Stock listing, selection and concentration of domestic operations, full-fledged overseas development

**Performance trend**  
Millions of yen



**2011-2013** Medium-term Management Plan  
Higher net sales and operating income

**2014-2016** Medium-term Management Plan  
Higher net sales and operating income  
Increase in inbound demand  
pdc and FUTURE LABO sold off

**2017-2020** Medium-term Management Plan  
Pharmaceuticals business sold off  
POLA expanded overseas business

**Evolved brand portfolio following 2010 stock listing, concentrated management resources into skincare and achieved growth**  
**Expanded business results in 2017, buoyed by debut of WRINKLE SHOT SERUM from POLA**  
**Net sales on downward trend since 2019, mainly owing to drop in inbound demand and COVID-19 pandemic-related impacts**

**2021 — 2023**  
VISION 2029 STAGE 1

**2024 — 2026**  
VISION 2029 STAGE 2

**Launch of VISION 2029 toward the Group's 100th anniversary**

**2021-2023 Medium-term Management Plan**

**Management Indicators (Results)**

**Net sales**  
Consolidated net sales CAGR 0.1%  
¥173.3 billion in FY2023

**Overseas sales ratio** 16.7% in FY2023

**Domestic e-commerce sales ratio** 28.2% in FY2023

**Operating income**  
Operating margin 9.3% in FY2023  
Operating income CAGR 8.2%

**Capital efficiency**  
ROE 5.7% in FY2023

**Shareholder returns**  
Consolidated payout ratio Maintained a payout ratio of 60% or higher


**Growth Strategies**

- 1 Evolve domestic direct selling
- 2 Grow overseas businesses profitably
- 3 Profit contribution from brands under development
- 4 Strengthen operations
- 5 Expand new brands and domains of "beauty"

**Overseas Brands**

**2012** The Group acquires Jurlique International Pty. Ltd. in February.

**Jurlique**




**2016** First quasi-drug to improve wrinkles approved in Japan.

**2017** POLA launches WRINKLE SHOT SERUM.


**2018** Group's R&D structure realigned and research oversight function consolidated at Multiple Intelligence Research Center (MIRC).

**2021** The Group acquires tricot, Inc. in April.

**FUJIMI**



**2024** Technical Development Center (TDC) begins operations.



"Three years of re-challenging and establishing a foundation for growth" to achieve VISION 2029

**2024-2026 Medium-term Management Plan**

**Management Indicators (Plan)**

Consolidated net sales CAGR approx. 5%  
¥200.0 billion in FY2026

Domestic net sales CAGR approx. 4%

Overseas net sales CAGR approx. 12%

Overseas sales ratio 20%

Operating margin 12-13% in FY2026

**Capital efficiency**  
ROE 10% or higher in FY2026

**Shareholder returns**  
Consolidated payout ratio 60% or higher

**Four Business Growth Strategies**

- 1 Strengthen the customer base in the domestic business to achieve sustainable growth and improve profitability
- 2 Further grow the overseas business and establish business bases in new markets
- 3 Achieve profitability through growth in brands under development, contributing to sustainable earnings
- 4 Enhance the brand portfolio and expand business domains

**Sustainably Strengthen Management Foundations**

- 5 Strengthen R&D capabilities for new value creation
- 6 Strengthen sustainability combining the resolution of social issues with uniqueness

16 POLA ORBIS HOLDINGS INTEGRATED REPORT 2023

POLA ORBIS HOLDINGS INTEGRATED REPORT 2023 17

Value creation story

# Strengths of the POLA ORBIS Group

Direct ties with customers are the pivotal resource of the POLA ORBIS Group. Efforts are made to pinpoint even the slightest change in customer lifestyles and beauty care needs, including preferences for cosmetics, and then anticipate market conditions and social trends, operations that evolve to meet changing times and consumer preferences. The spirit of this evolution infuses the Group like DNA—a quality that runs through its generations—all the way back to the Group's establishment.



## Direct Marketing

Firmly believing that direct ties to customers are the most valuable resource a business can have, POLA and ORBIS—flagship brands in the Group's brand portfolio—have endeavored to deepen mutual appreciation between respective brands and customers through communication facilitated by direct selling and to improve lifetime value through long-term relationships. POLA and ORBIS exemplify the value of communication. This perspective on communication will ultimately permeate the entire POLA ORBIS Group.

POLA's strength is to provide face-to-face consulting and aesthetic services through its network of about 23,000 Beauty Directors across Japan. Before COVID-19, communication with customers was mostly offline, but the pandemic prompted a change in approach. We moved online, expanding digital contact through social media platforms and utilizing online methods to connect, mainly to provide consulting and workshops.

For ORBIS, an app is the primary means of staying in touch with customers and was the key in maintaining one-to-one

communication, which keeps a strong connection between the brand and customers.

Through direct-selling channels, each company manages information on nearly all its customers in-house, together accumulating a data base of about 20.7 million entries on the condition of customers' skin as well as customers' attributes and purchasing trends. This diverse information is analyzed, and pertinent results are used in R&D, product planning and marketing, allowing the companies to build strong, trusting relationships with customers and secure brand loyalty and extremely high repeat purchase rates from an industry perspective. Going forward, the goal remains to enhance capabilities for customer analysis by using POLA's OMO model as well as ORBIS's customer data platform that combines data on customer interests and tastes with purchase and attribute data, underpinning efforts to provide each customer with ideal products and services.

## Multiple Brands

Today, with customer perceptions and lifestyles becoming increasingly diversified, a single-brand approach targeting as many customers as possible dilutes the brand concept and weakens image cohesiveness. As of December 31, 2023, to constantly address lifestyles and values that change with the times, the POLA ORBIS Group had built a portfolio—shown on the right—of six brands, each with its own concept, price range and sales channels. Each brand has its own unique characteristics and drives brand loyalty higher by polishing brand identity through independent management. The goal is to enhance sustainability and economic rationality whether the brand is small or flagship. We believe that the Group's uniqueness can be better demonstrated with a collection of small economic units rather than a large economic block.



## Research and Development Capabilities

VISION 2029 is a long-term vision taking the POLA ORBIS Group toward a milestone anniversary in 2029—100 years since POLA was established—that sees the Group as a collection of unique businesses that respond to diversifying values of "beauty." As a corporate group, we are aiming for sustainable business growth driven by an expanding business portfolio based on a broader concept of well-being, that is, a healthy mind and healthy body, and happiness and a presence in the social domain. To achieve these objectives, we are extending the horizons of research, moving beyond beautiful skin to the whole person.

Efforts are structured around three categories: 1) Science, targeting enhanced dermatology research and exploration using the latest technology to study the skin and its deep layers; 2) Life, emphasizing research into emotion, touch and sensation through open innovation and big data analysis using vast amounts of data collected from knowledge about skin science and skin analysis; and 3) Communication, focusing on the interrelationships between humans and the physical world (formulations, other people and the environment) using high-performance new dosage forms and digital technology.

Regarding R&D structure, the Group benefits from two research organizations—MIRC<sup>\*1</sup>, which coordinates overall R&D strategies, and FRC<sup>\*2</sup>, which handles basic research—in addition to TDC<sup>\*3</sup>, a new research and production facility that began operations in 2024. Activities also include robust alliances with external specialist organizations to deepen the science domain.

New-concept, high-value-added cosmetics will be continuously created through ingredient development based on the latest dermatology research and high-quality formulation technology. In addition, we seek to improve corporate value through growth beyond cosmetics by applying accumulated R&D expertise and results to new businesses, exemplified by entry into the heat countermeasures business using facial analysis technology and the aesthetic medicine domain using knowledge from skin research.

\*1 MIRC: Multiple Intelligence Research Center  
 \*2 FRC: Frontier Research Center  
 \*3 TDC: Technical Development Center



Dive medical cosmetics series



Kaokara, AI camera for heat countermeasures

Value creation story

Value Creation Process of the POLA ORBIS Group

The POLA ORBIS Group is working through milestone-marking medium-term and long-term management plans to build the ideal kind of corporate group by 2029, when the Group celebrates its 100th anniversary, and will strive to realize VISION 2029.

Mission

Sensitize the world to beauty.

Opportunities

Pages 22-23

External environment

Diversifying consumer awareness/behavior



Expanding customer contact points through progress in digital technology



Acceleration of borderless society and domestic market transformation

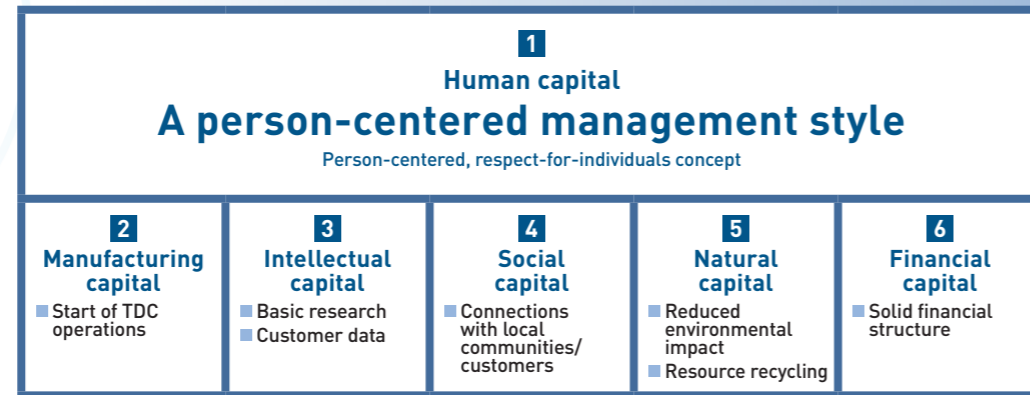


Rules/activities to prevent loss of ecosystem services



Risks

Pages 22-23



Corporate governance

Basic strategies

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

Sustainability strategies

- 1 Quality of life improvement through innovative technology services
- 2 Regional revitalization
- 3 Culture, the arts, design
- 4 All-inclusive human resources
- 5 Environment

Target management indicators for 2029

Consolidated operating income

¥50.0 billion

Consolidated operating margin

15% or higher

Consolidated net sales

¥300.0 billion

Overseas sales ratio

30-35%

ROE

14% or higher

Results of 18 non-financial items

Page 31

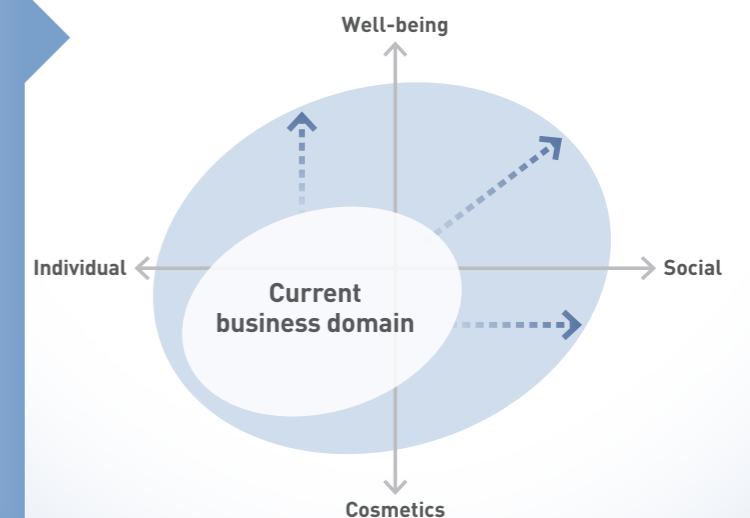
Realization of our vision

Vision

We will maximize the unique character of each brand, and become a global corporate group that enriches the lives of people around the world.

VISION 2029

A collection of unique businesses that respond to diversifying values of "beauty"



# Recognizing and Responding to Opportunities and Risks

At POLA ORBIS HOLDINGS, we ask outside directors with outstanding knowledge to participate in Board of Directors' meetings from an objective standpoint. At those meetings, they use diverse values and perspectives to discuss long-term management issues.

One of the functions of the Board of Directors is to oversee opportunities and risks related to the Group's business continuity. To handle this function, we established the Group Managerial Meeting and the Group CSR Committee directly under the Board of Directors. Each Group company lists up the opportunities and risks associated with its business and addresses them in management meetings at Group companies. Information from those meetings is discussed and monitored monthly at the Group Managerial Meeting and quarterly by the Group CSR Committee, then reported to the Board of Directors.

The Group Managerial Meeting consists of the Company's directors and full-time corporate auditors, as well as presidents and

directors of subsidiaries who are appointed as members by the Board of Directors. Focusing on business management aimed at maximizing opportunities for each Group company, Group Managerial Meeting members discuss solutions to various risks that may materialize and work out details for supervision and instruction that are deployed across all Group companies as shared information.

The Group CSR Committee consists of management from the Company, management from other Group companies and members from outside the Company. The committee aims to prevent problems from arising by identifying risks that may materialize during corporate activities, including strategic and operational risks, and by practicing risk management across the Group.

## Organization



In risk management, we comprehensively, inclusively and strategically identify and list up our risks from a Groupwide perspective. These include business risk, information security risk, compliance-related risk and climate change risk. We then evaluate the listed items once a year and define items deemed highly important as "corporate risks," for which we take

countermeasures to ensure optimal outcomes. In line with recent trends, we have expanded the scope of risk management beyond the operations of the Group to include the entire supply chain, and we have decided on risk owner divisions and committees to implement action plans for improvement.

## 2023 corporate risks

### Risk formulation process

We comprehensively identify Groupwide risks and perform risk assessments based on the impact, frequency of occurrence and status of responses to risks, then select risks that should be promptly addressed Groupwide. We also designated as a priority theme for 2023 the risk associated with information security, which has a large impact on the Group, and implemented countermeasures based on our action plan. Business risks are handled at the Group Managerial Meeting.

Theme	Item	Action
1 BCP risk	<ul style="list-style-type: none"> <li>Reduce risk of product supply stoppages and logistics delays due to severe and frequent disasters</li> </ul>	Formulate BCP (especially for communication infrastructure) to address natural disasters such as earthquakes, floods and volcanic eruptions
2 Climate change risk	<ul style="list-style-type: none"> <li>Reduce risk of being excluded from ESG-related indexes</li> <li>Prevent decline of brand value due to perception as an environmentally non-compliant company</li> </ul>	Achieve Scope 3 reduction targets and work to reduce the environmental impact at each Group company
3 Information security risk	<ul style="list-style-type: none"> <li>Prevent risk of brand damage due to leakage of customer information (malware infection, cyberterrorism)</li> <li>Avoid fines and reputation damage due to legal violations given that legal regulations are becoming stricter as data utilization becomes more active</li> </ul>	Strengthen Group internal computer and cloud security Analyze/improve personal information inventory results and implement server vulnerability management
4 Work-related risk	<ul style="list-style-type: none"> <li>Reduce risk of losing reputation as an excellent company and losing ability to attract human resources</li> <li>Prevent decline of brand value due to deteriorating reputation</li> </ul>	Establish a framework to properly control working hours

For business-related opportunities, the POLA ORBIS HOLDINGS Management Planning Division analyzes possible business pursuits from various angles, including those of the social environment, market trends and the target customer's sense of values, at home and abroad, and drafts the investment plans and growth strategies necessary to achieve goals stated in the medium-term management plan. The division monitors

market trends and the social environment to facilitate the best decisions on additional investment during any given fiscal year to successfully capitalize on emerging opportunities and risks.

The Multiple Intelligence Research Center (MIRC) delves into innovative projects with the potential to contribute to Group development over the medium to long term and explores trends and demands related to technology, society and culture in Japan and overseas.

## Key business-related opportunities

Item	Details	Measures
Research and development	Steady announcement of products realized through results of highly original research	<ul style="list-style-type: none"> <li>Develop original research strategies to create new value (dispatch researchers to research base in Singapore)</li> <li>Invest in R&amp;D (Technical Development Center (TDC), which started operations in 2024)</li> </ul>
Global economy	Growth of cosmetics market in mainland China and ASEAN region	<ul style="list-style-type: none"> <li>Reorganize overseas organizational structure (change to regionally segmented operations)</li> <li>Rebuild strategy in response to changes in the Chinese market (POLA)</li> <li>Designate ASEAN as a new strategic region, formulate Groupwide strategies and expedite their implementation</li> </ul>
Digital marketing	Increase of marketing methods using social media	<ul style="list-style-type: none"> <li>Enhance digital consultation format</li> <li>Strengthen e-commerce, promote OMO, integrate domestic customer information and advance communication with customers (POLA)</li> </ul>
Changing consumer awareness	Increase of products tailored to personal preferences	<ul style="list-style-type: none"> <li>Enhance personalized response irrespective of gender through APEX, using AI (POLA)</li> <li>Use smartphone app to facilitate digital consultations (ORBIS)</li> </ul>
	Ethical thinking of millennials and Generation Z	<ul style="list-style-type: none"> <li>Cultivate new business domains (expand to social issue areas)</li> <li>Create new value through MIRC and FRC</li> <li>Launch sustainable products</li> </ul>
Decrease in domestic population (low birthrate, graying of society)	<ul style="list-style-type: none"> <li>Decrease in job openings, particularly in rural areas and for non-regular employees</li> <li>More elderly</li> <li>Empowerment of women</li> </ul>	<ul style="list-style-type: none"> <li>Promote online consulting</li> <li>Provide work that business owners can do in rural communities</li> <li>Promote new partnerships (incorporation)</li> <li>Increase the Beauty Directors' presence in their regions (POLA)</li> </ul>

## Key business-related risks

Item	Details	Measures
Brand value damage and human rights risk	Issues related to human rights along supply chains or discounting in C2C market could undermine brand image	<ul style="list-style-type: none"> <li>Emphasize CSR procurement and purchase certified palm oil</li> <li>Regular brand audits and monitoring by Internal Audit Division</li> </ul>
Securing sales partners (shop owners/managers and Beauty Directors)	POLA might have difficulty securing sales partners due to such factors as a changing labor environment	<ul style="list-style-type: none"> <li>Run online recruitment forums</li> <li>Begin partnerships beyond consignment sales contracts</li> </ul>
Strategic investment activities	If companies brought into Group through M&A or corporate venture capital activities are not as successful as initially expected, impairment losses or valuation losses are possible	<ul style="list-style-type: none"> <li>Perform accurate due diligence, calculate appropriate stock value and decide investments from Investment Approval Committee thinking</li> </ul>
Cosmetics market environment	Domestic cosmetics market reaching maturity, heralding possible impact on businesses that cannot respond to changes in competitive environment	<ul style="list-style-type: none"> <li>Expand business portfolio beyond realm of cosmetics</li> <li>Pursue robust overseas expansion (focus on mainland China and ASEAN region)</li> </ul>
Research and development	Possibility that results of research will not be as successful as expected	<ul style="list-style-type: none"> <li>Accelerate R&amp;D by establishing TDC</li> </ul>
Production and quality assurance	Possibility that raw materials cannot be procured or that products meeting customers' requirements for quality cannot be produced	<ul style="list-style-type: none"> <li>Create Group quality control system monitored by QCD* Committee</li> <li>*QCD: Initialism for quality, cost and delivery</li> </ul>
Overseas business activities (global economic instability, etc.)	Possibility that business activities may not proceed as planned due to such circumstances as economic/political instability, labor unrest or occurrence of terrorism/conflict	<ul style="list-style-type: none"> <li>Strengthen external alliances</li> <li>Cultivate new business areas based on information gathered by MIRC</li> </ul>
Limit on protection of intellectual property rights	Possibility that intellectual property is used illegally by an outside party to produce counterfeit items or that member of Group infringes upon intellectual property of an outside party	<ul style="list-style-type: none"> <li>Secure patent/trademark rights in activity hubs at home and abroad</li> <li>Monitor activities to prevent the Group's rights from being infringed upon and to prevent infringement of outside parties' rights</li> </ul>
Information security	Possibility that personal information or confidential information will be leaked	<ul style="list-style-type: none"> <li>Establish the Information Security Committee to protect and manage information assets and maintain and improve information security</li> <li>Educate all directors and all employees about importance of information security</li> </ul>
Disasters	Possibility that supply of finished products will be delayed due to large earthquake or flood severe enough to affect operations at production facilities	<ul style="list-style-type: none"> <li>For items deemed key from a business continuity perspective, maintain inventory of products and materials and stay in constant contact with contracted factories</li> </ul>
Spread of infectious diseases	Possibility that business results will be impacted by measures to prevent spread of infection such as avoidance of face-to-face contact with customers or temporary store closures	<ul style="list-style-type: none"> <li>Strengthen capability to provide digital marketing</li> <li>Enhance e-commerce, promote OMO and embrace DX for in-house operations</li> </ul>
Biodiversity and climate change	Effects of global warming, changing ecosystems and other climate issues that alter customers' product choices and hinder procurement of raw materials	<ul style="list-style-type: none"> <li>Pursue initiatives with involvement of suppliers throughout the life cycle</li> <li>Switch to electricity from renewable energy sources</li> </ul>
Decrease in domestic population	Situation that leads to business slump or hampers recruitment efforts	<ul style="list-style-type: none"> <li>Expand overseas business activities</li> <li>Strengthen e-commerce</li> <li>Promote work-style reform and efforts to energize workforce</li> </ul>

POLA ORBIS HOLDINGS recognizes that opportunities and risks accompanying climate change have a huge impact on business strategies. The Company performs scenario analysis in line with TCFD\* recommendations and discloses the results (see page 55 for details). Risks related to human rights are listed on page 60.

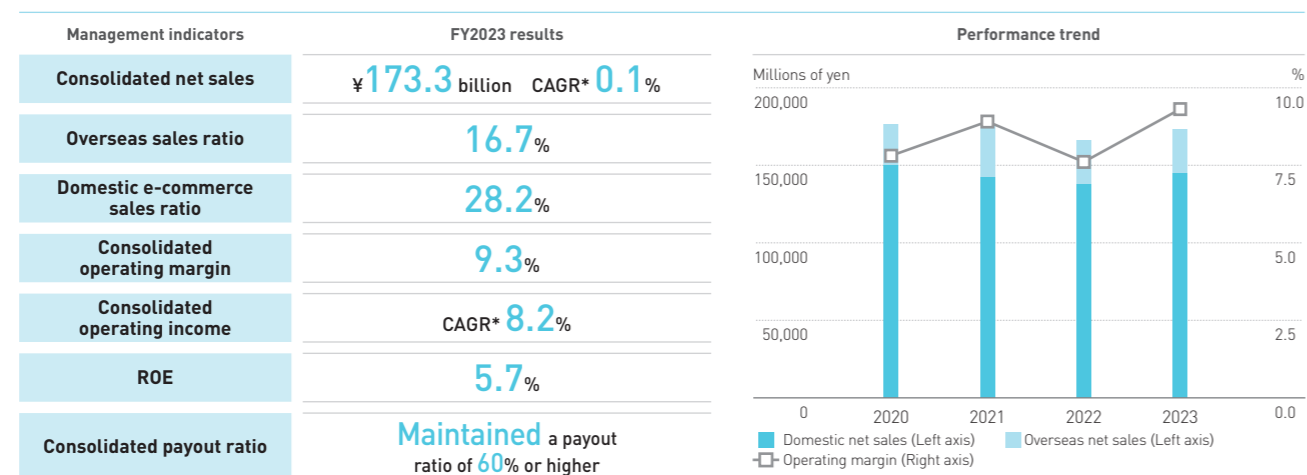
\*TCFD: Initialism for Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board

## Special Feature 2 New Medium-term Management Plan

### Looking back at previous medium-term management plan

Under the 2021–2023 Medium-term Management Plan, we implemented the following strategies: evolve domestic direct selling, grow overseas businesses profitably, profit contribution from brands under development, strengthen operations and expand new brands and domains of “beauty.”

#### Looking back on management indicators



\*CAGR for 2021–2023: Calculated using the same accounting standards for each fiscal year

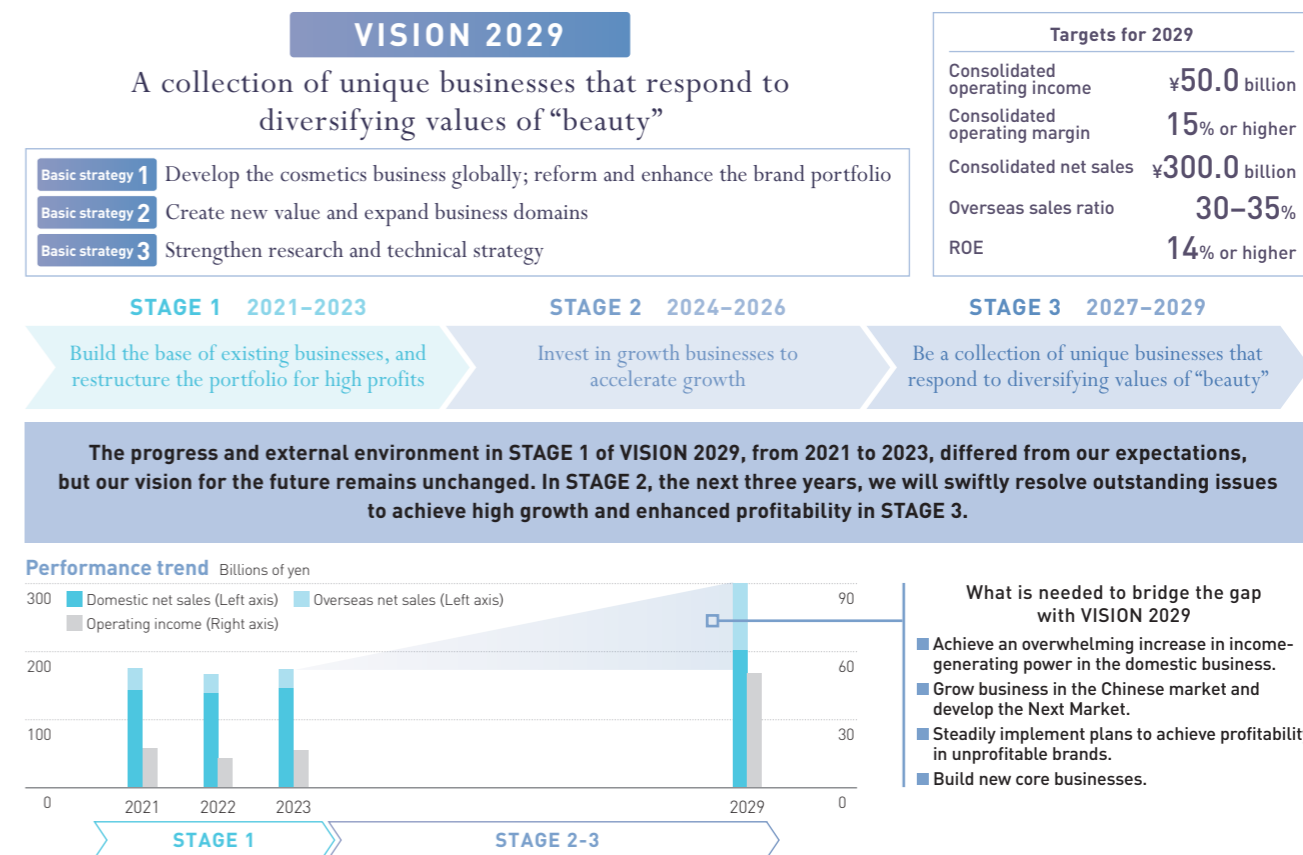
Note: Results for FY2021 have been calculated using the same revenue recognition standards as those for FY2022.

Although management indicators fell short of the plan, mainly due to the time needed to rebuild the domestic market after COVID-19 and the deterioration in market conditions in mainland China, business performance recovered after bottoming in 2022, and we achieved an improvement in profitability. The proportion of domestic sales through e-commerce progressively increased, and we achieved results from the structural reform of the business model.

#### Looking back on growth strategies

Strategies	Evaluation
Evolve domestic direct selling	<p><b>Fell short</b></p> <p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>POLA promoted Online Merges with Offline (OMO) and focused on seamless cross-channel customer acquisition and development.</li> <li>Turned around the decline in customer numbers in the domestic business to increase YoY in 2023.</li> <li>ORBIS achieved an upturn in customer numbers, rebuilt the brand and renewed growth.</li> </ul> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>Strengthen customer contact points for POLA to further promote OMO.</li> </ul>
Grow overseas businesses profitably	<p><b>Failed</b></p> <p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>POLA promoted the expansion of sales channels in mainland China and maintained a robust customer base despite the COVID-19 pandemic and the impact of the treated water, and also expanded sales channels in ASEAN.</li> <li>H2O PLUS was liquidated, and losses were reduced in overseas brands.</li> </ul> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>Renew business growth in the Chinese market and expand into ASEAN and North America, our Next Markets.</li> <li>Swiftly achieve profitability for Jurlique.</li> </ul>
Profit contribution from brands under development	<p><b>Fell short</b></p> <p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>Decided to withdraw from Amplitude and ITRIM and allocated resources to THREE as part of our efforts for structural reforms of the portfolio for high profits.</li> </ul> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>Achieve renewed growth for THREE.</li> </ul>
Strengthen operations	<p><b>Achieved</b></p> <p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>Completed construction of the Technical Development Center (TDC) for new value creation, beginning operation in January 2024.</li> <li>Progressed in management team succession with the new management structure from 2023.</li> </ul> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>Utilize the new materials pipeline to achieve swift commercialization.</li> </ul>
Expand new brands and domains of “beauty”	<p><b>Achieved</b></p> <p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>Progress was made on several initiatives to lay the groundwork in new domains, including the establishment of an aesthetic medicine-related subsidiary.</li> </ul> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>Expand and monetize new businesses.</li> </ul>

### Roadmap to 2029



### 2024–2026 Medium-term Management Plan

#### Basic Policy of the 2024–2026 Medium-term Management Plan

We designated the plan as the “three years of re-challenging and establishing a foundation for growth” to achieve VISION 2029, and will further refine our brands to strengthen our income-generating power in Japan and invest in growth domains such as overseas and new businesses.



#### Management indicators for 2026

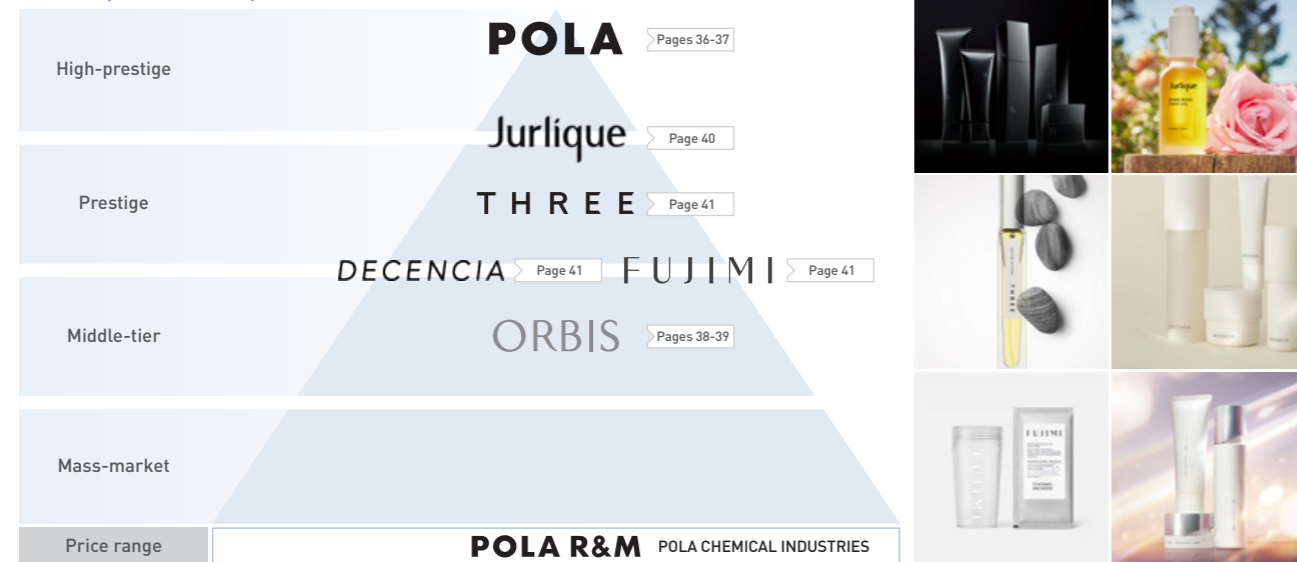
Consolidated net sales	¥200.0 billion CAGR approx. 5%	Domestic net sales	CAGR approx. 4%
		Overseas net sales	CAGR approx. 12%
		Overseas sales ratio	20%
Consolidated operating income	Operating margin 12–13%		
Capital efficiency	ROE 10% or higher		
Shareholder returns	Consolidated payout ratio 60% or higher		

## 2024–2026 Medium-term Management Plan

### Group domestic strategy

- Key strategies**
- Boost the income-generating power of existing domestic brands, achieve sustainable growth and use the profits generated to invest in growth domains and new businesses
    - Further refine the individuality and strengths of each brand to boost brand value
    - Raise the proportion of existing customers, realize a robust customer composition and maximize lifetime value
    - Achieve profitability in unprofitable brands to contribute to income
  - Continue to sow seeds and monetize new businesses

### The Group's brand lineup



### Strengthening R&D capabilities for new value creation

- In cosmetics domain, the Technical Development Center (TDC) opened its doors in January 2024 and, as a new facility tasked with research into new formulations and production of high-value-added products, will bring distinctive products to market in less time
- In new domain transcending cosmetics domain, will engage in research on artificial skin (*Mirror Skin*) and investigate measures to address frailty in pursuit of new value creation
- Will continue to invest at least 2% of consolidated net sales in R&D



TDC: Technical Development Center

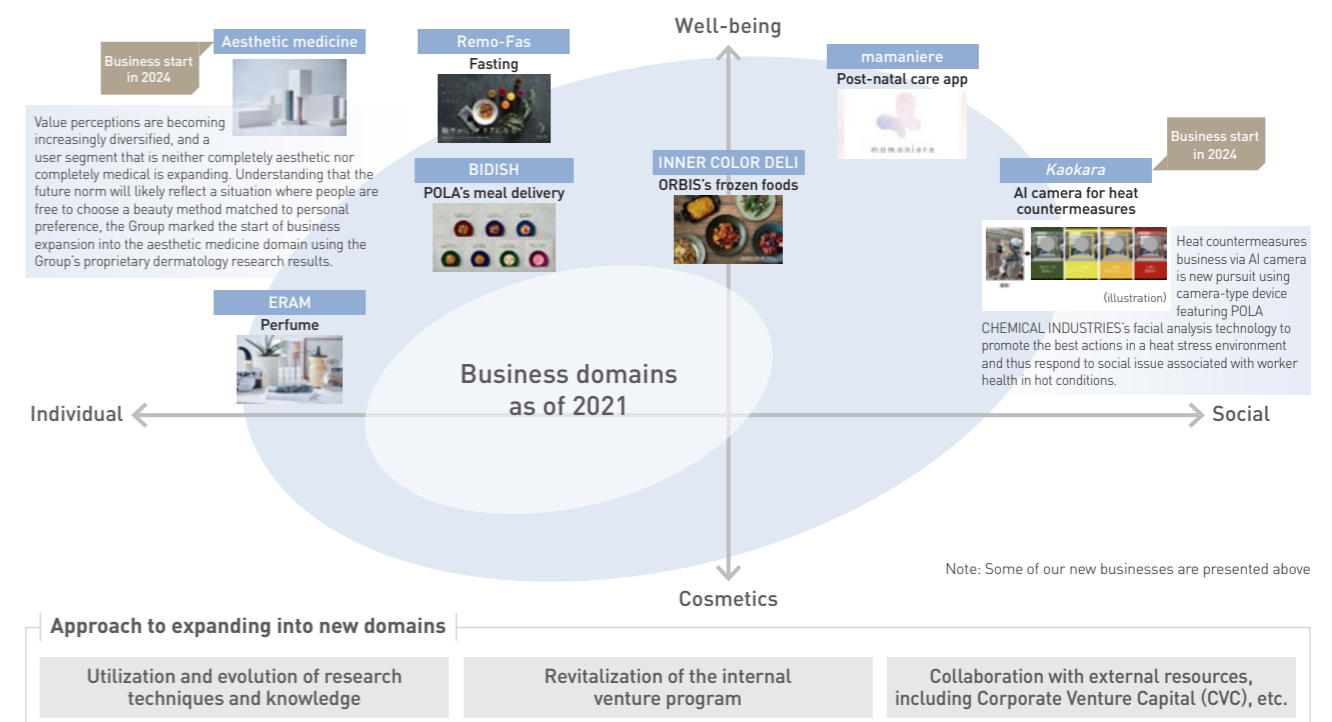
### Group overseas strategy

Drive the Group's growth and establish an earnings structure.



### Group business domain expansion strategy

The groundwork is progressing for several new businesses and we aim to expedite monetization to achieve our VISION 2029: A collection of unique businesses that respond to diversifying values of "beauty."



POLA ORBIS HOLDINGS will further enhance corporate value by achieving ROE of 14% or more in 2029 through active strategic investments to realize sustainable growth and swift decision-making on whether to continue a business, while continuing to enhance shareholder returns with a basic policy of a consolidated payout ratio of 60% or higher.

**Naoki Kume**  
Director and Vice President,  
POLA ORBIS HOLDINGS INC.



### Message from director in charge of finance

Consolidated net sales for fiscal 2023 reached ¥173.3 billion, up 4.2% year on year. Operating income jumped 27.8%, to ¥16.0 billion, and ordinary income climbed 23.7%, to ¥18.4 billion. Profit attributable to owners of parent dropped 15.6%, to ¥9.6 billion, leading to ROE of 5.7%. Management has set ROE as a key performance indicator, and in line with corporate policy to generate a level of capital efficiency that exceeds capital cost—which we understand to be somewhere in the 6% range—and improve corporate value, our long-term target under VISION 2029 is ROE of at least 14% by 2029. Nevertheless, with net income in a current decline, ROE is trending downward, movement that management acknowledges as an important issue requiring attention.

Going forward, we will implement several strategies to push ROE up toward the target level while emphasizing two measures: 1) elicit an increase in net income and 2) boost the efficiency of net assets.

#### Growth investment aimed at higher net income, and improved profitability

Higher net income hinges on two factors. One is growth investment, the groundwork for sustainable growth. The other is improved profitability.

Regarding growth investment, over the long term, we aim to create a foundation for stable and enduring growth in the existing cosmetics business while nurturing buds of new growth. Our business portfolio concentrated resources in the cosmetics business, which was underpinned by accumulated R&D capabilities, and we achieved stable growth. But today, with diversifying perceptions of beauty, sustainable business growth requires us to build a more extensive business portfolio, still centered on cosmetics but complemented by contributions to well-being and social value. In the domestic cosmetics business, management indicators for 2029 are targeting net sales above ¥180 billion and stable growth exemplified by CAGR between 2% and 3%. We will realize stable growth by accelerating digital transformation (DX) and Online Merges with Offline, with an emphasis on flagship brands POLA and ORBIS, reshaping our business model and then applying the profits generated as the source of investment for new business pursuits. Meanwhile, in the overseas business, we will be working toward management indicators of net sales exceeding ¥100 billion and CAGR above 15% for 2029. In R&D, the Technical Development Center (TDC) officially opened its doors in 2024 as a new research and production facility. TDC will fuel progress in original, new-formulation research and high-value-added product development. In addition, efforts are being directed toward

expanding pipelines for world-first and industry-first new material as well as research into new areas beyond cosmetics borders, including artificial skin (*Mirror Skin*) and measures to combat frailty from a long-term perspective. We will actively invest at least 2% of consolidated net sales in R&D.

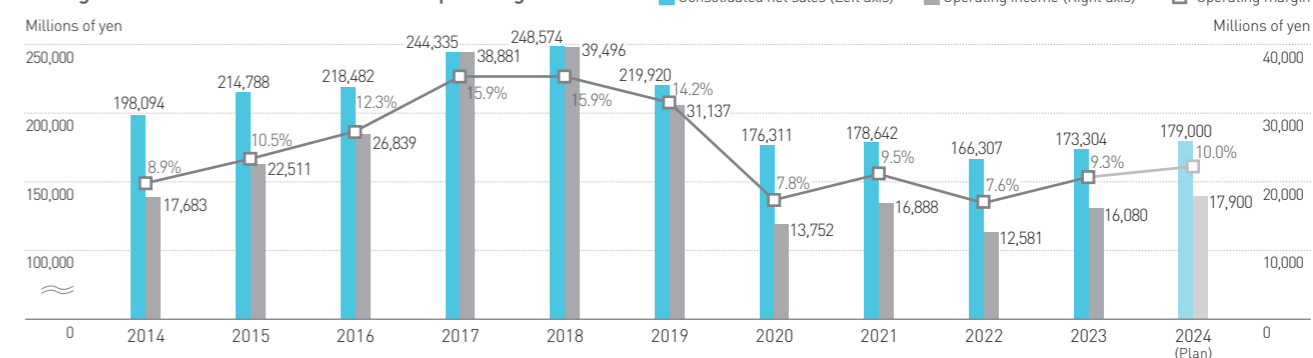
In pursuit of improved profitability, an urgent issue is to remedy the losses that plague unprofitable brands. Even as we expand the brand portfolio across new domains, we have to consider divestment and business continuity, applying a shorter cycle to evaluate KPI status and determine whether a brand should be maintained. Under this policy, a decision was made to liquidate the brands H2O PLUS, Amplitude and ITRIM during the previous medium-term management plan. In the real estate business, we are also executing sales of properties with low profitability. Aiming to improve profitability, we are striving for further restructuring of the brand portfolio. Of note, Jurlique lessened its losses, thanks to a determined commitment to trim fixed costs, shrink expenses and successfully restructure. Improved sales will help the brand turn a profit. THREE drastically restructured to improve profitability by strategically concentrating its store network, reviewing the number of SKUs (stock-keeping units) and streamlining its head office structure.

We are also pursuing Groupwide efforts to streamline operations, with IT and finance and accounting divisions as well as the management structure for overseas operations being integrated into a Group oversight structure. We will make drastic organizational changes beyond streamlining, seeking to accelerate business expansion and maximize return on investment. We are aiming for an operating margin above 15% by 2029, complemented by net income growth higher than operating income growth, as improving profitability from overseas operations pushes the effective tax rate down.

#### Enhanced return to shareholders

To increase the efficiency of net assets, we will prioritize return to shareholders in line with our dividend policy, which hinges on a consolidated payout ratio of 60% or higher, and pursue efforts to stably increase dividend distribution through profit growth. The annual dividend for fiscal 2023 was set at ¥52 per share, which translated into a payout ratio of 119.0%. With regard to treasury stock, our policy is to consider buybacks based on such factors as investment strategies, market prices and the liquidity of Company shares. Going forward, we will strive to maximize management resources and raise corporate value over the long term.

### Changes in consolidated net sales and operating income



Note: Figures for the fiscal year ended December 31, 2016, reflect retroactive application due to changes in accounting standards in Australia.

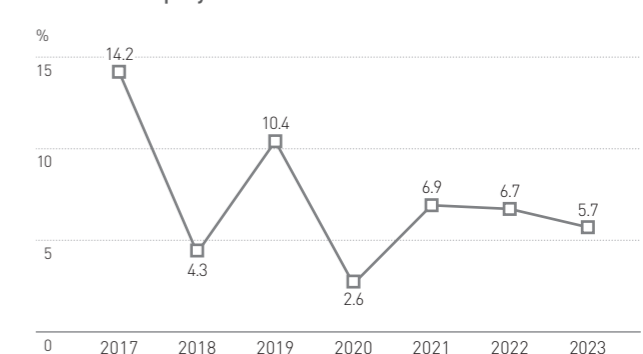
### Improve capital efficiency

**[ Enhancing capital profitability ]**  
Return on equity (ROE) has been declining due to the decrease in profit.  
Under the new medium-term management plan, we aim to achieve ROE of at least 10% by 2026 through capital profitability enhancement founded on stable and sustainable business growth.

#### Initiatives to achieve the ROE targets



#### Return on equity



### Enrich shareholder returns

#### Basic policies

- With a policy of a consolidated payout ratio of 60% or higher, aim for stable increase in shareholder returns in line with profit growth
- Purchases of treasury stock shall be considered based on our investment strategies, market prices and the liquidity of the Company's shares

#### Shareholder return policy for fiscal 2024

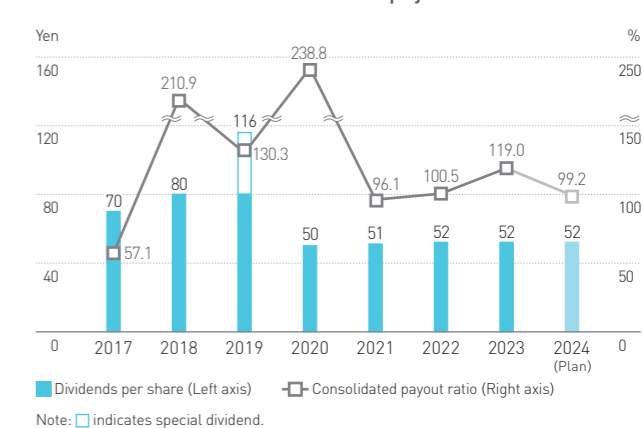
**Dividends per share (Forecast)**

**Annual dividend: ¥52**

**Comprising ¥21 interim and ¥31 year-end dividends**

**Consolidated payout ratio: 99.2%**

#### Annual dividend and consolidated payout ratio





Strategy  
Initiatives on Sustainability

Demonstrate strength and uniqueness, and pursue sustainable business activities while approaching solutions to social issues

Seizing on approaches that contribute to realizing a sustainable society as opportunities that grow into sustainable business activities, POLA ORBIS HOLDINGS identified materiality issues for sustainability applicable Groupwide to balance solutions to social issues with sustainable business growth.

**Sustainability Statement**

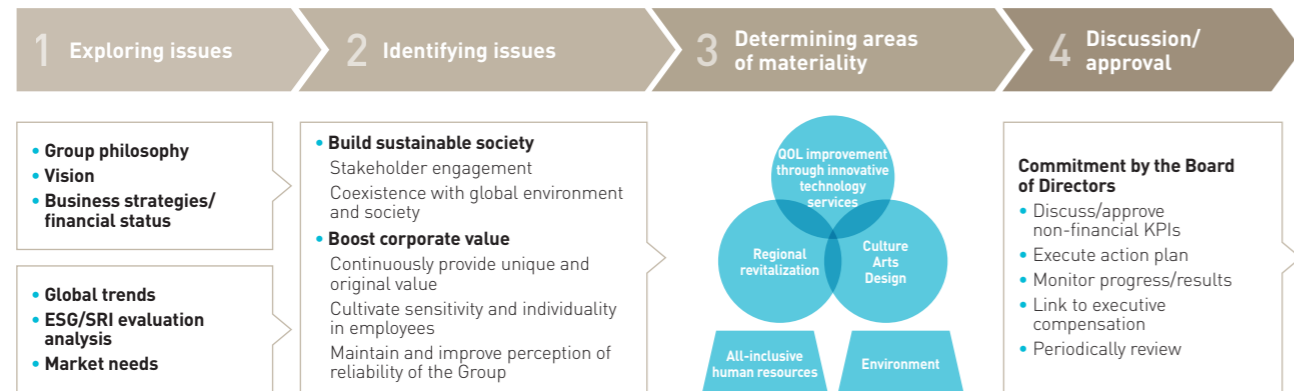
We, the POLA ORBIS Group, offer enriched lives to people all over the world, with our supple minds in which rich sensitivity and individuality is woven.

In order to do so, we hereby declare that we will deal with all our stakeholders and global/social environments in good faith and continue to grow as a company which helps create a sustainable society.

Sustainability policy formulation process

Utilizing the strengths of the POLA ORBIS Group and thinking that tracks back to the earliest days of our founding, POLA ORBIS HOLDINGS considered how best to convey value to society and identified priority issues—materiality. All points in areas of materiality are assigned a KPI, and the progress of efforts to achieve these targets is tracked. The Board of Directors has

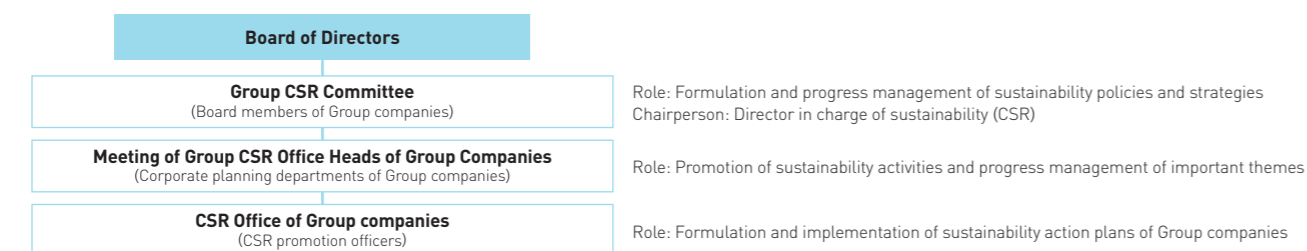
decided to link the degree of success in five performance indicators—number of new businesses created, percentage of female managers, reduction of CO<sub>2</sub> emissions, reduction of water consumption and procurement of sustainable palm oil—to management targets and medium- to long-term incentive evaluation criteria for executive compensation, starting in 2024.



Sustainability promotion structure

The POLA ORBIS Group pursues sustainability activities led by the Group CSR Committee under the supervision of the Board of Directors. Specific targets are discussed, and measures are considered with each Group company's ability to achieve

assigned targets in mind. These targets and measures are periodically discussed and monitored by the Group CSR Committee, the status is reported to the Board of Directors and revisions are made as required.



Five non-financial materiality categories and results/KPIs

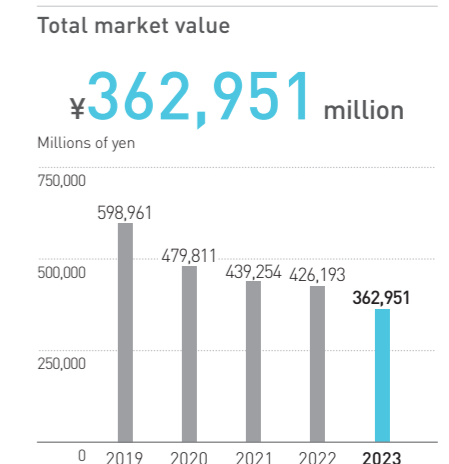
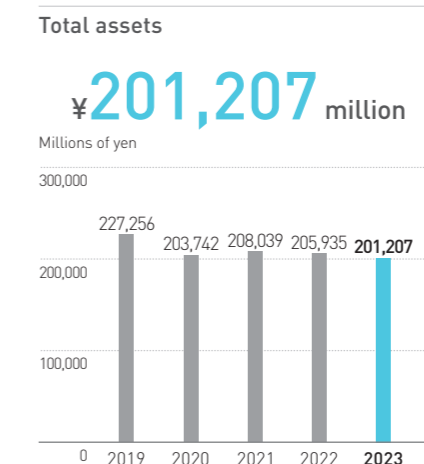
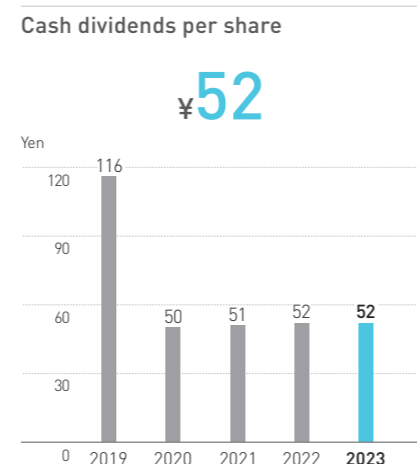
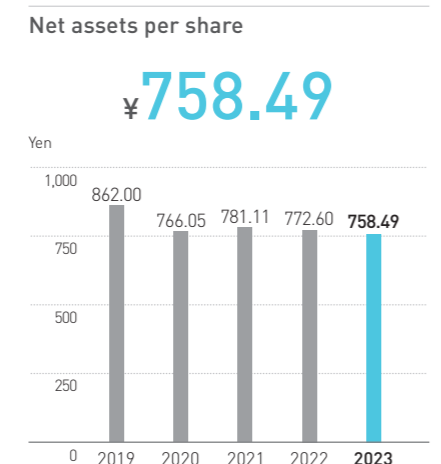
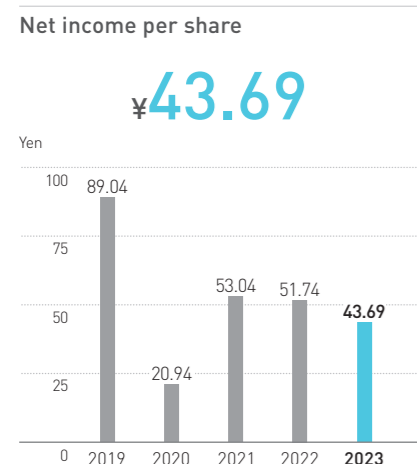
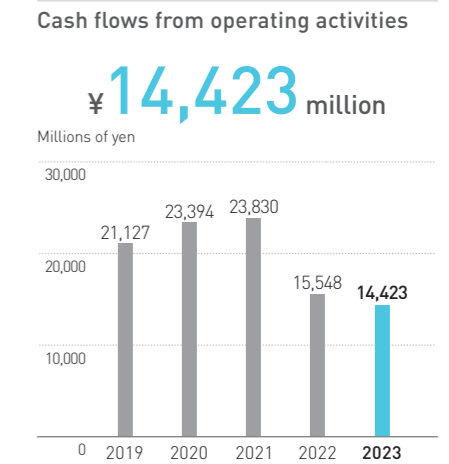
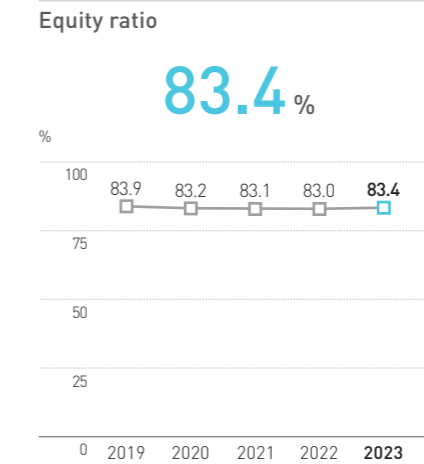
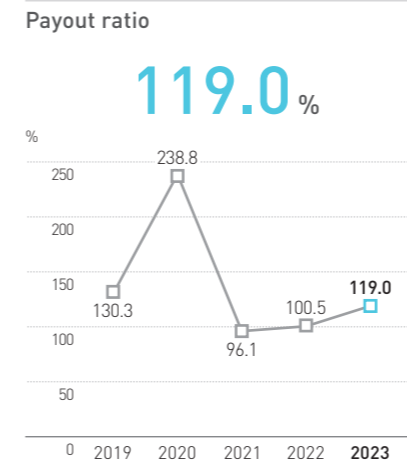
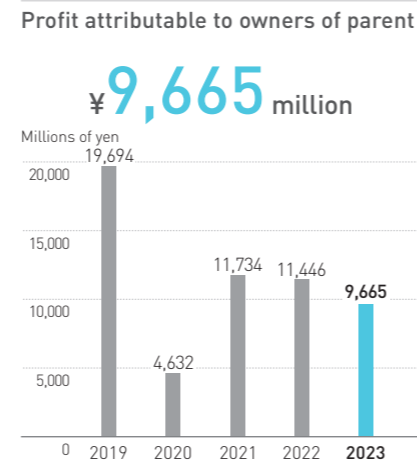
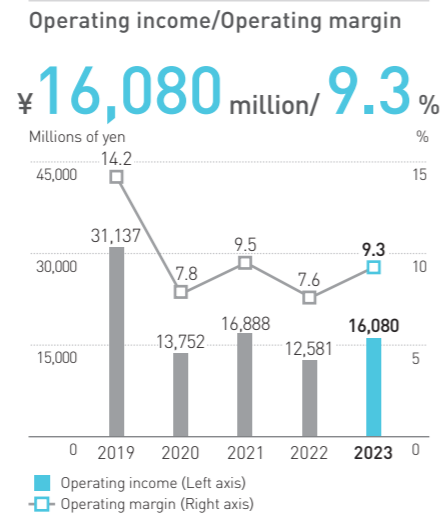
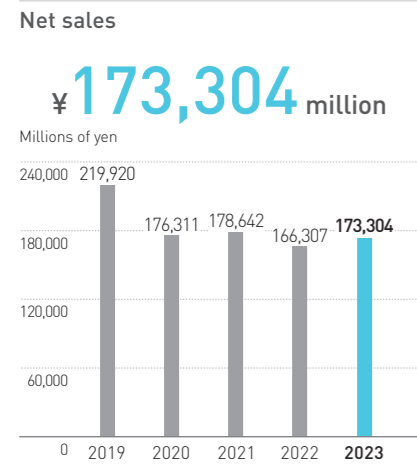
Item	Explanation	2023 actual numbers	Action plan for 2024	Target for 2029		
<b>1. QOL improvement through innovative technology services</b>	<b>1 Number of new businesses created</b>	16 (since 2021)	1. New businesses grown from in-house seeds 2. Business capture through M&A 3. Creation of services and products through external collaboration	31 (from 2021 through 2026)		
	<b>2 Brand recognition and loyalty</b>	Researched by brand	Implement customer services that provide tangible awareness of brand concept	Set targets for each brand		
	<b>3 Number of research awards won at home and abroad</b>	14 (since 2018)	Take a positive approach to making presentations at academic conferences and submit papers in Japan and overseas	10 (from 2018 through 2029)		
	<b>4 Number of researchers in cutting-edge dermatology research</b>	66 (as of December 31, 2023)	Hire specialists in such areas as dermatology, formulation and data analysis	120		
<b>2. Regional revitalization</b>	<b>5 Number of regional entrepreneur owners</b>	362 (as of December 31, 2023)	Cultivate ownership to strengthen cooperation and connection with community, attract customers and build continuity platform	1,200		
	<b>6 Number of initiatives contributing to the local economy</b>	36 (as of December 31, 2023)	Joint events with local governments, NGOs, companies and schools, and community-oriented workshops	78		
<b>3. Culture Arts Design</b>	<b>7 Number of new brand experiences created that utilized art</b>	11 (2023 only)	Packaging and stores that foster worldview through art	20		
	<b>8 Number of participants in workshops on liberal arts topics</b>	259,119 (since 2018)	Provide stakeholders with opportunities to experience art	550,000		
<b>4. All-inclusive human resources</b>	<b>9 Job satisfaction and engagement score*</b>	59.9%	Create an exciting, comfortable work environment in which employees, fueled by a desire to contribute to corporate success, are able to take the initiative	75%		
	<b>Women's empowerment</b>	<b>10 Percentage of female executives</b>	22.4%	<ul style="list-style-type: none"> <li>Promote diversity through management-level leadership</li> <li>Promote diversity among management candidates</li> <li>Build organization with diversity</li> </ul>	30–50%	
		<b>11 Percentage of female division managers</b> <small>(POLA ORBIS HOLDINGS INC., POLA INC. and ORBIS Inc.)</small>	To start in 2024		<ul style="list-style-type: none"> <li>Participation in 30% Club</li> <li>Promote activities through the Group Diversity Promotion Committee</li> <li>Encourage male employees to take child-care leave</li> </ul>	35% (through 2026)
		<b>12 Percentage of female managers</b>	43.3%		50% or higher	
	<b>13 Percentage of candidates to become management executives</b>	165.2% (as of December 31, 2023)	Establish/reinforce pipeline for people with management potential	Examine strategic personnel measures (Talent Development Committee)	200%	
	<b>14 Number of applicants for Sabbatical Program</b>	To start in 2024	Increase the desire for self-development and learning	Information to employees at briefing sessions from users of previous year's program	21 (through 2026)	
<b>5. Environment</b>	<b>15 CO<sub>2</sub> emissions</b>	Scope 1 and 2	Down 50.7% (from 2019)	Switch electricity contracts to CO <sub>2</sub> reduction menu and renewable energy menu	Down 42% (from 2019)	
		Scope 3	Down 45.9% (from 2019)	Aiming for net-zero emissions by 2050	<ul style="list-style-type: none"> <li>Make containers and packaging materials thinner and lighter</li> <li>Consider development of products and services that reduce environmental impacts</li> <li>Make procurement process and transport process more efficient</li> </ul>	Down 30% (from 2019)
	<b>16 Water consumption</b>	Aiming to conserve water resources and reduce water risks and water stress	Down 25.7% (from 2019)	Make capital investments and take water-saving measures in factories	Down 26% (from 2019)	
	<b>17 Sustainable palm oil procurement</b>	Aiming for sustainable production as a responsible manufacturer	To start in 2024	Actual switchover to use of 60% certified oil by 2026	100%	
<b>18 Plastic cosmetics containers and packaging consumption</b>	Aiming for resource recycling to conserve limited resources	28.6%	<ul style="list-style-type: none"> <li>Have Group companies consider refills and alternatives in the product planning stage</li> <li>Conduct research into recycling technology</li> </ul>	100% sustainable design		

\* Set survey result of Great Place to Work® as indicator

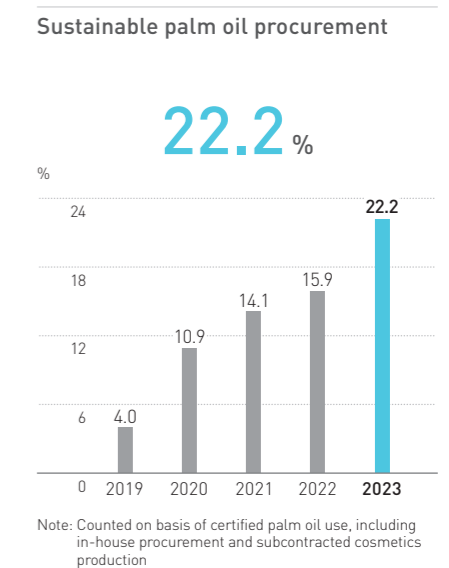
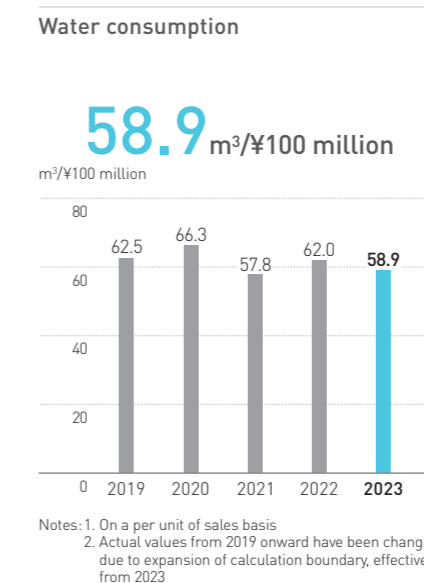
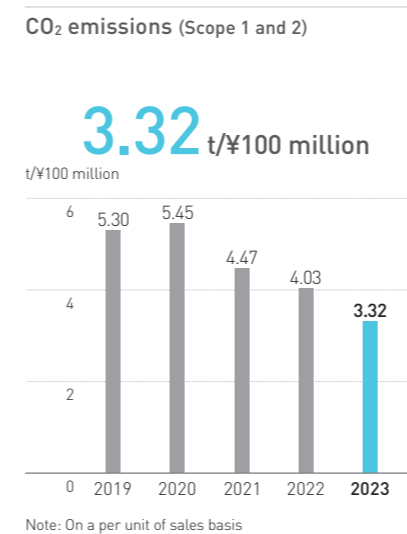
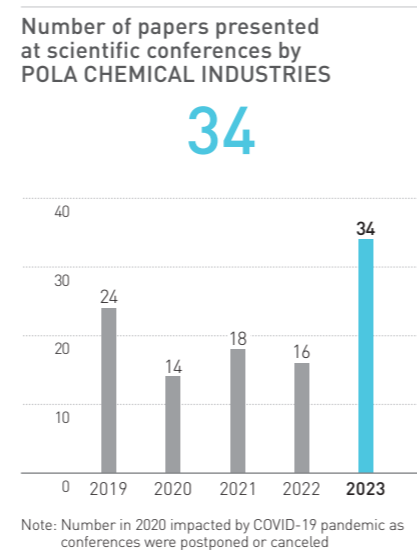
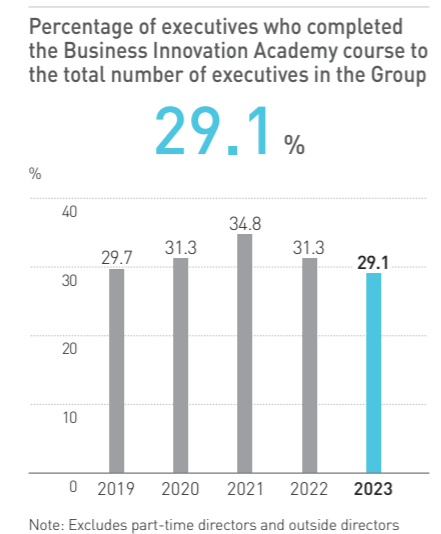
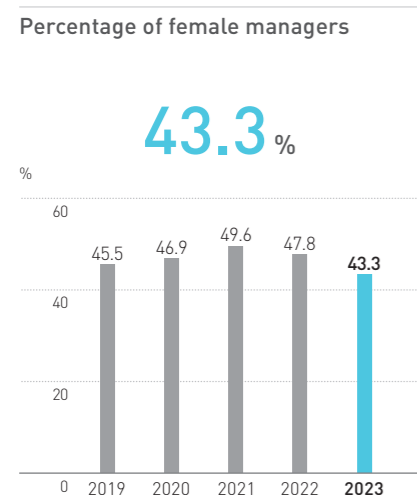
Strategy

Financial and Non-Financial Highlights

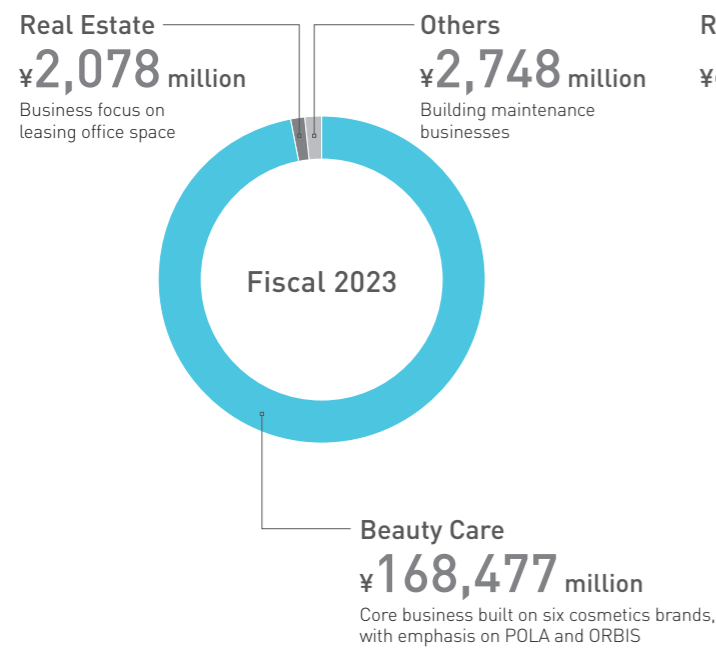
Financial Capital



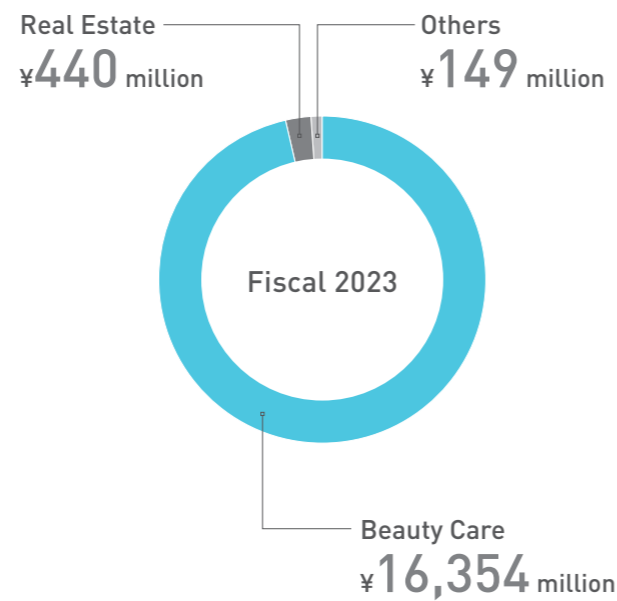
Non-Financial Capital



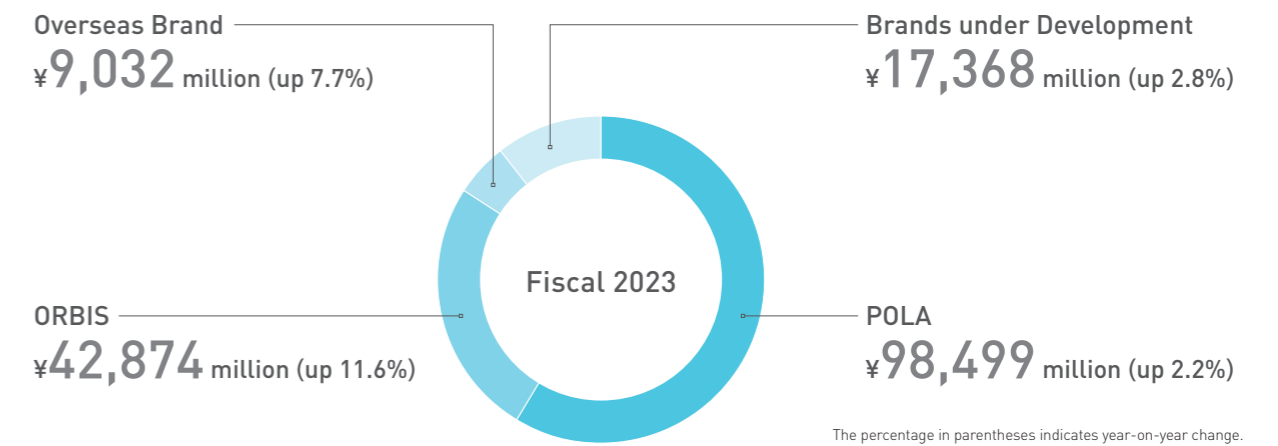
Net sales by business segment



Operating income by business segment



Beauty Care business sales by brand



Changes in Beauty Care business sales by brand over the past five years (2019-2023)

	2019	2020	2021	2022	2023
POLA	135,502	102,888	105,168	96,371	98,499
ORBIS	50,726	45,415	43,389	38,417	42,874
Overseas Brands*	9,235	7,166	8,954	9,972	9,032
Brands under Development	19,421	16,186	16,637	16,892	17,368

Millions of yen

\*Years 2019 through 2022 include H2O PLUS brand

Flagship Brands

POLA



**Concept** High-prestige skincare brand specializing in anti-aging and skin-brightening fields

**Sales channels** Consignment sales (POLA THE BEAUTY, etc.), department stores, directly operated retail stores, travel retail and e-commerce

**Market presence** Japan, mainland China, South Korea, Hong Kong, Australia, Macao, Taiwan, Thailand, Singapore, Vietnam, Malaysia and Indonesia

ORBIS



**Concept** Beauty brand focusing on skincare that brings out the beauty inherent in each person

**Sales channels** Mail-order business (Internet and catalog), directly operated retail stores and travel retail

**Market presence** Japan, mainland China, Taiwan, Singapore, Malaysia and Thailand

Overseas Brand

Jurlique



**Concept** Natural skincare brand utilizing the power of plant ingredients cultivated at a company-owned farm in southern Australia

**Sales channels** Department stores, directly operated retail stores, travel retail and e-commerce

**Market presence** Sold in 28 countries and regions, mainly Australia, mainland China and Hong Kong

Brands under Development

THREE



**Concept** Skincare and makeup brand featuring naturally derived ingredients extracted from plants

**Sales channels** Directly operated retail stores, department stores, travel retail, semi-self-select cosmetics stores and e-commerce

**Market presence** Japan, South Korea, Thailand, Taiwan, Hong Kong, Singapore and mainland China

DECENCIA



**Concept** Skincare brand for dry, sensitive skin

**Sales channel** E-commerce

**Market presence** Japan and mainland China

FUJIMI



**Concept** Personalized beauty care brand

**Sales channel** E-commerce

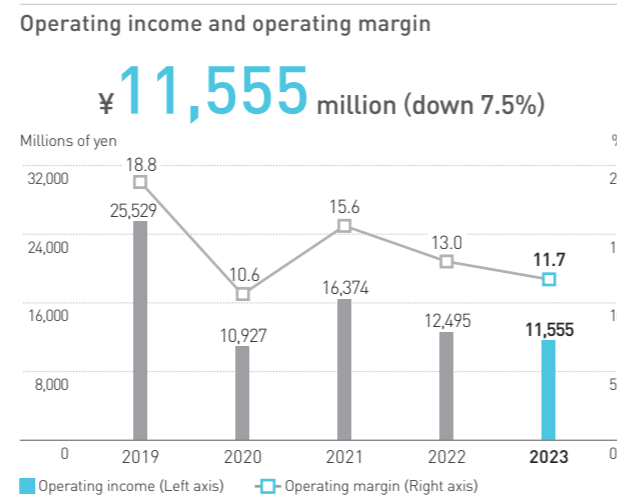
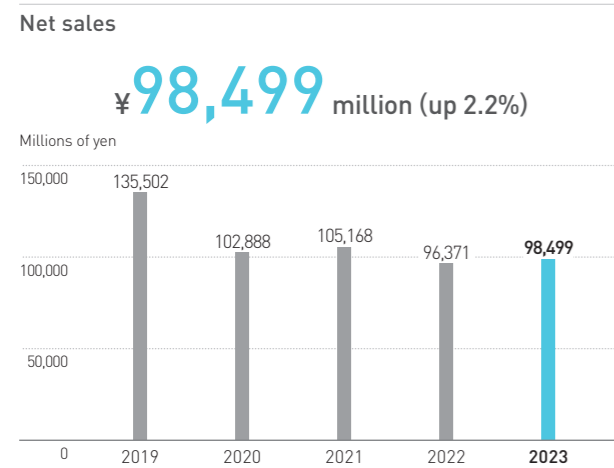
**Market presence** Japan

Strategies

Growth Strategies by Brand (Flagship Brands)

# POLA

High-prestige skincare brand specializing in anti-aging and skin-brightening fields



President's message

In 2023, we worked to improve the profitability of domestic operations, achieved further growth in overseas operations, based on the 2021–2023 three-year medium-term management plan, and also pursued efforts to create new provided value through our own Online Merges with Offline (OMO) model.

In domestic operations, we moved customer IDs previously managed by each existing domestic sales channel to a common platform, based on the OMO strategy, and are in the process of building a customer base shared across the domestic network. We will further improve the brand experience for customers by leveraging the various features and strengths of each channel and connecting across channels, for example, by sending customers from the e-commerce channel, which serves as a brand entry point, to the consignment sales channel, where POLA can fully utilize its uniqueness and where the repeat rate and lifetime value are highest.

Overseas operations delivered higher net sales overall but results from mainland China were down, affected by a challenging market environment due to the impact of ALPS (Advanced Liquid Processing System) treated water discharges and deteriorating business sentiment. Nevertheless, the sheer size of the market means mainland China remains a priority target for us even if economic conditions and consumer trends are currently uncertain. Strategic restructuring to return to a growth track in the Chinese market and the development of a wider ASEAN presence are urgent issues we must address going forward. We have already opened stores in Vietnam, Malaysia and Indonesia, and under the new medium-term management plan launched in 2024, we aim to further expand customer contact points and enhance our presence throughout Asia.

POLA defined its vision for 2029, when the company will celebrate its 100th anniversary, as "Towards a society with abundant connections that trusts in the potential of individuals and society itself," and seeking to realize this vision, devised the action slogan "We Care More. Changing the world, with care." POLA aims to create a future in which all people can feel free to be themselves and connect at the community level, enjoy a full life and experience rich and colorful moments. Toward this end, we undertake a variety of projects and initiatives hinging on social, economic and environmental themes, always guided by a perspective on sustainability as we strive to achieve business growth and contribute to a sustainable society.



**Miki Oikawa**  
Representative Director and President  
POLA INC.

Fiscal 2023 results

At POLA, we seek to attract customers who will remain loyal to the brand long-term by introducing high-value-added products, particularly in the areas of anti-aging care and skin-brightening, along with consulting and aesthetic treatments. On the products front, in April 2023, we launched *B.A MILK FOAM*, a foam-type facial emulsion in the high-prestige *B.A* skincare series, and in October 2023, we debuted a revamped *B.A GRANDLUXE IV*, the ultimate beauty serum in POLA's luxury collection. Both products won numerous best cosmetics awards that extended POLA's enviable reputation in the high-prestige cosmetics market.

In domestic operations, a drop in the number of customers on the consignment sales channel was an issue, but we have encouraged customers to visit stores through communication using new products and aesthetic treatments as enticements,

and the decline in the number of customers has narrowed. Meanwhile, e-commerce and department store channels delivered double-digit sales increases, and through significant success in attracting new customers, the drop in customers across the domestic network bottomed out and sales ultimately rose year on year.

In overseas operations, overall sales increased. The challenging market environment in mainland China led to a year-on-year decrease in sales in that market, but the number of existing customers at stores remained at the same level as in the previous year, highlighting a strong connection to the customer base.

In the end, sales from overseas operations rose 2.2% in 2023, and operating income decreased 7.5%, reflecting enhanced investment to capture customers.

**Key issues pinpointed**

- Achieve sustainable growth through robust rebuilding of customer structure in Japan
- Focus on return to growth track in mainland China and Next-Market development

Future measures

Evolve direct selling in Japan

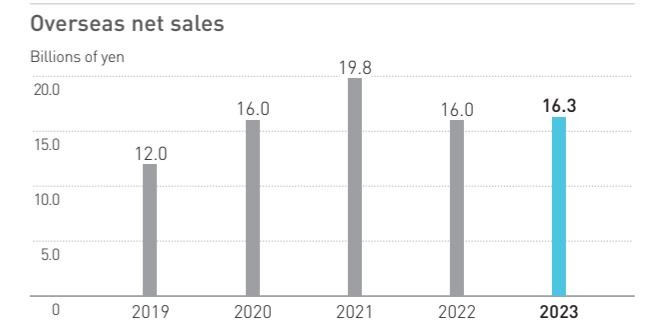
In 2023, we integrated customer IDs previously managed separately by channel, that is, consignment sales, department stores and e-commerce, to provide one unified POLA value to all customers across all purchasing channels. To attract new customers, we will enhance POLA's presence at community-based events and further strengthen access points to the brand, namely, e-commerce and department stores. At the same time, we will look to additional points of contact, such as station buildings where young people are likely to gather and specialty cosmetics stores. The brand experience developed offline is key to building good relationships with existing customers and encouraging repeat purchases. Under the new medium-term management plan, we will clarify the role of and value provided by each offline customer contact point and launch a new salon model—OMO strategy salons. We will develop and open OMO strategy salons in prime locations in major urban areas as well as regional cities easily accessible to customers, and build a network of stores that serve as destinations for customers acquired online while we promote store branding. A higher customer retention rate and improved lifetime value will lead to growth of the POLA brand over the medium to long term.



Facial treatments utilizing all techniques accumulated through years of skincare research

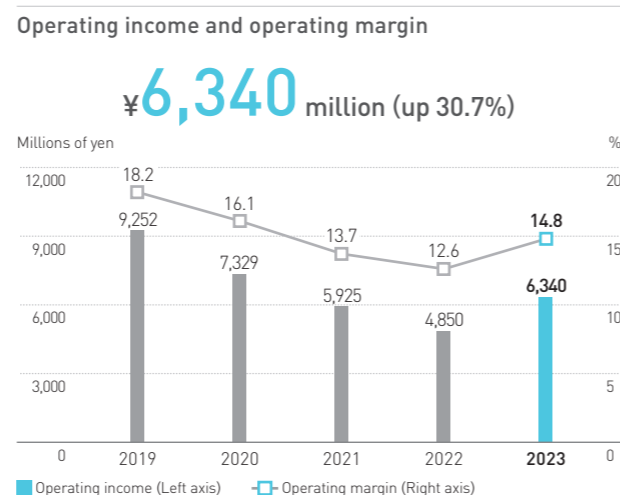
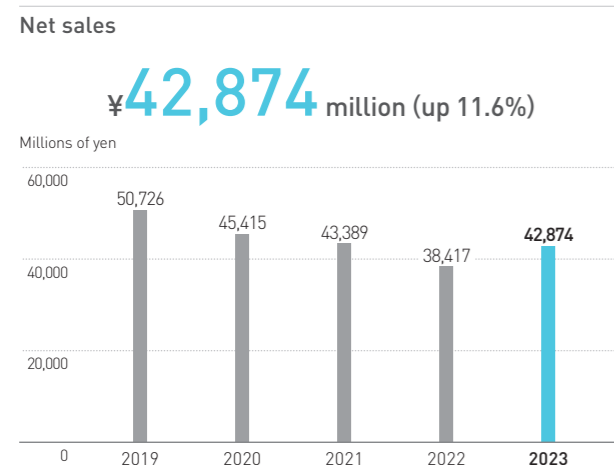
Accelerate growth of overseas business

Despite the challenging market conditions, mainland China will remain a priority market, given the market scale and the potential for increased sales of high-prestige skincare and the current scale of POLA sales in this market, and we will refine strategies based on these factors. Our target customer demographic will be individuals who are loyal to high-prestige products and likely to remain committed to investing in themselves by purchasing luxury beauty products. Besides selective opening and updating of stores geared to the target demographic, we will strengthen CRM content to enhance communication with customers. In product development as well, we will zero in on the high-price tier and promote development of high-value-added services to enhance lifetime value for each customer. In addition, we will accelerate business expansion, including entry into new countries within ASEAN, improve brand recognition globally and build a new growth base to complement our presence in mainland China.



# ORBIS

Beauty brand focusing on skincare that brings out the beauty inherent in each person



## President's message

At ORBIS, we emphasize the value of SMART AGING, whereby each person ages naturally in his or her own way by releasing innate strengths. With a "beauty brand focusing on skincare" as our business domain, we have adopted an anti-aging care approach that "brings out" rather than "affects" the beauty inherent in each person. We had been pursuing a process of rebranding designed to return ORBIS to growth as a highly profitable business, and 2023 was a year of tangible results stemming from the structural reforms undertaken to date.

First, on the products front, we expanded our lineup of high-value-added products in the high-price tier, namely, *ORBIS U*., the brand's pinnacle anti-aging series, and *ORBIS WRINKLE BRIGHT UV PROTECTOR*, a medicated sunscreen that also reduces the appearance of wrinkles and promotes skin-brightening effects. These products have acquired a solid reputation, substantiated by many best cosmetics awards from beauty magazines. To date, we have focused on entry-level products in a price tier hovering around ¥1,500. However, since rebranding, we have steered more toward the business of a brand emphasizing ways to improve lifetime value and thus extend the relationship between customers and the brand, aiming to maximize the value we provide to customers. As a result, we significantly increased the price tier while winning high marks for product quality and performance, and through the power of our products, returned ORBIS to a brand on a growth trajectory. In 2024, we plan to launch several new products in line with a basic policy emphasizing skincare.

On the channels front, the direct-selling channel increased sales, driven by stabilization of the customer base. This success was complemented by sales through external channels exceeding 70% year on year in 2023, particularly external e-commerce platforms and cosmetics specialty store sites, which extended our reach to new customers. We are actively working to position external channels as a new driver of growth.

Going forward, we will strive to make ORBIS an integral part of every customer's lifestyle and give everyone an even better brand experience. This approach will improve the retention rate, increase lifetime value and underpin stable business growth.



**Takuma Kobayashi**  
Representative Director and President  
ORBIS Inc.

## Fiscal 2023 results

Regarding products, we upgraded our overall brand image, particularly for the mainstay *ORBIS U* series, which embodies the worldview "Simply you. Simply beautiful." as the brand message, and the value-added *WRINKLE BRIGHT* series, which offers customers enhanced skincare results. In 2023, February saw the launch of the renewed *ORBIS WRINKLE BRIGHT UV PROTECTOR*, and in August, the revamped *ORBIS U* pinnacle anti-aging series, featuring SMART AGING, went on sale. We successfully attracted the attention of our core target for high-value-added skincare, exemplified by a double-digit

year-on-year increase in the number of new customers—and their potential for high lifetime value—as well as greater purchasing activity by existing customers. Consequently, the total number of customers using the direct-selling channel exceeded the 2022 level. We also expanded external sales channels, driving major growth, as sales over both the direct-selling and external channels rose year on year. Across the ORBIS brand, sales were up 11.6% over those of 2022, and operating income soared 30.7%.

### Key issues pinpointed

- Improve customer retention rate and maximize lifetime value
- Boost profitability

## Future measures

### Growth pivoting on skincare

We will continue to attract new customers to the mainstay skincare series *ORBIS U* and *ORBIS U*. while raising the volume of skincare within our product portfolio with the introduction of high-priced, high-value-added merchandise such as *ORBIS ADVANCED BRIGHTENING SERUM*, launched in February 2024. In addition, because makeup and skincare are interconnected, we will energize demand for base makeup, especially *ORBIS U* makeup, where the potential for growth is significant, and promote cross-selling opportunities.

### Boosting customer retention and improving lifetime value

We will utilize our own customer data platform, which contains data acquired mainly through the ORBIS app—a robust business platform with some five million downloads, as of December 31, 2023—and greatly automate our marketing activities. By elevating the efficiency and accuracy of communication that benefits every customer, we will boost customer retention and improve lifetime value.



ORBIS app



ORBIS ADVANCED BRIGHTENING SERUM



ORBIS U  
BASE MAKEUP series

### Expand growth domains and untapped markets

To develop our network of external channels, we will strive to expand points of contact with customers. We aim to achieve average annual double-digit growth during the new medium-term management plan running from 2024 through 2026.

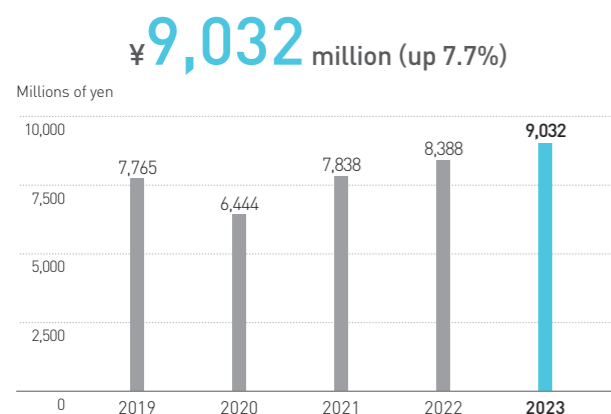
## Growth Strategies by Brand (Overseas Brand)

# Jurlique

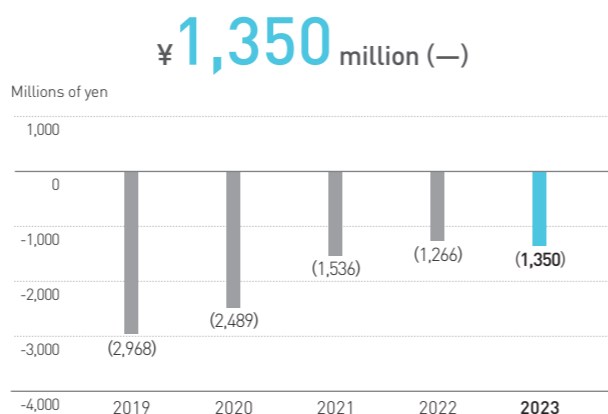
Natural skincare brand utilizing the power of ingredient plants cultivated at a company-owned farm in southern Australia



### Net sales



### Operating loss



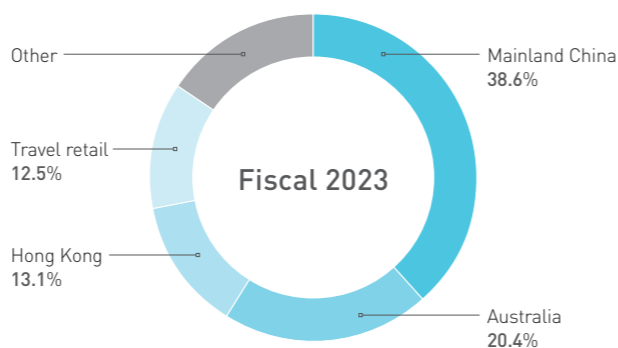
### Fiscal 2023 results and future measures

Jurlique is working to grow its business in Asia, particularly mainland China, and in its home country of Australia, and to restore profitability as soon as possible. In 2023, Jurlique earned B Corporation certification, which is granted only to companies demonstrating excellent social and environmental performance, public transparency, sustainability and accountability, confirming a commitment to environmentally conscious, sustainable business growth. On the products front, Jurlique aims to grow its face-oil category, centering on *Rare Rose Face Oil*, which features original rose ingredients developed in-house, into a product group that showcases the brand, while pursuing further efforts to strengthen branding of Jurlique as a holistic and conscious beauty brand. By region, sales were up in key markets—mainland China, Australia and Hong Kong—but that higher starting point was not sufficient enough to absorb the impact of a drop in gross profit caused by a slowdown in duty-free business, and ultimately, the company was unable to improve its loss position. Under the new medium-term management plan, Jurlique will narrow its key market focus to mainland China and Australia and concentrate resources there. At the same time, the company will hone product competitiveness globally by promoting the clean beauty aspects of all products. Seeking to turn a profit in 2025, Jurlique will work to increase its net sales and implement additional structural reforms.

#### Key issues pinpointed

■ Turn a profit as soon as possible

#### Net sales breakdown by region



## Growth Strategies by Brand (Brands under Development)

### THREE



Balancing series ESSENTIAL SCENTS

### DECENCIA



DECENCIA series

### FUJIMI

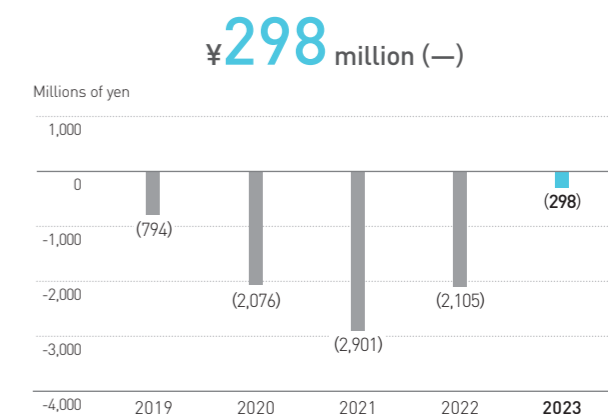


Personalized proteins

### Net sales



### Operating loss



### Fiscal 2023 results and future measures

#### THREE

Under the corporate philosophy “to create the beauty of the era through a well-honed sense of style,” we are seeking to drive new market value and a new culture by expanding the scope of THREE with lifestyle merchandise that goes beyond cosmetics borders. At THREE, we highlighted “essential oils” and “fragrances” as provided value and sharpened brand appeal through a holistic approach highlighted by a revamped *Balancing*, a core skincare series, the launch of *BALANCING NECTAR* and *BALANCING STEM*, and the debut of *ESSENTIAL SCENTS*, the first fragrance from THREE. Domestic sales increased, but net sales decreased 4.5% year on year, owing to a drop in shipments to duty-free stores in South Korea. Meanwhile, the operating loss shrank, reflecting progress in structural reforms, including improved cost efficiency. Efforts to achieve higher net sales, hinging on a new brand experience for customers, along with lower fixed expenses and optimization of sales channels, should help THREE move into the black.

#### DECENCIA

DECENCIA is a line of anti-aging care cosmetics and skin-brightening products that can be used with peace of mind by

people with sensitive skin. Marketing was aimed at boosting DECENCIA's value as a prestige brand for the sensitive-skin market. Customer numbers trended upward, underpinning a 10.5% year-on-year increase in net sales and a 14.1% improvement in operating income. In September 2023, DECENCIA introduced a revamped version of *wrinkle O/L concentrate*, an oil-type, wrinkle-improving serum, earning high external reviews. The goal now is to retain more customers, increase lifetime value through cross-selling and, ultimately, establish a stronger brand presence in the market.

#### FUJIMI

FUJIMI, which became a subsidiary in April 2021, is a pioneer in personalized beauty care brands. Under this brand, we sell personalized supplements, face masks and proteins based on the results of our proprietary analysis. In the expanding wellness market, the company will work to enhance its net sales through a focus on proteins—a product category with growth potential—and will also pursue efforts to develop merchandise for cross-selling and measures to boost retention rates. This policy, and a thorough approach to cost control, should lead to profit in 2024.



### Five non-financial materiality categories

## Quality of Life Improvement through Innovative Technology Services



## Innovative technology services enrich customers' lives

The POLA ORBIS Group's research and development contribute to enhanced quality of life because the targets of research and development are not only the skin but the entire body and because results are quickly turned into technology for use in products and services.

### Working toward non-financial KPIs

#### Background to materiality measures

- The POLA ORBIS Group has collected resources to tackle wrinkles and dark spots—two of the biggest skincare concerns—and filled its R&D reservoir with original ingredients, patents and materials found nowhere else in the world. Research goes beyond the skin to the whole person.
- A varied, multi-brand approach is applied to research activities to help improve quality of life for targeted customer groups, each characterized by different lifestyles and different needs.

### Non-financial KPIs and results of major activities in 2023

	Explanation	2023 results	Major activities in 2023
1	<b>Number of new businesses created</b>	Develop new services and new fields to meet diversifying needs	16 (since 2021) mamaniere, KINARU, femcare brand, INNER COLOR DELI, aesthetic medicine, ERAM, Remo-Fas, GINZUBA
2	<b>Brand recognition and loyalty</b>	Leverage brand characteristics to improve customer QOL	Researched by brand Customer events and information dissemination by influencers to coincide with new product launches
3	<b>Number of research awards won at home and abroad</b>	Develop seeds that grow into high-value-added products	14 (since 2018) <b>POLA CHEMICAL INDUSTRIES</b> In addition to awards described on page 43: the Excellent Presentation Award at the 18th Spring Annual Meeting of Japan Society of Kansei Engineering, the Female Scientist Encouragement Prize at the 14th Japan Oil Chemists' Society Awards, the Koshimizu Prize at the 28th JFACE Annual Conference, the Excellent Presentation Award at the 25th Annual Meeting of Japan Society of Kansei Engineering
4	<b>Number of researchers in cutting-edge dermatology research</b>	People to expand research beyond skin to whole person	66 (as of December 31, 2023) <b>POLA CHEMICAL INDUSTRIES</b> Hired new graduates and midcareer specialists in such areas as dermatology, formulation and data analysis

### Research

## TOPICS 1 Opening of Technical Development Center (TDC): Strengthening technical development capability in anticipation of VISION 2029

To realize VISION 2029, aimed at turning the POLA ORBIS Group into a collection of unique businesses that respond to diversifying values of "beauty," we will expand our business portfolio into the well-being and social domains, in addition to providing value centered on cosmetics.

The research oversight function for the entire Group will be coordinated centrally at the Multiple Intelligence Research Center (MIRC) of POLA ORBIS Holdings. Using strategies decided there, we will conduct research at the Frontier Research Center (FRC) of POLA CHEMICAL INDUSTRIES to create seeds that can be used in new and existing businesses. In cosmetics development, we established our new Technical Development Center (TDC) to accelerate the creation of more innovative new value and strengthen the technical development capabilities of the entire Group. The new facility houses a factory with advanced production functions, greatly strengthening our system for integrated manufacturing and creating new value, from research to production.

#### R&D structure

##### MIRC (Research coordination)

- Group R&D strategy formulation
- Collaboration with cutting-edge research institutions
- Curation
- Cocreation

##### FRC (Basic research)

- Deepening cutting-edge science
- Developing new materials and creating pipelines
- Developing new business areas and creating seeds

##### TDC (Technical development)

- Technology development linking research, development and production
- Specializing in developing highly differentiated, high-value-added products



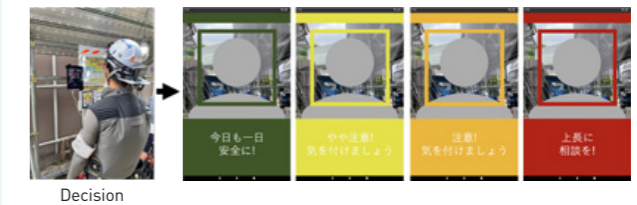
TDC: Technical Development Center

### Research

## TOPICS 2 Kaokara project based on skin analysis technology

MIRC and FRC have been developing an AI camera for heat countermeasures called *Kaokara* that promotes appropriate actions in heat stress environments. With the cooperation of numerous companies, in the summer of 2023, we conducted a social demonstration test to verify the value of a development prototype of this system by introducing it to an actual construction site. As a result, we confirmed that it is useful for promoting on-site communication and increasing employees' awareness about their health and disclosed the development progress at the 9th Tokyo Heat Countermeasures Exhibition (Tokyo) and the 3rd Digital Construction Expo (Osaka) with the aim of collaborating with companies in the construction industry. Currently, we are promoting a new business selling "camera-based AI devices" mainly to construction companies and manufacturers in urgent need for heat countermeasures. We plan to continue our research with a view toward providing services that can be used by anyone, not just construction companies and manufacturers.

#### AI camera for heat countermeasures (image)



### Non-financial KPI item 3

## Well-being research: Academic awards received in three categories in 2023

FRC has been compiling research on "technology to estimate the state of stress and fatigue from facial conditions" and "knowledge of the effect of stress reduction by tactile and auditory perception of vibrations that gradually change from the user's heart rate." As a result of this research, we received academic awards from three institutions\*—the Society of Cosmetic Chemists of Japan, the Japan Society of Stress Management and the Japan Society of IT Healthcare—and we demonstrated evidence and the usefulness of our research at academic conferences in various fields. We have also launched a new business initiative based on this technology, which has been incorporated into POLA's postpartum care smartphone app "mamaniere."



Tomonori Motokawa  
Frontier Research Center  
POLA CHEMICAL INDUSTRIES, INC.



Kimiko Baba  
Head of "mamaniere" business  
POLA INC.

\* 1. Honorary Mention Award, Society of Cosmetic Chemists of Japan (May 2023)  
 2. Best Poster Presentation Award, Japan Society of Stress Management (July 2023)  
 3. Research Encouragement Award, 16th Annual Academic Conference, Japan Society of IT Healthcare (September 2023)

## Investment in intellectual property

POLA ORBIS HOLDINGS sees intellectual property and intangible assets—including patents, trademarks and other intellectual rights, technologies, brands, designs and know-how—as vital management resources. To maintain and reinforce these intangible assets, the Company will actively invest at least 2% of consolidated net sales into R&D, promote global development of the cosmetics business through enhanced research and technology strategies, reshape and enrich the brand portfolio, create new value and expand business domains. The Company links management strategies and business strategies to research strategies and protects R&D results, the names used for each brand and other intangible aspects according

to intellectual property rights, such as patent rights, design rights and trademark rights. POLA ORBIS HOLDINGS encourages the use of acquired intellectual property rights within the POLA ORBIS Group but also takes a robust approach to additional applications, such as in joint activities with other companies. Intellectual property rights of the Group are centrally managed by the POLA ORBIS HOLDINGS Group Research and Pharmaceutical Center to maximize the value of intellectual property. In addition, we conduct anti-infringement checks on the products and services of each Group company to minimize the risk of disputes, thereby preventing damage to brand value.



## Enriching the lives of local people

The POLA ORBIS Group is always grateful to the communities in which it does business and aims to grow together with them.

### Working toward non-financial KPIs

#### Background to materiality measures

- The POLA ORBIS Group has provided job opportunities to women since 1937, when working women were a rarity, and has supported female entrepreneurs in rural areas. POLA has a network of about 23,000 Beauty Directors, who deepen communication with customers through consulting but go beyond making skin beautiful to truly get to know customers and help them live comfortable lives. In addition, we are participating in "BLOOM OUR TOWN," a community-based initiative aimed at creating a society where people can live with smiles on their faces all the time.
- Via THREE, we are contributing to regional revitalization through collaboration with Kumamoto Prefecture, local companies and other brands as well.

### Non-financial KPIs and results of major activities in 2023

	Explanation	2023 results	Major activities in 2023
5	Number of regional entrepreneur owners	Shop owners who influence local economic activities 362 (as of December 31, 2023)	<b>POLA</b> Japan: Developed organizations (scale of ¥5 million in monthly sales) with an influential presence in the region Mainland China: Opened 18 shops
6	Number of initiatives contributing to the local economy	Expand synergy through joint efforts that energize local economic activity 36 (as of December 31, 2023)	<b>POLA</b> • Comprehensive partnership agreement signed with Aomori Prefecture • THE MARCHE, a market-style event <b>POLA CHEMICAL INDUSTRIES</b> Held clean-up activities and resource recycling experiential events at the factory <b>ACRO</b> Development of raw materials in cooperation with Kumamoto Prefecture, Saga Prefecture and other companies

#### POLA

#### TOPICS Active 100-year-old POLA Beauty Director

Tomoko Horino, born in 1923, is a 100-year-old POLA Beauty Director active in Fukushima Prefecture. Ms. Horino supported her family financially by starting a POLA business through an acquaintance. Over the 60 years since then, she has been commuting by public transportation to the sales office, seven kilometers away. Even at the age of 100, she never fails to study new products and gather information about the world from news programs to use in sales activities with her longtime customers. She says, "I am so happy when my customers are pleased with their beauty. It is the only reason I have continued doing what I do. I want to keep doing this for as long as possible." On August 21, 2023, Ms. Horino was recognized as the "oldest beauty advisor (female)" in the Guinness World Records, which is certified by Guinness World Records Limited. In fact, she broke the world record. She has received continuous requests for interviews, and her story has been broadcast all over the world. She also contributes to the local community, having received three prefectural governors' commendations and worked to raise awareness of healthy longevity among local residents. In November 2023, she became the oldest woman to receive the "Woman of the Year 2024" award, sponsored by the monthly magazine *Nikkei WOMAN*, thus conveying to society her status as a role model for women who are active and energetic in this age of 100-year longevity.



Tomoko Horino with a customer



"Woman of the Year 2024" awards ceremony

#### POLA

### Non-financial KPI item 5

## POLA AQUALIE: Confronting the social challenge of our decreasing population

AQUALIE Co., Ltd., active in the Hida-Takayama area of Gifu Prefecture, is working with the "Hida-Takayama Future Project: Job Discovery Team." This project was launched by Representative Rie Morishita and local companies, with the aim of showing children and their parents that there are jobs available in their hometowns. It includes events where local companies provide jobs to give elementary and junior high school students the chance to obtain work experience. Parents are also invited to attend and receive explanations about the significance of each job. Participants have the opportunity to think about future jobs and learn about local companies. Motoki Nakada is a director of Hidatakyama Fresh Foods Surugaya Co., Ltd. (headquartered in the city of Takayama), a fresh-food distributor that has participated in the project from the beginning. According to Mr. Nakada, "We all share the same belief that we cannot do business unless our local community is energized. Upon hearing Ms. Morishita's story, I felt we could work together continuously." Atsushi Taie,

chief of the Takayama City Office, participated in the review meeting after the project's second event, which attracted 101 companies. He said, "It was a gathering of enthusiastic people. I felt that Ms. Morishita is really thinking about the local community. This aligns well with the city's awareness of issues." AQUALIE will respond to the challenge of a decreasing population by continuing to convey the message that jobs are available locally.



Representatives of the Hida-Takayama Future Study Group: Mr. Nakada (right), Ms. Morishita (center) and Mr. Taie (left) | Work experience at a café

#### Main results of the Hida-Takayama Future Project: Job Discovery Team

##### 2021 First event held

Twenty-four companies in the city of Takayama participated in the program, and 205 children gained work experience.

##### 2022 Second event held on a much larger scale

Regional coverage expanded to the city of Hida, attracting 101 businesses (for 850\* student applicants).

\* Equivalent to 10% of elementary and junior high school students in the Hida-Takayama area

##### 2023 Third event held, with participating companies expressing willingness to continue engagement

- The Hida-Takayama Future Study Group (consisting of participating companies) established

- Began working with the Takayama City Employment Promotion Council
- Received GOLD Impact Prize (Activity/Action category) in Wellbeing Awards 2023 (sponsored by Wellbeing Action Committee)

#### 2023 participants (guardians) questionnaire results (124 responses)

Is POLA contributing to regional revitalization through these activities?	Is making a major contribution	78%
	Is making a slight contribution	22%
	Is making no contribution	0%
What is your current impression of POLA through this activity?	Quite favorable	52%
	Somewhat favorable	26%
	Nothing in particular	22%

#### THREE

### Non-financial KPI item 6

## Launch of new product developed and infused with Original Minamiaso Geranium Essential Oil through regional cooperation

ACRO formed a partnership with Kumamoto Keiwa Co., Ltd., which grows herbs for herbal teas, to jointly develop cosmetics ingredients. For this project, ACRO selected the village of Minamiaso in Kumamoto Prefecture, which has abundant spring water, well-drained volcanic ash soil and a climate suitable for herbs. In 2023, ACRO employees visited the site and worked with the local community to complete development of "Original Minamiaso Geranium Essential Oil," doing everything from farmland maintenance to harvesting and manufacture. Essential oils, which are indispensable for THREE's cosmetics, are mainly produced overseas, but we are taking on the challenge of producing them domestically. This approach also contributes to sustainability because it allows us to verify the place of origin and the harvesting process. In addition, we used abandoned farmland for planting and harvesting. We also found that this essential oil contains more linalool, a component that stimulates the parasympathetic nervous

system, than foreign essential oils. In November 2023, we launched a new product, THREE *ESSENTIAL SCENTS* (eau de toilette), which is infused with this essential oil. We have since received awards from various beauty and fashion magazines for the product.

People mainly from partner companies related to the village of Minamiaso and the Kumamoto Prefecture Regional Revitalization Project worked with local farmers to secure farmland. In 2024, we plan to expand the area of our farmland to the equivalent of one Tokyo Dome (stadium).

Going forward, THREE will increase the variety of its own essential oils and expand its lineup to include skincare and other items, in addition to eau de toilette.



ACRO employees helping with work





## Adding color to people's lives through culture and the arts

The POLA ORBIS Group has long supported cultural and artistic activities that foster people's inner beauty. We identify culture, the arts and design as important elements of our business development.

### Working toward non-financial KPIs

#### Background to materiality measures

- To generate innovation in the VUCA (volatility, uncertainty, complexity, ambiguity) era, employees must acquire a heightened sensitivity and sharpen their ability to pinpoint issues and communicate. These qualities are indispensable.
- By collaborating with highly perceptive artists, we endeavor to provide content that stimulates the sensitivity of our customers.

### Non-financial KPIs and results of major activities in 2023

	Explanation	2023 results	Major activities in 2023
<b>7</b> Number of new brand experiences created that utilized art	Develop innovative, trendy products and services	11 (2023 only)	<b>POLA</b> Present new possibilities for people through artist x B.A brand collaboration <b>Jurlique</b> Collaborated with artists on designs for packaging
<b>8</b> Number of participants in workshops on liberal arts topics	Cultivate aesthetic sense and personal tastes and give back to society	259,119 (since 2018)	<b>Group companies</b> Ran art workshops for employees at Groupwide training sessions <b>POLA ORBIS HOLDINGS</b> Art gallery operation <b>P.O. REAL ESTATE</b> Ran workshops for residents of rental condominiums

#### POLA

#### Non-financial KPI item 7

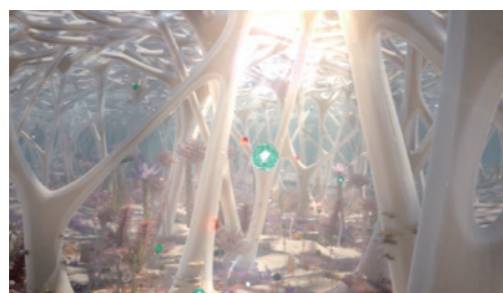
### Provide beauty experience that appeals to all five senses

POLA released the video "Dive to Wrinkle" about the mechanism by which wrinkles occur and how active ingredients work in response.

"Dive to Wrinkle" is a world view that imagines a beautiful, mysterious universe within the skin; an artistic expression of the mechanism that causes wrinkles and how the original active ingredient NEI-L1 restores harmony; and a video that describes scientific concepts from a beautiful world perspective, highlighting the wrinkle mechanism and spurring interest in POLA's approach to improving wrinkles.

Also, in collaboration with Takenaka Corporation, POLA launched a social experiment initiative proposing an

environment/space and beauty and health routines that speak to well-being. The eye-catching WI-COCOON—ART TREAT SPA—is a one-of-a-kind art and treatment experience that soothes the skin and calms the soul. Through POLA's research and Takenaka's knowledge, we discovered that a temperature of 26°C and humidity of 75% create a skin-friendly, gentle and comfortable environment. In 2023, drawing on Takenaka's construction expertise, POLA installed a cocoon-shaped structure in the departures lobby of Terminal 2 at Haneda Airport, where users enjoyed a 45-minute art experience wrapped in a cocoon and immersed in images, sounds, scents and sensations.



"Dive to Wrinkle" video



Scan this to watch video.



WI-COCOON—ART TREAT SPA—at Haneda Airport Terminal 2

#### Research

### Exploring sense of beauty shared by Japan and mainland China: Weaving Beauty program

Weaving Beauty, a cross-group program run by the Multiple Intelligence Research Center (MIRC) since 2018, engages in activities to refine each individual's sense of beauty and hone sensitivity to the world. Under the supervision of Masataka Hosoo of Hosoo Co., Ltd., a long-established Nishijin textile company in Kyoto, Japan, Weaving Beauty has assembled a vast collection of everything related to aesthetics, from the beauty of existing traditional Japanese crafts to trending case studies to ideas of beauty from around the world. Program activities are intended to deepen awareness about the many aspects of Chinese culture that have historically influenced Japan and the idea that beauty ideals and concepts inherent in Chinese culture are embedded in the aesthetics and ideas of daily life in contemporary Japan. Weaving Beauty has therefore placed the relearning of Chinese culture and the aesthetic sense and ideas associated with Chinese culture as the starting point for considering beauty ideals. Insights gained by unraveling the

concept of beauty common to mainland China and Japan have been turned into concrete products, combining the skills of Chinese creators Min Chen, Dayong Sun and Susan Fang with people involved in traditional Japanese crafts. The Weaving Beauty exhibition, held in November 2023, showcased product prototypes and a book summarizing the beauty values and sense brought together through the program as well as views on the beauty ideals of the future. The



program promotes a deeper understanding of mainland China, a key market for the POLA ORBIS Group, from a cultural perspective.

"A-UN," one of the products on display at the Weaving Beauty exhibition (Lamp made with plastic from recycled cosmetics containers)

#### New domain

### Stimulating sensitivity to the world, sense of beauty and feelings of happiness: POLA Aoyama Building

Construction of the POLA Aoyama Building was completed in March 2024. The structure features artwork by SHIMURAbros, a contemporary artist duo, inspired by the leaves of trees that spread out profusely through time and space. The artwork extends outward, imposingly, from the building's exterior. The building will create unique value as a location that activates users' sensitivity to the world, sense of beauty and feelings of happiness.



#### Examples of content that stimulates users' sensitivity to the world

- Set up daycare and idea-incubation floor where art programs are offered and established environment to cultivate people and business
- Communicated corporate approach that promotes cultural awareness and established multipurpose hall
- Installed public art open to the community and held independent cultural and artistic events
- Acquired CASBEE evaluation certification S rank (highest level of performance and sustainability) in two categories: Buildings (new construction) and Smart Wellness Office

#### Culture

#### Non-financial KPI item 8

### Operating a gallery that provides enriching moments through high-quality art: POLA Museum Annex

With involvement from artists, the POLA Museum Annex has run a charity auction since 2020, and all proceeds are given to groups such as non-governmental organizations that align with the stated purpose of the project. Last year, 2023, marked the fourth charity

auction, with the POLA Museum Annex collaborating with a research team from POLA CHEMICAL INDUSTRIES to expand awareness about the use of recycled materials amid a growing need to promote resource recycling. Participating artists created pieces using plastic recycled from the cosmetics containers of POLA ORBIS Group brands. Inspired by the Group's "art x research technology" ideal, the artists demonstrated creative diversity, drawing on the inherent characteristics of the material and producing unique artwork that flipped conventional perceptions about plastic upside down. Recycled plastic was also used in innovative ways, such as for canvas supports, because wood was in short supply. Going forward, the goal is to utilize knowledge obtained from the project and realize resource recycling within the Group. Proceeds from the 2023 charity auction reached ¥15,387,300, all of which was donated to marine conservation activities undertaken by World Wildlife Fund Japan.



Piece by Noritaka Tatehana using plastic beads made from recycled POLA B.A containers  
Noritaka Tatehana  
Heel-less Shoes, 2023  
Cowhide, dye, recycled polyethylene terephthalate, metal fastener  
Photograph by Osamu Sakamoto



## Developing human resources who set the course for the Group's diverse brands

The POLA ORBIS Group oversees a portfolio of brands, each with its own concept, sales channels and market appeal. Going forward, business pursuits and brands will likely become increasingly diversified in tandem with the changing environment. Against this backdrop, it is people—with insight into the future and the ability to discover new businesses and raise the profile of diverse brands—who will be indispensable to further growth of the Group. Toward realization of VISION 2029, which sees the Group as “a collection of unique businesses that respond to diversifying values of ‘beauty,’” we are striving to cultivate human resources with leadership qualities and abundant personality.

### Working toward non-financial KPIs

#### Background to materiality measures

- Recognized risk of insufficient human resources to manage Group operations over medium to long term due to business portfolio expansion and now working to develop management personnel.
- Must create environment where employees can thrive in their assigned duties, in good health, maximize sensitivity and capitalize on potential for career advancement. In particular, as a corporate group with significant number of female customers and female employees, priority must be given to issue of women's empowerment.

### Non-financial KPIs and results of major activities in 2023

	Explanation	2023 results	Major activities in 2023
<b>9 Job satisfaction and engagement score</b>	Create an exciting, comfortable work environment in which employees, fueled by a desire to contribute to corporate success, are able to take the initiative	59.9%	Considered, implemented and then monitored action plans designed to spur enthusiasm for work and create comfortable environment
<b>10 Percentage of female executives</b>		22.4%	
<b>11 Percentage of female division managers</b> (POLA ORBIS HOLDINGS INC., POLA INC. and ORBIS Inc.)	<ul style="list-style-type: none"> <li>Promote diversity through management-level leadership</li> <li>Promote diversity among management candidates</li> <li>Build organization with diversity</li> </ul>	To start in 2024	<ul style="list-style-type: none"> <li>Selected and developed diverse candidates, including women, through the Talent Development Committee</li> <li>Formulated action plans by the Diversity Promotion Committee</li> </ul>
<b>12 Percentage of female managers</b>		43.3%	
<b>13 Percentage of candidates to become management executives</b>	Establish/reinforce pipeline for people with management potential	165.2% (as of December 31, 2023)	Continued to promote next-generation leader skills development program
<b>14 Number of applicants for Sabbatical Program</b>	Increase the desire for self-development and learning	To start in 2024	<ul style="list-style-type: none"> <li>Active Learning Program</li> <li>School Learning and Free Choice applicants: nine (since 2022)</li> </ul>

## Priority human resources strategies linked to basic policies of 2024–2026 medium-term management plan

4 Business Growth Strategies	Priority human resources strategies
<b>Strategy 1</b> Strengthen the customer base in the domestic business to achieve sustainable growth and improve profitability	<b>1</b> Systematically develop global and managerial human resources and strengthen on-the-spot employment
<b>Strategy 2</b> Further grow the overseas business and establish business bases in new markets	<b>2</b> Establish mechanisms to incorporate human resources, ideas and businesses into the Group
<b>Strategy 3</b> Achieve profitability through growth in brands under development, contributing to sustainable earnings	<b>3</b> Further expand and evolve the Group's management talent pipeline
<b>Strategy 4</b> Enhance the brand portfolio and expand business domains	

Until 2023, we focused on fostering a culture of challenge in new businesses (“seeds-sowing” phase). We then created a framework for new business entry and attracted a cumulative total of 300 applications in one and a half years (three terms). For new business development, we adopted a methodology based on “design thinking” and “lean startup” and trained our employees in this methodology. Under the 2024–2026 medium-term management

plan, we aim to leverage our investment know-how and reputation in our CVC/LP business to identify quality entrepreneurial candidates. We will expand the Group's management talent pipeline by not only selecting from operating companies but also starting direct recruitment at POLA ORBIS HOLDINGS and giving management personnel candidates tough assignments to handle from the time they join the Company to ensure their early development.

## Emphasis on developing human resources with long-term, change-driven perspectives

To achieve growth, the Group must have people who can see into the future, create new businesses and drive the growth of its diverse brands. Embracing the idea of encouraging people to have a long-term perspective and a starting point for change, as well as to think about what we should strive for in the future, we introduced “SHINKA (Evolution)” (sensitivity to changes in society and active evolution) as an element of employee competency to be used for personnel evaluation across the Group. To foster human resources who can see the entire Group from a big-picture perspective, we provide opportunities for skills development and career development that transcend organizational barriers and allow individuals to take on challenges of their own choosing. In addition

to the next-generation leader skills development programs, in which employees from the entire Group participate, we have developed a system allowing employees to take on challenges by transferring to companies and departments of their choice within the Group. We are also committed to creating environments that resonate with the will and motivation of each individual. In addition, we engage in AI human resources development and educate our staff on programming and data analysis methods to resolve business issues. To provide a work environment that is both rewarding and comfortable, we also consider diversity and inclusion and health management important components of a shared foundation to keep human resources actively engaged.

	Junior	Middle	Management
	Talent Development		Succession Plan for Officer and Director
Career Development	<b>Assignment Change</b> “Different Job Role, Task” “Different Organization, Business” At least 2 different assignments before 30 years old	<b>Talent Development Committee</b> Selection from high potential members, and provide Individual talent development towards Officers. Provide a wide range of job experience within group companies, deepen expertise and leadership experience for each candidates. *Committee Member: POLA ORBIS HOLDINGS Directors, Group companies CEOs and HR directors	
	<b>Open Opportunities</b> <b>[Group FA System]</b> A system that allows employees who meet certain conditions (evaluation, etc.) to take on the challenge of transferring to a desired company or department within the Group <b>[Open Offer]</b> Recruit within the group position by application requirement <b>[Business Start up]</b> New business proposal opportunity by employees (individual or team)		
Talent Development	<b>Future Study Program</b> <b>Content:</b> Team-based action learning to find solutions to management issues within POLA ORBIS Group <b>Output:</b> Innovative proposal to Group Management by teams <b>Members:</b> About 12 per year <b>Duration:</b> 9 months	<b>External Exchange</b> <b>Content:</b> Practice learning from Future Study Program through activities outside the company. <b>Example:</b> Support for studying in Business school, exchange training at other companies, etc.	<b>Business Innovation Academy</b> <b>Content:</b> Reflect on personal traits and strengthen leadership skills, Find solutions to management issues that will change the company or group to which the participants belong <b>Output:</b> Proposal and execution of business innovation to management by individuals <b>Members:</b> About 5-6 per year <b>Duration:</b> 9 months
	<b>VISION 2029 Education (Design Thinking Training/AI Human Resources Development Program)</b>		

Common Standard	Group's Common Competency Evaluation			
	Group Talent Management System Collect and utilize individual ability, motivation and career plan info through group by HR talent management system			
	Active Learning Program			
Concept	<b>Sabbatical Leave Program School Learning</b> Minimum 3 months, up to 2 years Study at higher education institutions	<b>Sabbatical Leave Program Free Choice</b> 1 month, up to 6 months Learning in an environment of your choice outside the company	<b>Schooling Support</b> Up to 2 years Going to higher educational institution while keeping your current job	<b>Internship within Group companies</b> One week, up to 3 months Learning by engaging in desired work within the Group
	Diversity and Inclusion		Health Management	
A Person-Centered Management				



Non-financial KPI item 13

Next-generation leader skills development programs

There are two programs to develop the skills of next-generation leaders: the Future Study Program, for young employees, and the Business Innovation Academy, for administrative management. The structure of these programs was initially set up in 2005 with the debut of the Future Study Program, and the curriculum has constantly evolved since then to the present. These programs have graduated more than 300 people, many of whom went on to executive appointments.

1. Future Study Program

Designed for young employees in their 20s and 30s, the program is, in principle, open to anyone who wants to participate. Young employees with a can-do attitude work in teams to envision the Group's future, identify issues that require attention and devise potential solutions to present to management. The program focuses on the mindset needed to identify issues requiring attention and on behavior development. Proposals offered by participants over the years have been linked to activities driving the growth of the POLA ORBIS Group, including the development of a brand of men's cosmetics, as well as being catalysts for timely human resources strategies, such as the Group free-agent system and the open-offer system.

2. Business Innovation Academy

This program for administrative management in their 30s and 40s is limited to a few elite individuals, typically five people annually.

A broad invitation is extended to employees aware of issues facing the Group. The curriculum is designed to create leaders with the talent to drive change forward at their respective companies while bringing others and the organization into the process. Specifically, participants identify fundamental issues of concern within their own company or pertinent to the Group, then formulate a strategy to address these issues through repeated discussions within the participant group as well as with management of the company where issues exist. They uncover issues within the organization that should have been addressed long ago and issues needing drastic action due to the changing business landscape, then present suggestions to management on reforms to address such issues. In addition, the program reveals personal value perceptions and leadership issues through such approaches as dialogue with guest speakers, art workshops at the POLA Museum of Art in Hakone and discussions with management. Launched in 2007, the program has been held 17 times, and 79 people—excluding participants who have retired—have completed the curriculum. Of these participants, 23 have been appointed to executive positions at companies under the Group umbrella.



2023 Future Study Program

Non-financial KPI item 14

Learning opportunities that spur intrinsic motivation

In May 2022, the Group launched its Active Learning Program with four categories. Our aim is to create new value for the Group by encouraging employees to learn independently and gain experience in different fields, thereby developing all employees' sensibilities and enabling them to acquire diverse perspectives. The program is noteworthy in that employees will not lose vacation days for learning in an environment outside the Company, and salaries will continue to be paid because the time spent on education is for self-development that will ultimately benefit the Company. By supporting employees with a strong desire to learn and upgrade their skills, we will achieve sustainable improvement in Groupwide corporate value.

In particular, we anticipate that our Sabbatical Program (Free Choice) will strongly promote employees' intrinsic motivation by allowing them to act freely in their learning (self-reported content in fields, cultures, experiences different from their daily routines). We have incorporated the number of applicants for the Sabbatical Program into the Group's non-financial KPIs under the 2024–2026 medium-term management plan and will promote it going forward. In the first year, employees who applied under the themes of "inspecting a country with world-class happiness and gender equality" and "exploring the worlds of blockchain and the metaverse" took advantage of the program.

VOICE

Three-month learning period that enabled me to think deeply

I have been interested in the Web3 world for some time and wanted to study it more intensively but was not able to find the time. Recently, I was given a three-month learning period that enabled me to experience the metaverse space, interact with people in the blockchain industry and purchase NFTs (digital assets). I also had the opportunity to think deeply about the future possibilities of blockchain and the "value of things and experiences."



Shino Furukawa  
Management Planning Division, POLA ORBIS HOLDINGS INC.

Promoting diversity and inclusion (DI)

In January 2022, we established the Diversity Promotion Committee, chaired by Miki Oikawa, representative director and president of POLA INC. Our DI policy states our commitment to become a group that values sensitivity and individuality and believes in the potential of every employee to take on challenges under our human resources management policy, "a person-centered management style." Under the DI policy, we launched activities with gender diversity as a central theme. In 2022, we specified our KPIs and roadmap, and in 2023, we focused on sharing the initiatives of each Group company and engaging in discussions through subcommittees, with the aim of strengthening lateral collaboration between Group companies and implementing necessary measures.

After analyzing the current situation and organizing issues, the subcommittee on gender diversity identified gender differences in some questions of the job satisfaction and engagement survey. As a result, we set gender bias management as a priority theme for

2024. After properly grasping the biases of the organization and individual managers, we will create rules and mechanisms to eliminate such biases and strive to realize individuality that allows people to play active roles without gender boundaries.

In recognition of its work-style diversity and the number of days men took childcare leave, POLA was ranked No. 4 on the 2023 list of "companies that make it easy to work and raise children together," announced by Nikkei Business Publications, Inc., under its "Nikkei xwoman" web media project for working women. POLA also received the highest-ranking "Best Workplace" certification at D&I AWARD 2023, sponsored by JobRainbow Co., Ltd. This designation is the leading award in Japan recognizing and honoring companies that demonstrate a commitment to D&I.



Miki Oikawa  
In charge of Group diversity



D&I AWARD 2023: POLA's evaluation  
Diversity score: 89/100

Reasons for "Best Workplace" recognition

POLA is a leading D&I company that promotes high-level D&I not only in Japan but also globally. In addition to the company fostering a D&I-driven corporate culture, every employee is actively involved as an individual responsible for promoting D&I. POLA's D&I philosophy is reflected in all aspects of its services, operations and corporate organization and is now spreading outside the Company as well.

VOICE

Acquiring the ability to "think outside the box" and "make proposals without fear of conflict"

My ability to think outside the box and make proposals without fear of conflict, which I acquired through the Business Innovation Academy, has had a major impact on my own leadership and work style. Focusing on adopting the consumer's perspective and obtaining a sensitivity to unsuitability, we identified and confronted the unsuitability of the sales representative system for each business under our existing framework, then engaged in backcasting to propose optimal themes for change. Although it was a training program, the experience of continually asking myself questions, recognizing management issues as my own and proposing processes for implementing change gave me the opportunity to make changes in my own daily work.



Shogo Hidaka  
General Manager, New Channel Strategy Office, POLA INC.  
(Graduate of 2023 Business Innovation Academy)

VOICE

The Future Study Program made me realize the fun of asking questions

"The fun of asking questions." This is the best thing I took away from the Future Study Program. At the workshops, we spent the majority of time thinking with the instructors and other students. We questioned common sense and conventions and went back to basic principles. We focused on outliers, not averages. We asked innocent questions. Our curiosity was piqued and we were thrilled to make new discoveries. Above all, I found it interesting to ask questions. From the Future Study Program, I learned that the right mindset does not require knowledge or experience but can be acquired from the present moment.

I will continue asking questions and showing interest. Through these accumulated efforts, we will create a new future that is not an extension of the current situation.



Kazusa Sakurai  
Store Management Department, ORBIS Inc.  
(Graduate of 2023 Future Study Program)



## Health management

In 2017, the Group drafted the POLA ORBIS Group Health Management Declaration to continue the Group as an organization brimming with human resources who possess rich individuality and deep sensitivity, and use health management to realize the Group philosophy. The physical and mental health of employees is a management priority, driven by coordinated efforts by companies, occupational health professionals and health insurance associations to ensure the well-being of Group employees and their families.

For seven straight years since 2018, the Company has earned certification as an outstanding organization in the large enterprise category under the Certified Health and Productivity Management Outstanding Organization Recognition Program. In 2024, we were declared a White 500 company, a designation that honors the top 500 corporations practicing excellent health management.

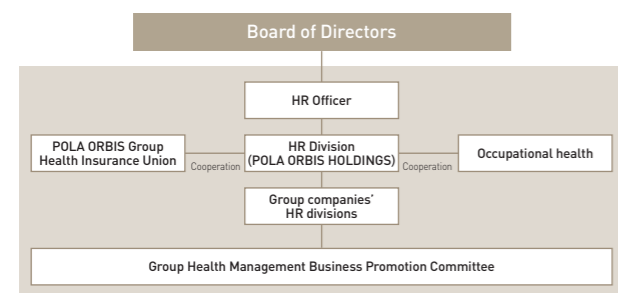


### Health management system

POLA ORBIS HOLDINGS set up the Health & Productivity Management Promotion Team, under the supervision of the Board of Directors, to connect with occupational insurance and health insurance associations and the human resources departments of Group companies while promoting health management activities across the Group. In addition, the Group Health Management Business Promotion Committee, with participation mainly from managers and directors responsible for human resources within the Group, occupational health staff and employee representatives, is tasked with planning, considering, evaluating and improving initiatives related to health and productivity management.

The Group Health Management Center, which is the Group's occupational health organization, centrally manages the health information of Group employees and provides post-medical checkups, health guidance, support for returning to work and balancing work and medical treatment, as well as counseling for those with mental and physical problems and support for overworked employees.

The Group's health management activities are based on its long-term goals of maximizing individual abilities and motivation, improving organizational productivity and securing and enhancing human capital.



### Developing support measures for gender-specific health issues

With its large number of female employees, the Group recognizes that eliminating or at least reducing presenteeism (loss of productivity) arising from gynecological disorders and women-specific health issues and promoting programs that enrich career options for women are important issues to address. In addition to engaging gynecologists, establishing an email consultation service system and implementing various educational measures to improve health literacy, in 2022, we introduced LunaLuna Office, a femtech service that helps working women navigate health problems related to menstruation, menopause and other issues. Users of the service have commented that they can easily have consultations without waiting time since the sessions are done online and that specialist doctors carefully support them. Compared with the situation before the service was launched, the presenteeism scores of menstrual program users were found to have improved.

In 2023, we also conducted a survey on male menopausal symptoms among the Group's male employees aged 35 and older. We found that more than half of the respondents, including those who were actually diagnosed with menopause, were experiencing some kind of disorder that could be considered menopausal symptoms, and that very few of them visited a medical institution even though they were suffering from the disorder. Against this background, we decided to field-test a Male Menopause Program, starting in 2024, with the aim of improving the productivity of our male employees.

### Promoting mental health measures

To create an environment where all employees can demonstrate their abilities in good health, the Group focuses on preventing mental health problems and addressing any problem as early as possible. In terms of the work environment, we have established internal and external consultation services. Since 2018, we have assigned specialized psychological staff to the Group Health Management Center to work closely with employees with mental health problems and assist in their improvement. To prevent the occurrence of any such problem, we use the results of Group stress-check analyses to improve the work environment and regularly provide information on self-care. From 2022 through 2023, we arranged line-care training for management-level employees across the Group.

### Groupwide health promotion activities

Seeking to maintain and improve the health of employees, we promote the Groupwide development of healthy lifestyles by offering personal health management support tools (PepUp), providing various kinds of content (including advice on ways to address lack of exercise), implementing e-learning and regularly holding gatherings for employees. We also host an annual walking event that attracts large numbers of individual entries and team entries and sparks a lot of excitement as the participants jockey for position. Since 2021, we have been making donations based on the number of steps taken by participants.



## Five non-financial materiality categories Environment



## Care for the global environment around us and pursue sustainable business activities

The POLA ORBIS Group has positioned climate change-related risks and opportunities as a key management theme in its business strategy. To disclose information in accordance with TCFD recommendations, we are phasing in measures for governance, strategy, risk management and indicators and targets for the 2029 SBT 1.5°C scenario certification target and the 2050 net-zero target. Since climate change is a direct cause of biodiversity loss, we have also begun analyzing the relationship between biodiversity and business in line with TNFD\* recommendations. In addition to reducing the CO<sub>2</sub> and water emissions generated by the Group, we are setting goals and pursuing initiatives that emphasize environmental protection throughout the entire supply chain, particularly with regard to palm oil-derived ingredients, which are used extensively in cosmetics, as well as plastic materials used as containers and packaging materials.

\*TNFD (Taskforce on Nature-related Financial Disclosures): International organization that establishes frameworks for assessing and disclosing risks and opportunities related to natural capital and biodiversity

### Working toward non-financial KPIs

#### Background to materiality measures

Natural resources and energy are indispensable to our business activities. They are also in limited supply, and we must be conscious of the environment in pursuing business activities, promote measures for recycling and save resources.

### Non-financial KPIs and results of major activities in 2023

	Explanation	2023 results	Major activities in 2023
15 CO <sub>2</sub> emissions	Scope 1 and 2	Down 50.7% (from 2019)	<ul style="list-style-type: none"> <li>Obtained certification for SBT 1.5°C by 2029; formulated low-carbon transition plan aiming for net-zero emissions by 2050</li> <li>Increased solar power generation at production bases and switched to renewable energy at major offices, factories and laboratories</li> <li>Considered reduction of CO<sub>2</sub> emissions, taking into account the entire product life cycle</li> </ul>
	Scope 3	Down 45.9% (from 2019)	
16 Water consumption	Aiming to conserve water resources and reduce water risks and water stress	Down 25.7% (from 2019)	Water-saving initiatives at factories, change to environmentally conscious equipment, use of rainwater, reforestation and thinning
17 Sustainable palm oil procurement	Aiming for sustainable production as a responsible manufacturer	To start in 2024	Establish milestones for actual switchover to certified oil
18 Plastic cosmetics containers and packaging consumption	Aiming for resource recycling to conserve limited resources	28.6%	Surveyed actual plastics consumption; studied and implemented 4R's-compliant products; studied remanufacturing; studied and implemented resource-recycling model

### TOPICS Environmentally conscious initiatives

#### B.A GRANDLUXE IV (POLA)

Our top-end beauty serum was renewed in 2023. We considered ways of minimizing packaging materials and using a single sheet of paper even for high-prestige cosmetics. Inspired by the Japanese tradition of wrapping gifts, we also challenged ourselves to wrap products by hand. After much trial and error in selecting the paper and wrapping method, we proposed this as the next-generation luxury design.



B.A GRANDLUXE IV

#### Approach to containers and packaging materials (Jurlique)

We have set five criteria for product design: (1) resource saving, (2) design simplicity, (3) recyclability, (4) prioritizing local suppliers and (5) recycling and prioritizing renewable materials. Our aim is to reduce our environmental impact throughout every product's life cycle. We are also changing materials to improve recyclability, reviewing the design of our tubes and increasing the permeability of our glass containers.



Rare Rose series



Non-financial KPI item 15

Addressing climate change challenges

To align the timescale with our medium- to long-term strategy, and since climate-related risk has the potential to exert impacts for an extended time, the POLA ORBIS Group defined the year 2023 as the short term, in line with our medium-term management plan, the year 2029, the year of our 100th anniversary as the medium term, and the year 2050, the government's target year for achieving carbon neutrality, as the long term.

The CO<sub>2</sub> emissions reduction targets for 2023 and 2029 have been formulated in line with SBTi\*. Recognizing the importance of limiting the temperature rise to 1.5°C, an even harder target than that for 2°C, and the impact on our business, we have

- Aim to achieve net-zero CO<sub>2</sub> emissions (Scope 1 and 2) that are owned or controlled by the POLA ORBIS Group by 2040
- Aim to achieve net-zero CO<sub>2</sub> emissions (Scope 3) from business activities throughout the product life cycle by 2050

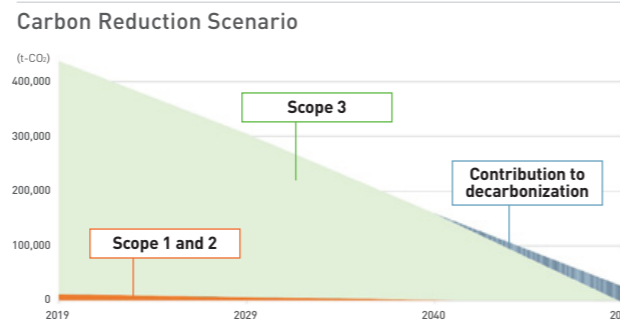
The Group has already begun to consider various initiatives to realize the above indicators. The following are the main initiatives we are currently implementing or considering.



obtained certification for the SBT 1.5°C target for reducing CO<sub>2</sub> emissions, a goal that is also set in the Group's non-financial KPIs (medium term). In addition, we are aiming for net-zero emissions in our long-term goals of 2050. Our approach is set forth in the Group's low-carbon transition plan.

The POLA ORBIS Group Low Carbon Transition Plan leverages existing systems for addressing climate change to manage and oversee the achievement of the following targets.

\*SBTi: An international initiative to promote the establishment of science-based greenhouse gas emission reduction targets for companies with the aim of achieving the goals of the Paris Agreement. Jointly operated by the CDP, an international NGO for the disclosure of environmental information; the WWF (World Wide Fund for Nature); WRI (World Resources Institute) and UNGC (United Nations Global Compact)



Scope 1 and 2

- Install the latest equipment with low CO<sub>2</sub> emissions and convert from fuel to LNG with low CO<sub>2</sub> emission coefficients
- In addition to existing private power generation facilities, further expand the use of renewable energy to support scalability (such as by expanding solar power generation systems and considering the introduction of corporate PPA\*)
- Switch to a menu of electricity derived from renewable energy sources (with switch already completed at major production and research bases and offices)
- Establish Technical Development Center (TDC, a new research and development facility)
- Consider introducing internal carbon pricing

\*PPA: Power purchase agreement

Scope 3

- Reduce CO<sub>2</sub> emissions throughout the supply chain by implementing a carbon footprint (classifying this into procurement, manufacturing, transportation, use and disposal/recycling, and working with various stakeholders in each area to promote reduction)
- Link to the POLA ORBIS Group Plastic Policy, reducing use of resources and replacing them with eco-friendly raw materials
- Contribution to low carbon

Scope 1 and 2	CO <sub>2</sub> emission volume target	CO <sub>2</sub> emission volume reduction ratio target	Baseline year (2019) result	2023 result
2023	9,677 t-CO <sub>2</sub>	17%	11,659 t-CO <sub>2</sub>	5,751.8 t-CO <sub>2</sub>
2029	6,762 t-CO <sub>2</sub>	42%		
Scope 3	CO <sub>2</sub> emission volume target	CO <sub>2</sub> emission volume reduction ratio target	Baseline year (2019) result	2023 result
2029	492,776 t-CO <sub>2</sub>	30%	425,869 t-CO <sub>2</sub>	230,330.8 t-CO <sub>2</sub>

TCFD support

The POLA ORBIS Group disclosed information in March 2022 in line with TCFD recommendations. As a result of a risk assessment, we identified transition risks and physical risks, selecting the 32 risks and 25 opportunities that had high business impacts. We defined the 2°C scenario as a "society focused on sustainability" and the 4°C scenario as a "society requiring disaster responses" and then analyzed these scenarios to calculate the potential financial impact. Regarding the POLA ORBIS Group's vision and actions to achieve it, we have used a

seven-force analysis, a duplication of five-force analysis that adds government (regulation), investors and society to the five competitive forces. We then put our findings into specific strategies. Specific countermeasures are: (1) response to tighter GHG (greenhouse gas) emission regulations; (2) response to the introduction of regulations on plastic; (3) response to risks and opportunities arising from changes in demand associated with climate change and (4) response to the risk of damage due to abnormal weather events.

Key climate change risks and opportunities

Category	Sub-category	Type	Details of risks and opportunities	Metric	Degree of financial impact	Duration of impact	Applicable scenario
Risks	Transition risks	Policy and Legal	Risks of higher costs due to tighter GHG emissions regulations or the introduction of carbon pricing	Higher costs	Medium	Short, medium and long	2°C
			Risk of higher costs for the research and development of alternative materials due to the introduction of regulations on plastic and higher manufacturing costs due to rising raw material prices	Higher costs	Medium	Short, medium and long	2°C
			Risk of higher costs due to the introduction of regulations on water usage	Higher costs	Small	Medium and long	2°C
	Physical risks	Technology	Risk of decreased sales due to startups specializing in the reduction of environmental impacts, etc., or new market players in China or emerging economies	Decreased sales	Medium	Medium and long	2°C/4°C
		Market	Risk of being unable to recoup investment in technology or research and development to address environmental concerns	Assets	Medium	Long	4°C
		Reputation	Risk of decreased sales due to inability to adapt to shift in customer demand toward ecofriendly products	Decreased sales	Medium	Medium and long	2°C/4°C
Opportunities	Acute		Risk of damage to reputation as a result of slow response to climate change or inadequate communication with society	Decreased sales	Small	Short, medium and long	2°C
			Resulting from damage to supply chains (own plants, suppliers, logistics infrastructure, etc.) from worsening extreme weather events	Decreased sales, Higher costs	Medium	Medium and long	2°C/4°C
	Chronic		Risk of decreased sales due to supply disruptions				
			Risk of incurring higher procurement costs and recovery costs				
			Risk of higher costs due to rising raw material price as a result of environmental changes accompanying climate change	Higher costs	Small to medium	Medium and long	2°C/4°C
	Resource efficiency		Opportunity for cost reductions achieved through the establishment of a recycling-based model using direct marketing	Cost reductions	Medium	Short, medium and long	2°C
	Energy sources		Opportunity for cost reductions achieved through energy conservation, improvement of efficiency and DX in logistics processes, and the utilization of direct marketing methods	Cost reductions	Medium	Medium and long	2°C/4°C
	Products and services		Opportunity for cost reductions achieved through the use of renewable energy and promotion of energy conservation at own facilities	Cost reductions	Small	Short and medium	2°C/4°C
	Market		Opportunity for increased sales as a result of the development and sale of products to address growing skin concerns under the impact of climate change (growing demand for UV skincare and wrinkle-fighting products associated with increased ultraviolet radiation and growing demand for products to combat aging caused by dryness and skin roughness)	Increased sales	Medium	Medium and long	2°C/4°C
			Opportunity for new demand arising from changes in consumer preferences under the impact of climate change	Increased sales	Medium	Short, medium and long	2°C/4°C
	Resilience		Opportunity for increased sales due to growing global demand (emerging markets and regions where relevance of our products grows due to climate change)	Increased sales	Medium	Medium and long	2°C/4°C
			Opportunity to strengthen research and development capabilities in response to climate change and implement climate measures such as new product development, business expansion as a lifestyle brand and the creation of our own unique recycling model	Equity	Medium	Medium and long	2°C/4°C

Overview of countermeasures

	Impact on business	Existing initiatives	Future actions
<b>Countermeasures (1) Response to tighter GHG emissions regulations</b>	<ul style="list-style-type: none"> <li>▼ Increase in carbon tax costs</li> <li>▼ Higher direct energy costs including taxation on fuel and rising electricity rates</li> <li>▼ Higher costs due to measures to reduce CO<sub>2</sub> emissions (capital investment, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement of power derived from renewable energy and J-credits</li> <li>• Introduction of solar power generation and its consumption</li> <li>• Conservation of resources focusing on Fukuroi Factory, our domestic production site</li> <li>• Linkage of CO<sub>2</sub> emissions reduction targets to executives' compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of existing initiatives</li> <li>• Reduction of CO<sub>2</sub> emissions throughout value chain (product design, decarbonization of logistics, support for suppliers' CO<sub>2</sub> reductions, reduction of volume of waste in product life cycle, etc.)</li> </ul>
<b>Countermeasures (2) Response to the introduction of regulations on plastic</b>	<ul style="list-style-type: none"> <li>▼ Increase in alternative materials research and development expenses</li> <li>▼ Increase in packaging costs</li> <li>▼ Risk of damage to reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in plastics use through refillable containers</li> <li>• Molding of containers made from recycled plastic and biomass plastic</li> <li>• Implementation of container collection</li> </ul>	<ul style="list-style-type: none"> <li>• Unique sustainable manufacturing with recycling at every stage from procurement through to collection and reuse</li> <li>• Review of design of cosmetics containers and packaging based on 4R's</li> <li>• Exploration of alternative materials</li> </ul>
<b>Countermeasures (3) Response to risks and opportunities arising from changes in demand associated with climate change</b>	<ul style="list-style-type: none"> <li>▼ Increase in procurement costs through procurement of raw materials with traceability and sustainable materials</li> <li>▼ Decrease in sales due to change in demand such as weakening appeal of moisturizing skincare products due to rising temperatures</li> <li>△ Expansion of sales due to the development and sale of products to address skin problems aggravated by climate change and environmental impacts</li> <li>△ Increase in sales in emerging markets and in regions where relevance of our products grows due to climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Response to need for sustainable palm oil</li> <li>• Acquisition of RSPD supply chain certification at Fukuroi Factory</li> <li>• Research and development on the themes of sustainability and environment, led by MIRC (Multiple Intelligence Research Center)</li> <li>• Establishment of sustainability business units for core brands POLA and ORBIS to step up implementation of sustainability initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Development of low-carbon eco-friendly products (raw materials, production processes, etc.)</li> <li>• Establishment of ecosystem for the collection of resources and reuse of CO<sub>2</sub></li> <li>• Development and sale of products that tap into demand arising from climate change</li> <li>• Development of structure for strengthening marketing globally and tapping into growing demand for adaptation to climate change</li> </ul>
<b>Countermeasures (4) Response to the risk of damage due to abnormal weather events</b>	<ul style="list-style-type: none"> <li>▼ Increased costs as a result of damage to our factories, etc., or those of suppliers as a result of disaster</li> <li>▼ Decreased sales due to holdups in the supply of products as a result of damage to factories affected by disaster or disruption to logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Formulation of basic BCP</li> <li>• BCP measures: preparation during normal times and emergency drills (logistics network redundancy, diversification of raw material suppliers, ensuring BCP inventories of priority product items)</li> </ul>	<ul style="list-style-type: none"> <li>• Sophistication of BCP measures (production network redundancy, ensuring alternative suppliers for raw materials, etc.)</li> <li>• Implementation of additional specific measures at each site according to disaster risk</li> </ul>



## Reducing CO<sub>2</sub> emissions

### CO<sub>2</sub> emissions (in-house direct emissions)

As of December 31, 2023, we had completed the switchover at many of our major sites, including POLA CHEMICAL INDUSTRIES' Fukuroi Factory (production base), the POLA Gotanda Building, the POLA Gotanda Building No. 2, the POLA Ginza Building, the POLA Distribution Center, POLA's 33 offices across Japan and POLA CHEMICAL INDUSTRIES' headquarters and laboratories. We are also working to expand consumption of self-generated electricity by increasing the number of solar power generation systems at POLA CHEMICAL INDUSTRIES and Jurlique factories.

### CO<sub>2</sub> emissions (emissions over the life cycle)

ORBIS calculated the CO<sub>2</sub> emissions of 50 refill products over their entire life cycle in terms of their carbon footprint and visualized the reduced amount. The data was published in a catalog for customers.

For Scope 3 emissions, we have positioned emissions from business partners as the most important area for reduction. To this end, we explain the Group's policies to major business partners and ask them to cooperate with us to reduce emissions through procurement policy information meetings and other forums. We also analyze information disclosed by major business partners about their emission reduction policies, targets and performance, and formulate effective engagement plans.

## Selected for Climate Change A List, highest rating from CDP, for third consecutive year

POLA ORBIS HOLDINGS' climate change initiatives and information disclosure practices have earned the Company a reputation as a progressive organization with excellent corporate sustainability. CDP, an international NGO, named POLA ORBIS HOLDINGS to its highest rating, the Climate Change A List, for the third consecutive year.

This is in recognition of the Company's climate change strategies, initiatives and a high level of disclosure of the

processes and results achieved through these measures. In addition, we disclose information about our forest and water security and have been selected as a Supplier Engagement Leader for three consecutive years.



### Non-financial KPI item 16

## Water resources

To conserve water resources and prevent pollution, the Group strives to reduce the environmental impact of its water use and discharge. Cosmetics, the Group's mainstay products, use water as a raw material. In the production process, therefore, water is an indispensable resource in our business activities (even for customers using water with some of our products after production). The Fukuroi Factory of POLA CHEMICAL INDUSTRIES, which handles production, uses substantial water resources. The Fukuroi Factory manages water resources in accordance with ISO 14001 certification requirements and related laws (such as the Water Pollution Prevention Act). In addition, Jurlique's factories and other Group offices are managed in accordance with relevant laws and regulations.

We believe that reducing water consumption across the Group is an important way to alleviate water resource issues. Accordingly, we have set reduction of water consumption as a non-financial KPI target and linked it to executive compensation (medium- to long-term incentive) to increase our ability to achieve the target by 2029. We also use a "WWF Water Risk Filter" in our analyses to identify water stress areas. Our Fukuroi Factory in the city of Fukuroi, Shizuoka Prefecture, Japan, is at risk of flooding, while Jurlique's factory in Adelaide, Australia,

suffers from chronic water shortages. As a production base, the Fukuroi Factory is pursuing measures according to its BCP while taking BCP inventories of its products and raw materials. Meanwhile, Jurlique has installed flame-retardant water storage tanks to prepare for forest fires, which are a regional characteristic, in addition to utilizing and storing rainwater in factories and farms in preparation for water shortages.



Jurlique: Flame-retardant tanks to store rainwater

### Non-financial KPI item 18

## Plastic containers and packaging materials for cosmetics

Following the POLA ORBIS Group Plastic Policy, the Group has set a non-financial KPI of switching 100% of its cosmetics plastic containers and packaging materials to sustainable designs based on the "4R's" by 2029.

We are taking various steps to achieve these targets. Specific examples include reducing plastic usage by making containers lighter, decreasing the number of plastic containers

manufactured by encouraging repeated use of refills, adopting biomass plastic and other environmentally friendly materials and designing containers that are easier to recycle. Through these efforts, we have already switched 28.6% of the Group's products to sustainable designs. We will continue advancing these initiatives to achieve our 2029 target and reduce our environmental impact.

## Examples of 4R's (Reduce, Reuse, Replace, Recycle) initiatives

### Reduce and Reuse

Employing sustainable design, we are using 33% less plastic in the containers of THREE's *Balancing Protective Lip Bar* than previously.

Meanwhile, POLA has been rolling out refillable containers for cosmetics in the high-price range since 1985, and ORBIS has been selling refillable cosmetics since 1991. Because the Group primarily engages in direct selling, it has a high sales rate for refills, and we will continue to promote this approach.



### Replace

To replace certain materials, we have switched the plastic used for some of our products to biomass plastic or recycled plastic. POLA uses biomass PET for the container cap of its *B.A 3D CONCEALER*, and ORBIS uses biomass PET for the container of its *ORBIS Bright Lotion*.



### Recycle

POLA's *B.A THE MASK* is designed to allow the aerosol can to be taken apart, thus improving recyclability. In addition, POLA ORBIS HOLDINGS is collaborating with Shiseido Company, Limited on the "BeauRing" project to recycle plastic cosmetics containers.



## Jurlique receives “B Corporation” certification, a worldwide accreditation system

In September 2023, Jurlique received “B Corporation” certification, which is given only to companies that excel in social and environmental performance, public transparency, sustainability and legal accountability. In addition to practicing sustainable cultivation at its own farms certified by the National Association for Sustainable Agriculture Australia (NASAA) in Australia, where its roots lie, Jurlique has adopted sustainable designs for its containers and ingredients. The aforementioned certification gives high marks to Jurlique’s efforts in the

environmental field in particular. We are taking this opportunity to re-educate Jurlique employees on the manufacturing methods and activities of our brand, to allow us to properly convey the excellence of our brand to our customers.



## Biodiversity

In recent years, biodiversity loss has been attracting attention as a global risk, and the need for nature-positive measures is increasing. Since the Group uses naturally derived ingredients as raw materials for cosmetics, it has long recognized biodiversity loss as a significant procurement risk. Accordingly, we have been educating all our employees on the importance of business activities that take into consideration the environment to allow various living organisms to coexist.

Because biodiversity is closely related to climate change and pollution throughout the product life cycle, we not only make improvements within our organization but also provide CSR procurement guidelines to our business partners and ask them

to consider biodiversity, leading to initiatives that contribute to a nature-positive society. Recognizing the possibility of the risks of environmental destruction and human rights issues upstream in the cosmetics supply chain, the Group is looking at ways to ensure the traceability of raw materials to the farms where they are produced, as well as ways to evaluate and control risks across the supply chain. In 2023, we engaged with the Roundtable on Sustainable Palm Oil (RSPO)-certified small-scale plantation managers in Indonesia and visited palm plantations to better understand the various issues (see “Initiatives with supply chains” on page 61 for details).

## TNFD support

To properly identify risks and opportunities related to biodiversity and natural capital, the Group follows the LEAP approach recommended by the TNFD, which consists of the following steps: locate contact points with nature (“Locate”), evaluate dependencies and impacts (“Evaluate”), assess risks and opportunities (“Assess”) and prepare to respond and report (“Prepare”).

The Group uses many raw materials in the production of cosmetics. In the first year of our analysis, we focused on plant-derived raw materials, which are viewed as having a particularly large dependency and impact on natural capital.

With respect to “Locate,” we are identifying locations relevant to the value chain of the Beauty Care business and identifying priority considerations by making assessments of ecological integrity, biodiversity importance, water stress and relationships with indigenous peoples and local communities.

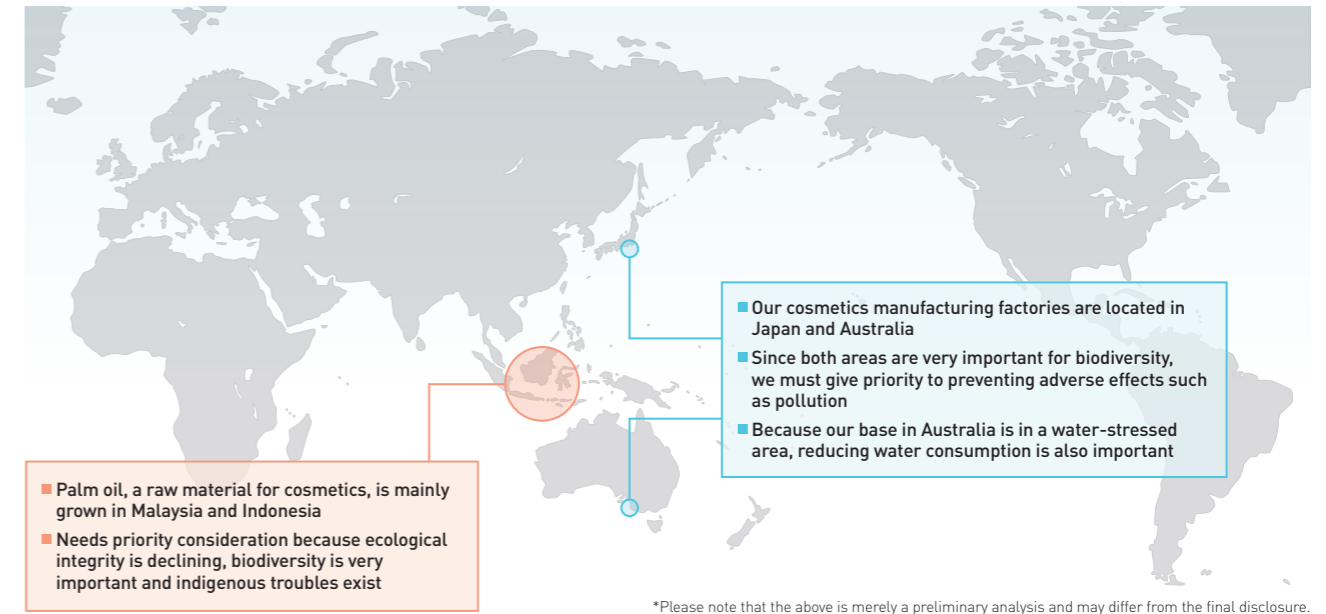
Regarding “Evaluate,” we identified dependencies and impacts on nature for every process of the value chain. We found that our businesses are very dependent on natural capital in terms of water use and raw material procurement. We also found that potential impacts, such as land alteration and pollution, may be occurring.

As for “Assess,” we are identifying risks and opportunities for the Group and assessing impacts on the Group based on the findings of our “Locate” and “Evaluate” efforts.

Our activities related to “Prepare” include taking measures to address risks and opportunities and organizing indicators and targets related to various initiatives.

To promote corporate management that places importance on natural capital and biodiversity, in March 2024, the Group endorsed the TNFD philosophy and joined the TNFD Forum to support its activities. We will continue to pursue this approach with the aim of making our first disclosure during fiscal 2024.

## Identify and evaluate Beauty Care business and related locations (Locate)



\*Please note that the above is merely a preliminary analysis and may differ from the final disclosure.

## Dependencies/impacts, risks/opportunities and countermeasures (Evaluate, Assess, Prepare) for every process of value chain

Value chain	Major dependencies/impacts on natural capital (Evaluate)	Risks/opportunities (Assess)	Examples of countermeasures (Prepare)
Cultivation of raw materials	<b>Dependency</b> <ul style="list-style-type: none"> <li>• Pollination</li> <li>• Soil quality maintenance</li> <li>• Water cycle maintenance</li> <li>• Flow regulation</li> <li>• Climate stabilization</li> <li>• Disease control</li> <li>• Protection against wind and flood damage</li> <li>• Protection against soil erosion</li> <li>• Pest regulation</li> </ul>	Physical risk	Increase in cultivation costs due to degradation of ecosystem services
	<b>Impact</b> <ul style="list-style-type: none"> <li>• Use of terrestrial ecosystems</li> <li>• Water pollution</li> <li>• Soil pollution</li> </ul>	Transition risk Transition risk	Increase in cultivation costs due to stricter laws and regulations Growing criticism of raw materials with adverse effects on natural capital
Manufacture of cosmetics ingredients	<b>Dependency</b> <ul style="list-style-type: none"> <li>• Use of groundwater</li> <li>• Use of surface water</li> </ul>	Physical risk	Suspension of production due to drought
	<b>Impact</b> <ul style="list-style-type: none"> <li>• Use of terrestrial ecosystems</li> <li>• Greenhouse gas emissions</li> <li>• Water use</li> <li>• Air pollution</li> <li>• Water pollution</li> <li>• Soil pollution</li> <li>• Solid waste</li> </ul>	Transition risk	Increase in manufacturing costs due to stricter regulations
Logistics	<b>Dependency</b> <ul style="list-style-type: none"> <li>• Climate stabilization</li> </ul>	Physical risk	Disruption of logistics network due to wind and flood damage
	<b>Impact</b> <ul style="list-style-type: none"> <li>• Greenhouse gas emissions</li> <li>• Air pollution</li> <li>• Noise/light pollution</li> </ul>	Transition risk	Increase in logistics costs due to stricter laws and regulations
Manufacture of cosmetics	<b>Dependency</b> <ul style="list-style-type: none"> <li>• Use of groundwater</li> <li>• Use of surface water</li> </ul>	Physical risk	Suspension of production due to drought
	<b>Impact</b> <ul style="list-style-type: none"> <li>• Greenhouse gas emissions</li> <li>• Water use</li> <li>• Solid waste</li> </ul>	Transition risk Opportunity	Increase in manufacturing costs due to stricter laws and regulations Cost savings through improved resource efficiency
Sales of cosmetics	—	—	—
	—	—	Transition risk Opportunity

\*Please note that the above is merely a preliminary analysis and may differ from the final disclosure.

# Human Rights



In support of the Guiding Principles on Business and Human Rights, the POLA ORBIS Group formulated the POLA ORBIS Group Human Rights Policy in 2018. The Group promotes initiatives to respect human rights with emphasis not only on measures to prevent violation of human rights in the Group's own business activities but also on efforts to remedy situations should any negative impact on human rights arise in Group business activities or in the activities of business partners. Further emphasis is placed on women's empowerment, which is intricately connected to the Group's business pursuits and to the creation of value with communities.

Regarding priority human rights issues, POLA ORBIS HOLDINGS relies on a structure hinging on CSR promotion officers (CSR committee members) at each Group company who, under the direction of the Group CSR Committee, connect with appropriate departments and working groups, pinpoint issues and implement responses.

POLA ORBIS HOLDINGS provides human rights-related education and training, through e-learning, once a year for all employees (in Japan and overseas) under the Group umbrella and keeps everyone informed of the Group's policy on human rights and on any issues of note. When transactions with business partners commence or when business partners are involved in purchasing meetings or asked to fill out certain documents, such as the Company's CSR procurement questionnaire, the Company makes the Group's CSR Procurement Guidelines known and works to get business partners agreeable to the concepts on human rights that the Company has embraced.

**WEB POLA ORBIS Group Human Rights Policy**  
<https://www.po-holdings.co.jp/en/csr/social/right/>

## Identifying human rights issues

As a first step, POLA ORBIS HOLDINGS sorted through issues related to human rights, following the Human Rights Due Diligence Regulations, established for application Groupwide.

The Company zeroed in on employment and the work environment, safeguarding personal information and privacy, protecting human rights connected to products and services, protecting the human rights of suppliers and business partners, protecting human rights connected to the process of selling products (including advertising/promotion) and protecting human rights connected to the process of product disposal.

In addition to these issues, POLA ORBIS HOLDINGS utilized the Human Rights Guidance Tool, designed by the United Nations Environment Programme Finance Initiative (UNEP FI), to consider the potential for human rights violations across all stakeholder groups. Human rights risks to region and society identified as issues requiring close watch are the possible impact of products on the health and safety of consumers, the exploitation of natural resources (leading to water stress and

negative impacts on maintenance of land resources), the ability to contribute to a sustainable society (the need for a circular model), efforts to ensure sound business dealings (preventing bribery) and providing suitable information to children. In all categories, POLA ORBIS HOLDINGS considers impacts from a value-chain perspective covering procurement\*, R&D, manufacturing, logistics, advertising/promotion, sales, use and disposal.

The Company conducted assessments to identify material human rights issues for the Group based on the degree of impact caused by such issues, the frequency of occurrence and the status of countermeasures. As a result, even though all categories carry some risk of human rights violation, three are priority issues: for risk associated with business partners, the emphasis is on pinpointing issues in the supply chain; for risk associated with customers, the focus is on managing personal information; and for risk associated with employees, the key theme is cultivating a suitable work environment.

\*Procurement covers human rights issues at business partners.

### Human rights issues specific to business activities of POLA ORBIS Group and deemed priorities

Priority issues	Rights holders	Efforts to identify issues	Efforts to reduce impacts
<b>Pinpoint human rights issues in the supply chain</b>	Business partner employees and citizens of the community	<ul style="list-style-type: none"> <li>• CSR questionnaire/audit of business partners</li> <li>• Sedex* membership and collaboration with other companies in the industry</li> <li>• Traceability survey initiated and issues identified</li> <li>• Identifying issues by visiting small-scale palm oil plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Update CSR Procurement Guidelines and make them known</li> <li>• Purchase RSP0-certified palm oil</li> <li>• Obtain RSP0 supply chain certification</li> <li>• Maintain Business Partner Hotline</li> </ul>
<b>Manage personal information</b>	Customers	<ul style="list-style-type: none"> <li>• Understand vulnerabilities in internal computer systems and cloud services</li> <li>• Identifying security level of e-commerce sites and training employees for targeted email attacks</li> </ul>	<ul style="list-style-type: none"> <li>• Information Security Committee</li> <li>• Reinforce security of internal computer systems and cloud services</li> <li>• Analyze and improve results of personal information checks and implement server vulnerability management</li> </ul>
<b>Cultivate suitable work environment</b>	Employees	<ul style="list-style-type: none"> <li>• Conduct compliance and fact-finding surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Control working hours and optimize operations</li> <li>• Hold training on issue of harassment</li> <li>• Internal reporting system</li> </ul>

\*Sedex: A membership NPO that seeks to actively promote responsible business practices in global supply chains. It provides a world-encompassing self-assessment questionnaire and auditing scheme, and enables the sharing of survey and audit results among members over an online platform.

## Non-financial KPI item 17

### Palm oil

Raw materials derived from palm oil are used in cosmetics, and POLA ORBIS HOLDINGS recognizes that the associated supply chains carry potential environmental and social risks. Therefore, the POLA ORBIS Group signed on to the Roundtable on Sustainable Palm Oil (RSPO), and the Fukuroi Factory acquired RSPO supply chain certification. In addition, the Group backs a policy of purchasing RSPO-certified palm oil and formulated a roadmap for reaching sustainable palm oil procurement of 60% by 2026 and 100% by 2029. To ensure effective progress toward achievement, these targets were set as non-financial KPIs from a Groupwide perspective. We hold information meetings on our purchasing policy for major raw material suppliers to better expedite sustainable palm oil procurement. It is also important

to understand conditions in palm-growing areas that supply Group companies with palm oil and to directly support and educate small-scale farmers. The Group CSR Committee regularly monitors activities and reports to POLA ORBIS HOLDINGS' Board of Directors.

#### Other activities

- Participate in JaSPON (Japan Sustainable Palm Oil Network) and support activities to accelerate procurement and consumption of sustainable palm oil in the Japanese market.
- Educate employees in divisions (including directors in charge) that handle certified palm oil about social issues related to palm oil and how to deal with such issues.

## Initiatives with supply chains

It is acknowledged within the POLA ORBIS Group that the potential for risks—environmental destruction and human rights issues—exists in the upstream supply chain of cosmetics, and POLA ORBIS HOLDINGS considers measures to confirm traceability right through to farms that produce the raw materials used in portfolio cosmetics and also takes steps to evaluate and control supply chain risks.

First, primary suppliers are asked for their understanding and cooperation regarding POLA ORBIS Group CSR Procurement Guidelines and given a CSR questionnaire to fill out. The questionnaire content is original, based on domestic and global best practice. In addition, on-site factory audits at particularly important suppliers were conducted. These audits confirmed implementation of environmental management programs, including CO<sub>2</sub>, water, waste and biodiversity initiatives, and the status of human rights risks, such as forced labor, child labor and work safety issues. Though few in number, factories with a high number of minor industrial accidents were asked to make improvements to reduce the risk of serious incidents in the future.

Also, the POLA ORBIS Group is a member of Sedex and participates in the Cosmetics & Personal Care Products Industry Buyer Members Sedex Working Team, which was launched in Japan in October 2023. The objective is to use Sedex to work with suppliers to address human rights issues in supply chains. Specifically, this working team promotes the common use and standardization of the Sedex online platform within the cosmetics and personal care products industry and organizes information meetings and other opportunities to acquaint suppliers with Sedex and encourage them to become members of the platform.

To identify human rights issues, the Group looks beyond activities with primary suppliers and also engages with stakeholders connected to sustainable palm oil. To date, the Group has participated in stakeholder engagement programs sponsored by Caux Round Table Japan and RSPO, and continuously sets up opportunities for dialogue with experts and small-scale farmers. In 2023, the Group was involved in domestic conferences and member engagement forums sponsored by JaSPON and RSPO, endeavored to pinpoint issues through palm plantation visits and engagement with RSPO small-scale farm representatives in Indonesia and also offered financial support through RSPO's Book and Claim supply chain model. Support is also extended to small-scale farmers, who account for the majority of palm oil production.



Visit to palm plantation in Indonesia (November 2023)



# Stakeholder Engagement

POLA ORBIS HOLDINGS takes a robust approach to dialogue with all stakeholders. Opinions obtained this way are studied within the Group and reflected in corporate management practices.

Stakeholders	Key dialogue opportunities	Outcome from dialogue
<b>Customers</b>	<ul style="list-style-type: none"> <li>Comments from customers by phone and website</li> <li>Customer satisfaction surveys</li> <li>Sales data analysis</li> </ul>	Establish framework for quickly sharing customer comments all way up corporate ladder to realize improvements. POLA Customer Service Office captured three-star rating—highest level—for third straight year in 2023 HDI Benchmark, evaluation survey conducted by HDI-Japan.
<b>Business partners (Suppliers)</b>	<ul style="list-style-type: none"> <li>Procurement policy information meetings</li> <li>Quality audits</li> <li>CSR procurement questionnaire/audit</li> </ul>	Work with suppliers to build strong supply chain. Promote communication, including procurement policy information meetings, to ensure stable procurement and build good relationships with suppliers. POLA ORBIS HOLDINGS selected as Supplier Engagement Leader—top rating—in CDP Supplier Engagement Rating evaluation for three consecutive years since 2021.
<b>Business partners (POLA Beauty Directors)</b>	<ul style="list-style-type: none"> <li>Level-specific training (philosophy, products, techniques)</li> <li>Leaders' business meetings</li> <li>Interviews with Grand Owners</li> </ul>	POLA seeks to contribute to a society in which everyone can be active regardless of gender or age and closely exchanges opinions with Beauty Directors. Beauty Directors and POLA head office have been working together to implement activities related to SDGs and revitalization of local communities.
<b>Employees</b>	<ul style="list-style-type: none"> <li>Employee satisfaction survey</li> <li>Groupwide programs</li> <li>Employee forums and training at each company</li> <li>Intranet</li> </ul>	Employees demonstrating individuality and playing active roles create springboard for sustainable growth. Opportunities provided. Invited ideas from employees for new businesses and received more than 300 suggestions. Long-term plans, management direction and messages from president and directors distributed over intranet as needed.
<b>Shareholders/investors</b>	<ul style="list-style-type: none"> <li>General meetings of shareholders</li> <li>Conference presentations</li> <li>Institutional investors' meetings</li> <li>Briefings for individual investors</li> </ul>	The POLA ORBIS HOLDINGS' president and management at each operating company will work to boost engagement with domestic and international institutional investors and utilize feedback from capital markets in management decisions. Measures to enhance the scope of fair disclosure, such as access to scripts, rebroadcasts of conference presentations and releases of Q&A content, won POLA ORBIS HOLDINGS the top prize in the Cosmetics & Personal Care category of the 2023 Awards for Excellence in Corporate Disclosure from the Securities Analysts Association of Japan.
<b>Local communities/non-governmental organizations</b>	<ul style="list-style-type: none"> <li>Joint activities/cooperation with local governments</li> <li>NGO/NPO dialogues</li> <li>Cultural and artistic activities</li> </ul>	Collaborating with local governments and NPOs to address community-specific issues. Earnestly responding to requests from NGOs and other groups.



2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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## Stakeholder engagement Example

### Stakeholder Dialogue

(held on December 27, 2023)

To confirm that the corporate activities of the POLA ORBIS Group meet the expectations and demands of society, POLA ORBIS HOLDINGS has created opportunities since 2011 for management to engage stakeholders in constructive dialogue. The dialogue theme for 2023 was "Biodiversity initiatives that the POLA ORBIS Group should pursue—toward information disclosure under Taskforce on Nature-related Financial Disclosures."



**Participants**  
**Kaori Fujita**  
 Professor, Green Goals Initiative/Graduate School of Life Sciences, Tohoku University  
**Naotaka Hashi**  
 Corporate Officer in charge of PR, IR, CSR and sustainability, POLA ORBIS HOLDINGS

#### Content of conversation (excerpts)

#### Changes in environment surrounding natural capital

- Frameworks on biodiversity have existed for some time, but adoption of the Kunming-Montreal Global Biodiversity Framework in 2022 spurred activity toward new global targets over the past year. Global targets to be achieved by 2030 will require signatories to make assessments, of course, and respond to and disclose risks, dependencies and impacts on biodiversity associated with business activities. How does POLA ORBIS HOLDINGS perceive changes in the environment regarding its operations? (Fujita)
- We see the changes. There is a growing movement calling for zero deforestation, and an increasing number of companies are joining international initiatives. Of note, listed companies with overseas operations are in a situation where they need to take urgent action. We believe institutional investors and asset owners will accelerate their requests for action as well. (POHD)

#### Impression of POLA ORBIS Group

- POLA ORBIS HOLDINGS, a member of RSPO, has set a goal of 100% RSPO-certified palm oil procurement, has also joined Sedex and is providing TNFD information—our theme for today. Your company is to be praised for these efforts. Does your company consider nature and biodiversity management issues? (Fujita)
- The POLA ORBIS Group has been certified as a Climate Change A List company by CDP, for, among other efforts, making disclosures in line with TCFD recommendations, has set goals and formulated measures that include natural capital. However, the Group has only just embraced biodiversity issues. In implementing TNFD recommendations and LEAP analysis, management recognizes the need to examine biodiversity scenarios and discuss diversity from a management issue perspective. (POHD)

#### TNFD analysis

- It is vital that POLA ORBIS HOLDINGS not only address risks but also identify unique opportunities by analyzing its dependencies and impacts on changes in natural capital. This approach will allow management to formulate risk responses and understand the impact of operations on society and the environment. The story created from this knowledge is sure to add to the unique qualities that characterize the POLA ORBIS Group. (Fujita)
- The Group is involved in various region-oriented activities with a view toward revitalizing local communities. For example, unused resources from specialty regional agricultural products are upcycled into ingredients for hand creams. We are keen to have operating companies create products that combine ingredient efficacy and a story built around the location and resources used in the cosmetics. (POHD)

#### Examples of comments applied to business

##### Implemented in 2019—"Promote measures to handle climate change risk"

→ Set long-term reduction target for CO<sub>2</sub> emissions and set reduction of CO<sub>2</sub> emissions as medium- to long-term incentive evaluation criteria for directors

##### Implemented in 2020—"Should pursue organizational and team psychological safety to realize corporate philosophy"

→ Set job satisfaction and engagement score as non-financial KPI from 2022

##### Implemented in 2021—"Cycle through loop of experience and behavior data, utilizing a digital platform"

→ In November 2022, ORBIS began "hada ka.r.te," an app-based service using AI to analyze the condition of a customer's skin and tailor a skincare routine to that individual's needs.

##### Implemented in 2022—"The sustainability status of a product before it reaches customers is a black box, that is, unknown. Could design provide an opportunity for ordinary customers to recognize a carbon footprint?"

→ An icon indicating the reduction in CO<sub>2</sub> emissions achieved when customers purchase refills appeared in the 2023 issue of *ORBIS Magazine*.

# Basic Stance on Corporate Governance

## Board of Directors

Number of meetings held in 2023  
**20**

The Board of Directors discusses important matters related to business management, including the formulation of medium- to long-term strategies for the Group, possible risks and optimum allocation of resources and makes decisions on these matters. The board is composed of eight directors (three of whom are independent outside directors) and meets at least once a month. In 2023, it met 20 times, with an average attendance rate of 98.1% for directors.

The Board of Directors comprises directors who think flexibly and have the education and knowledge to apply diverse perspectives, as well as extensive experience and expertise for the Company's corporate management activities. In addition, the Company believes that from evaluations by the Director Competency Model (see page 72), which was redefined in January 2022, maintaining a proper balance of knowledge, experience, capabilities and personalities among the directors is a priority. The Company appoints as outside directors those who have independence, those able to properly engage with and advise the Board of Directors' meeting and those able to reflect in the Company's management practices the expertise and insights acquired in corporate management in fields different from those of the Company. In fiscal 2023, topics that were discussed included the following: the 2024–2026 medium-term management plan (new fields, overseas strategy, the operations base); matters related to sustainability (non-financial KPIs, etc.); the identification of corporate risks and regular status reports; the evaluation of the effectiveness of the Board of Directors; human resources strategy and the plans and activities of the Diversity Promotion Committee.

## Nomination Advisory Committee (voluntary)

Number of meetings held in 2023  
**5**

The role of the Nomination Advisory Committee is to ensure objectivity, transparency and effectiveness in decision-making processes, including the nomination of Company director candidates, appointment of corporate officers and nomination of director candidates at subsidiaries, by discussing and recommending individuals based on requests from the Board of Directors regarding personnel essential from a management perspective. Outside directors make up the majority of the committee members. The committee chair is an outside director appointed by the Board of Directors.

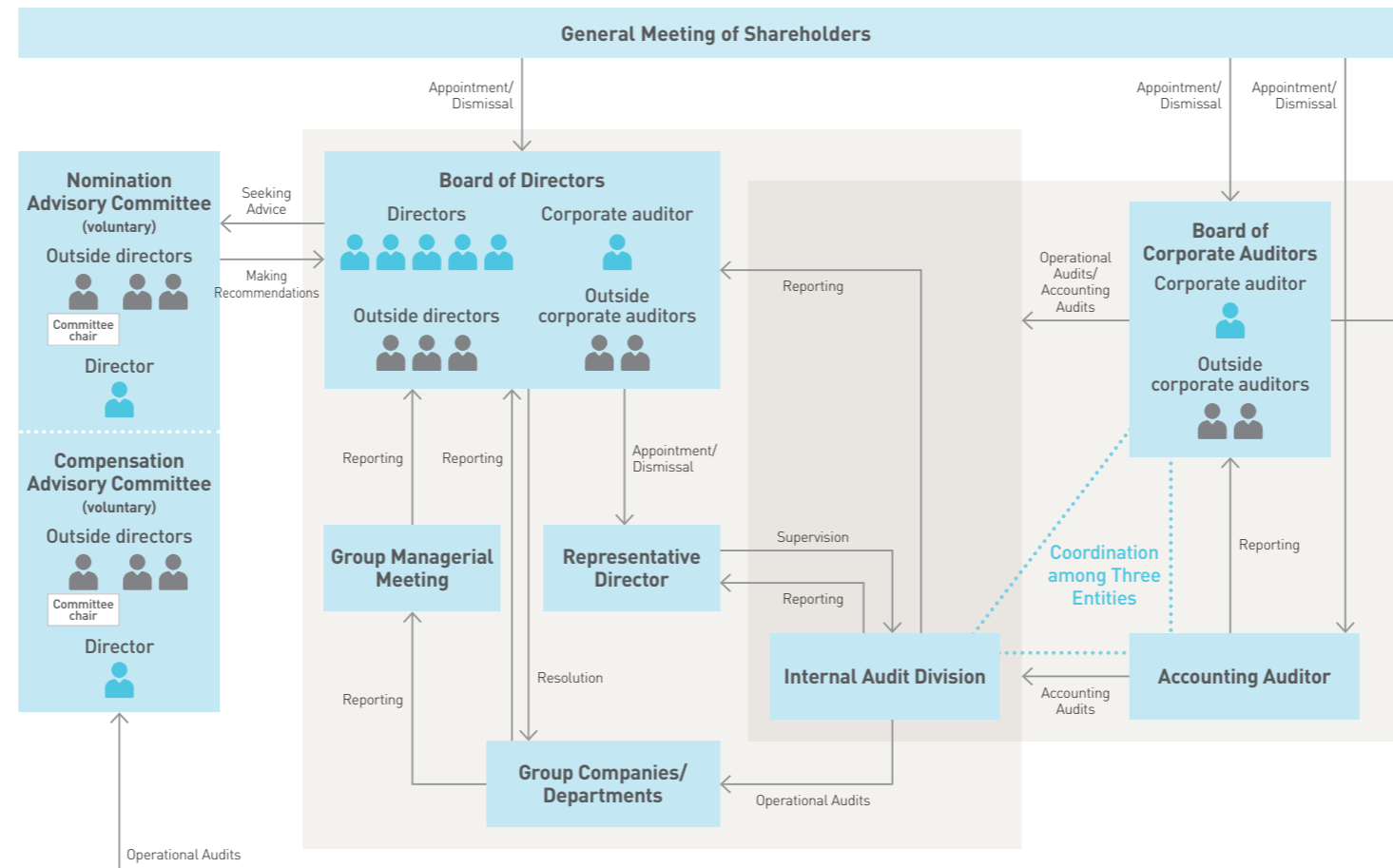
### Nomination, appointment and dismissal of directors

Director candidates are nominated from persons who have the ability to contribute to the Group's sustained growth and medium- to long-term increases in its corporate value, who fully understand the Group's management policies and strategies and who possess such properties as multifaceted points of view, flexible thinking on reforms and specialization, with consideration for balance among such factors as knowledge, experience, abilities and diversity of the Board of Directors as a whole, based on an evaluation by the Director Competency Model. To ensure objectivity and transparency in the appointment and dismissal process, decisions are made by the Board of Directors and submitted to the General Meeting of Shareholders, based on deliberations and reports by the Nomination Advisory Committee.

### Appointment and dismissal of representative director and president

The appointment and dismissal of the representative director and president are considered the most important decisions of the Nomination Advisory Committee. Decisions on the appointment and dismissal of the representative director and president are made by the Board of Directors, based on sufficient deliberations and reporting by the Nomination Advisory Committee regarding whether the appointee possesses a suitable temperament, abilities, department and other properties as the Group's chief executive officer.

## Corporate governance structure (as of March 28, 2024)



## Compensation Advisory Committee (voluntary)

Number of meetings held in 2023  
**11**

The role of the Compensation Advisory Committee is to ensure objectivity, transparency and effectiveness in decision-making processes regarding the system design of the compensation program for Company executives, compensation for Company directors and compensation for directors and corporate officers at subsidiaries of the Company, by discussing and recommending compensation based on requests from the Board of Directors. Outside directors make up the majority of the committee members. The committee chair is an outside director appointed by the Board of Directors.

## Board of Corporate Auditors

Number of meetings held in 2023  
**17**

The Company is a company with a Board of Corporate Auditors. The corporate auditors attend general meetings of shareholders, Board of Directors' meetings, Group Managerial Meetings and other important events. They gather reports from directors, employees and accounting auditors, and supervise the execution of duties by directors. The board, composed of one full-time corporate auditor and two outside corporate auditors, is held at least once a month. The Company appoints outside corporate auditors who possess a high level of knowledge in various areas, including finance, accounting, law and internal control.

## Internal Audit Division

Number of meetings held in 2023  
**9**

The Internal Audit Division strives to carry out highly effective internal audits from an independent and objective standpoint to contribute to strengthening the governance systems of the Company and Group companies.

Specifically, through on-the-spot audits of each company and each department, the division assesses not only deficiencies in procedures but also whether companies or departments are fully prepared for matters (risks) that may occur in relation to business. Moreover, the division focuses on the extraction of structural issues inherent in business processes and the improvement of proposals rooted in underlying causes. By identifying issues related to internal control, it aims to provide management with information on important issues such as subsidiary governance systems and fraud prevention. In addition, the division strives to carry out audits efficiently by coordinating with the audits performed by corporate auditors and accounting auditors.

## Group Managerial Meeting

Number of meetings held in 2023  
**19**

The Group Managerial Meeting is composed of directors and full-time corporate auditors, as well as senior corporate officers and corporate officers of the Company, and directors and corporate officers of subsidiaries appointed by the Company's Board of Directors. It receives reports from all companies about important matters of the Company and its subsidiaries and discusses the content.

## Structural overview (as of March 28, 2024)

Functional Structure	Company with a Board of Corporate Auditors
Number of directors/Term of office	8 directors/2 years
Number of outside directors	3 directors
Number of corporate auditors/Term of office	3 corporate auditors/4 years
Number of outside corporate auditors	2 outside corporate auditors
Number of outside directors and outside corporate auditors designated as independent outside officers	5 directors and corporate auditors

## Steps in governance

2006	Shifted to holding company structure
2008	Added outside corporate auditors to structure
2010	Listed on First Section of the Tokyo Stock Exchange
2013	Introduced corporate officer system
2015	Added outside directors to structure
2016	Established Basic Policy on Corporate Governance Initiated Board of Directors' effectiveness evaluation
2017	Formulated new Group philosophy (Mission, Vision, Way) Established Group Code of Conduct
2018	Introduced senior corporate officer system
2019	Established Nomination Advisory Committee (voluntary) and Compensation Advisory Committee (voluntary)
2022	Transitioned to the Prime Market of the Tokyo Stock Exchange

## Policy on strategic shareholding

POLA ORBIS HOLDINGS holds listed shares under the following conditions:

- (1) The Company will not seek strategic shareholding as a mere stable shareholder.  
The Company will selectively hold listed shares only if the Board of Directors sees the shareholding as reasonable and suitable from a business perspective, such as maintaining or strengthening business alliances and business transactions.
- (2) The Board of Directors will receive status reports regularly for each strategic shareholding, verify that each shareholding is still reasonable and appropriate and disclose its conclusions.
- (3) The Board of Directors will receive status reports regularly for each strategic shareholding, verify that each shareholding is still reasonable and appropriate and disclose its conclusions.

## Executive training

Through continuous improvement of skills, the directors and core management are subject to self-evaluations and external evaluations of Director Competency for the purpose of fulfilling their responsibilities. When necessary, executive coaching programs and discussions with members of the Nomination Advisory Committee are used to provide them with opportunities to improve their understanding and acceptance of their roles, responsibilities and commitments.

Efforts are made to help newly appointed executives understand their roles and responsibilities with explanations of their expected roles and legal responsibilities upon appointment.

For newly appointed outside directors and outside corporate auditors, in addition to their expected roles, matters explained to them upon appointment include the Group's management strategies and management plans, the state of management and business environments of individual Group companies and other management issues. These are made clear by the executives responsible and the Management Planning Division, in order to promote understanding of the topics.

# Matters Related to the Board of Directors

## Evaluation results of Board of Directors' effectiveness

Through an evaluation of the Board of Directors' effectiveness implemented in 2022, these issues were brought to management's attention and recognized as requiring action. Steps taken in 2023 to address these issues are described below.

Item	Steps taken
<b>1 Deepen discussion/clarify content on business/brand portfolio</b>	After the POLA ORBIS HOLDINGS' philosophy and long-term vision were clarified, the Board of Directors has deepened its discussions on expanding the business portfolio to contribute to social value. The board will continue reinforcing the Company's business portfolio by effectively utilizing resources within the Group and demonstrating synergies.
<b>2 Introduce framework to facilitate appropriate business and investment decisions</b>	On numerous occasions, the Board of Directors had to focus discussion on the execution of business because changes affecting activities at home or abroad required responses, but the content for such meetings was somewhat insufficient. POLA ORBIS HOLDINGS acknowledges this as an issue that must be addressed. An action plan will be set up and repeatedly implemented to remedy the situation.
<b>3 Build consensus on the operations and roles of the Board of Directors</b>	POLA ORBIS HOLDINGS believes a consensus has been built among directors. Going forward, the Company will continue to review the status of supervisory and executive functions as well as responsibilities and authority, and clarify the role of the Board of Directors so as to match the growth of the Group and changes in the business environment.

### 1. Basic policy on evaluation

The significance behind evaluating the effectiveness of the Board of Directors is, we believe, to raise management quality and corporate value even higher by identifying issues at the Board of Directors and appropriately dealing with such issues to solve them.

With this in mind, we have pursued an approach that takes the evaluation process beyond self-evaluation by members of the Board of Directors to include an overall view based on evaluation and analysis of the directors' effectiveness from objective perspectives. The basic policy is for the board itself to apply the results gained through evaluation.

### 2. Evaluation method and process

#### Facilitated by outside expert

Following this policy, POLA ORBIS HOLDINGS has since fiscal 2017 welcomed evaluation and analysis by an external organization that specializes in assessing a board of directors' effectiveness. As in fiscal 2022, the chairman of the Board of Directors was interviewed in fiscal 2023, a questionnaire was distributed to all directors and corporate auditors, responses were compiled and a report based on results gleaned from the questionnaire was prepared. Introducing into the evaluation process third-party organizations, which have nothing to gain from the Board of Directors, ensures anonymity, elicits frank comments and preserves objectivity in evaluation results.

#### POLA ORBIS HOLDINGS' original approach

To complement third-party evaluation, we took the original approach of utilizing evaluations by employees who have completed in-house programs, such as top management development training. Some of these employees are selected to attend management meetings and Board of Directors' meetings as observers and interview board members.

This approach not only lends an employee perspective to evaluations but also provides a valuable opportunity to develop people with management potential.

Evaluation results from all sources were compiled into a report by an external organization and passed on to the Board of Directors. The Board of Directors then analyzed and verified the content, worked toward a shared understanding of inherent strengths and issues requiring attention and implemented concrete action plans aimed at addressing such issues.

### 3. Summary of analysis and evaluation results

The following are evaluation results and the outcome of discussions at the Board of Directors' meeting.

#### Points rated highly

The following points were recognized as demonstrating the high effectiveness of the Board of Directors. The board will strive to maintain and improve these points.

- 1 Creating forum for free and open discussion through leadership meetings involving directors and corporate officers
- 2 Fostering awareness of the need to improve corporate value as a Group from the perspective of optimizing the Groupwide multi-brand strategy

#### Points brought to attention and recognized as requiring action

The following points are seen as issues that require attention. POLA ORBIS HOLDINGS will set up action plans and repeatedly implement and verify these plans to raise the Board of Directors' effectiveness.

- 1 Holding discussions on medium-term management plan with greater awareness of cash allocation
- 2 Increasing diversity on medium- to long-term management board and utilizing knowledge of outside directors
- 3 Demonstrating greater leadership of management board

## Key activity status of outside directors

Mr. Komiya, Ms. Ushio and Ms. Yamamoto are independent directors required to be designated by the Tokyo Stock Exchange, Inc.

Name	Key activity status
<b>Kazuyoshi Komiya</b> Attendance at meetings of the Board of Directors <b>90%</b> 18 of 20 meetings	Mr. Komiya takes an all-inclusive view of Group management from a position independent of that of the Board of Directors and the management team. He offers comments that enhance the Group's corporate value, including advice and suggestions based on a firm grasp of substantive issues and risks that the Group faces. In addition, he actively provides sound recommendations that conform to overall corporate management and supervises the execution of business, drawing on extensive knowledge and experience in corporate management. Furthermore, in the decision-making process for director and top management nominations, he serves as the chairperson of the voluntary Nomination Advisory Committee and, through appropriate personnel evaluations and allocations, demonstrates his extensive and outstanding knowledge about our human resources strategy, development plans and the appointment and dismissal of the representative director and president. In independent outside executives' meetings, which are attended only by outside executives, he provided frank comments from objective perspectives about issues that the Group must address over the medium to long term. By deepening communication among outside executives, he worked to stimulate the discussions of the Board of Directors.
<b>Naomi Ushio</b> Attendance at meetings of the Board of Directors <b>95%</b> 19 of 20 meetings	Ms. Ushio takes an all-inclusive view of Group management from a position independent of that of the Board of Directors and the management team. She offers comments that enhance the Group's corporate value, including advice and suggestions based on a firm grasp of substantive issues and risks that the Group faces. In addition, as an expert on human resources management and corporate management, she actively provides sound advice and recommendations that conform to the development of human resources and the promotion of diversity at POLA ORBIS HOLDINGS and supervises the execution of business. In addition, in the decision-making process for compensation for directors and top management, she serves as the chairperson of the voluntary Compensation Advisory Committee and supervises directors and top management through appropriate evaluations of business execution. She played an important role in enhancing the supervision of subsidiaries by being responsible for improving the Company's subsidiary-monitoring functions and participating in the management meetings and Board of Directors' meetings of major subsidiaries. In independent outside executives' meetings, which are attended only by outside executives, she provided frank comments from objective perspectives about issues that the Group must address over the medium to long term. By deepening communication among outside executives, she worked to stimulate the discussions of the Board of Directors.
<b>Hikaru Yamamoto</b> Attendance at meetings of the Board of Directors <b>100%</b> 20 of 20 meetings	Ms. Yamamoto takes an all-inclusive view of Group management from a position independent of that of the Board of Directors and the management team. She offers comments that enhance the Group's corporate value, including advice and suggestions based on a firm grasp of substantive issues and risks that the Group faces. In addition, she actively provides sound advice and recommendations based on extensive and excellent know-how as an expert on marketing strategy and consumer behavior, and supervises the execution of business. In addition, in the decision-making processes for nominations and compensation for directors and top management, she serves as a member of the voluntary Nomination Advisory Committee and Compensation Advisory Committee and supervises directors and top management with appropriate evaluations of personnel and business execution. Furthermore, Ms. Yamamoto is responsible for strengthening the monitoring function of POLA ORBIS HOLDINGS' subsidiaries and plays a vital role in enhancing supervision of subsidiaries by attending the management meetings and Board of Directors' meetings of principal subsidiaries. In independent outside executives' meetings, which are attended only by outside executives, she provided frank comments from objective perspectives about issues that the Group must address over the medium to long term. By deepening communication among outside executives, she worked to stimulate the discussions of the Board of Directors.

## Independent outside executives' meeting (held on March 22, 2024)

We regularly hold meetings attended only by independent outside executives. Participants exchanged opinions on the topic of diversifying human resources, a new issue of interest in fiscal 2023.

- Even from a business strategy perspective, it is clear that we have to develop human resources Groupwide who can play an active role overseas. We are constantly sending personnel from Japan to overseas operations, including Jurlique, where they can gain experience that will allow them to thrive in the Western cultural sphere. This approach facilitates further business development and contributes to sustainable human resources development.
- We recognize the urgent need to develop human resources who can make decisions related to DX. It is important to hire IT specialists but also important to train our own IT engineers.
- Breakthroughs occur when people are excited about their work. During a difficult business phase, action driven by a strong commitment and a passion for work is all the more important.
- A diverse and increasingly borderless environment is perfectly normal to the younger generations, particularly the 20-somethings. To them, it does not matter which country they work in, and they have no qualms about networking with customers or companies overseas. We have to build an organizational structure that does not restrict the enthusiasm of the younger generation.
- Just diversifying human resources is not the goal. Rather, by bringing together the talented individuals needed to realize our goals, we will build a diverse workforce.
- Through POLA first and foremost, the POLA ORBIS Group has a long history. We should be aware of our market position and indicate the direction we are heading in. We also need to establish an environment that includes diverse human resources and different work styles, promote a well-balanced personnel system based on ability and present this structure to the outside world.
- Human resources across the POLA ORBIS Group include many unique individuals. POLA ORBIS HOLDINGS should have a corporate culture where these individuals are given many opportunities, are held accountable if they fail, but have a chance to use that experience to try again and thrive.



## Interview with Outside Director

I hope that POLA ORBIS HOLDINGS will, in addition to strengthening Group governance, enhance management's ability to take action, encourage speedier action and maximize potential.

**Kazuyoshi Komiya**  
Outside Director



### Q What is your take on the strengths of the POLA ORBIS Group and the challenges it faces?

A The biggest strength is without a doubt the quality of products and services. R&D capabilities, especially for skincare, have earned high regard, and products, particularly POLA's core *B.A* series, are lauded by customers and the market as a whole for top quality. A product that has left a deep impression on me is *WRINKLE SHOT SERUM*, which debuted in 2017. It was groundbreaking—Japan's first medicated, wrinkle-improving serum—and the rave reviews were surely instrumental in capturing the attention of new customers. And so I have high expectations for POLA's foray into the aesthetic medicine-related field, initiated in early 2024, which utilizes Group results from dermatology research.

The ability to constantly create products and services backed by high-level R&D capabilities is in large part due to human resources. The employees at companies under the POLA ORBIS Group umbrella are incredibly hardworking, never cut corners

and are, in a good sense, conscientious to a fault in performing their duties. I believe these qualities originated with founding company POLA. Everything about POLA's mainstay products, from basic research and development to manufacturing and sales, is conducted within the Group, and the company has built strong connections to its customers through direct marketing of these products, which in turn has created a unique business foundation. The inherent values and sense of solidarity that characterized POLA now permeate today's POLA ORBIS Group as its corporate culture. However, these factors have both a positive side and a negative side in terms of relentlessly pursuing quality and maintaining a strong business foundation. One side is the development of overseas operations. When it comes to venturing beyond domestic borders, where values are more diverse than at home, I sense a slight lack of outward energy. That is an issue to be addressed. I would encourage employees to actively connect, engage in communication, embrace diverse cultures and value perceptions more deeply, and be motivated to apply personal strengths to address challenges irrespective of the social backdrop, that is, when viewing a domestic issue or an overseas issue.

### Q What are your thoughts on the approach to the governance required to achieve future sustainable growth?

A What I'm acutely aware of is the separation of management and execution. Discussing the execution of operations is, of course, important, but it is not enough to spend time in dialogue. Rather, POLA ORBIS HOLDINGS must place greater emphasis on management direction within the larger framework of the POLA ORBIS Group and pursue in-depth conversations. Outside directors, myself included, are aware of issues that require attention, and we put forward agenda items even at the independent outside directors' meeting to discuss the direction of corporate management, marketing, innovation and issues pertaining to business selection.

I have also tried to raise issues at Board of Directors' meetings that involve a long-term or big-picture perspective and, as a result, was able to secure enough time for management-related discussion. I can say that the governance model at POLA ORBIS HOLDINGS is operating effectively.

Diversity among directors is also improving. Of the five outside directors, two are women. However, it is not just gender diversity but also the diversity of skills that has improved. Looking to the future, I think it is time to eliminate homogeneity and expand required skills to include overseas experience. Even now, discussions are free and easy, but with high homogeneity among directors, the content of discussions is rarely anything unexpected. By adding midcareer personnel and foreign nationals and promoting the creation of an environment more conducive to active conversation, we could delve more aggressively into issues. In addition, I think the involvement of people with abundant management experience abroad and a push to hire locally would benefit overseas operations, including regional companies, and lead to profit expansion by Group companies overseas.

It has been about a year since Yoshikazu Yokote's appointment as president of POLA ORBIS HOLDINGS ushered in a new management structure, and I sense a change in the way Board of Directors' meetings unfold. Mr. Yokote takes a proactive approach to building management teams, exemplified by the start of the off-site leadership team comprising 10 people, including internal directors, executive officers and top management at operating companies. He engages the teams in thorough dialogue, which gives him ideas that he can present to the Board of Directors. As a result, where comments at board meetings on highly specialized areas were once voiced only by directors with experience or deep knowledge in such areas, now everyone can actively express opinions.

We outside directors are also pursuing discussions on revision and redefinition of the function of POLA ORBIS HOLDINGS as the parent overseeing subsidiaries under its umbrella. For example, we are proposing that POLA ORBIS HOLDINGS be responsible for more decisions with Groupwide impact, such as digital strategy and the development of management personnel at Group companies, which would bring greater clarity to underlying practices and create more agile management. Of note, an urgent task for POLA ORBIS HOLDINGS from a business strategy perspective is to develop human resources capable of running overseas Group companies. Overseas operations struggled during the three years of the COVID-19 pandemic, partly due to restrictions on employee transfers, but from 2024, all brands are accelerating overseas expansion. I have high hopes for business growth in markets such as the United States and ASEAN, which have major demand potential.

### Q What is the role you want to fulfill as an outside director, and what are your expectations for the Group?

A As an outside director, I lack the characteristic of in-house homogeneity. I am always conscious of maintaining a sense of distance and different perspective from being outside the Company. Being an outside director means I am also in a position to represent the opinions of shareholders and investors, and so I know that expressing an opinion on points that tend to be overlooked by people within the Company, from my outside perspective, is vitally important.

Here's an example of different points of view: Discussions related to profit and loss are thorough, but investments do not get the same treatment. Management must carefully refine the concept for trying something new, and then implement investment for growth. That said, management must also expedite decisions such as how to support Group companies that fail to deliver a required level of profit, how to put them on a growth trajectory or which Group companies should be divested.


I believe the POLA ORBIS Group has huge potential. Now is the time when the ability to take action and act quickly to fully demonstrate this potential will be tested. The domestic business base and earning power that the Group has built are valuable assets. If these assets can be utilized as a springboard for making a huge leap forward overseas, the Group could see further growth in both business territory and business scale.

I will endeavor to guide POLA ORBIS HOLDINGS as a company that executes strategies to expand Group operations to meet the expectations of investors and provide return to shareholders in line with numerical results.

# Management Structure (As of March 28, 2024)

**Satoshi Suzuki**  
Representative Director and Chairman


The "Director Competency" evaluation indicates that Mr. Suzuki has the distinctive abilities to consider how to shift the direction of the entire Group without any exceptions from a long-term perspective, use insight to enter new businesses with new ideas without being confined to existing domains and demonstrate the capability and power to take actions with strong determination.



- Apr 1979 Joined Honda R&D Co., Ltd.
- May 1986 Joined POLA Cosmetics, Inc. (currently POLA INC.)
- General Manager, General Coordination Office, POLA Cosmetics, Inc.
- Feb 1996 Director, POLA Cosmetics, Inc.
- Director, POLA CHEMICAL INDUSTRIES, INC.
- Jun 1996 Representative Director and President, POLA CHEMICAL INDUSTRIES, INC.
- Jan 2000 Representative Director and President, POLA Cosmetics, Inc. (currently POLA INC.)
- Sep 2006 Representative Director and President, POLA ORBIS HOLDINGS INC.
- Apr 2010 Representative Director and Chairman, POLA INC.
- Jan 2016 Chairman, POLA INC. (current)
- Jan 2023 Representative Director and Chairman, POLA ORBIS HOLDINGS INC. (current)


**Yoshikazu Yokote**  
Representative Director and President

The "Director Competency" evaluation indicates that Mr. Yokote has the distinctive ability to take actions to realize the long-term vision with keen awareness of the social mission of a corporation, while understanding the relationships and issues with businesses, organizations, society and markets by taking a panoramic and structured view.



- Apr 1990 Joined POLA Cosmetics, Inc. (currently POLA INC.)
- Aug 2006 Representative Director and President, FUTURE LABO INC.
- Jul 2011 Chairman, Managing Director, POLA CHINA BEAUTY CO. LTD. (POLA Shenyang)
- Jan 2015 Corporate Officer, General Manager, Product Planning Division, POLA INC.
- Jan 2016 Representative Director and President, POLA INC.
- Mar 2016 Director, POLA ORBIS HOLDINGS INC.
- Jan 2020 Director, General Manager of International Business Management, POLA ORBIS HOLDINGS INC.
- Jan 2021 CEO, POLA ORBIS Travel Retail Limited
- Jan 2023 Representative Director and President, POLA ORBIS HOLDINGS INC. (current)

**Hideki Komoto**  
Corporate Auditor




- Apr 1983 Joined POLA Cosmetics, Inc. (currently POLA INC.)
- Jan 2008 General Manager, Accounting Division, POLA INC.
- Jan 2012 General Manager, Finance Division, POLA ORBIS HOLDINGS INC.
- Jan 2017 Corporate Officer, POLA INC.
- Mar 2019 Corporate Auditor, POLA ORBIS HOLDINGS INC. (current)

**Akio Sato**  
Outside Corporate Auditor

Outside  
Independent


Reasons for appointment  
Mr. Sato has professional knowledge and experience as an attorney and is well versed in corporate legal affairs, and provides advice on management of the Company from an objective perspective as a legal expert. For the reasons mentioned above, we appointed Mr. Sato as Outside Corporate Auditor.



- Apr 1997 Registered as an attorney at law (Daini Tokyo Bar Association)
- Mar 2003 Opened SATO & Partners
- Mar 2008 Outside Corporate Auditor, POLA ORBIS HOLDINGS INC. (current)
- Dec 2008 Outside Director, GMO Payment Gateway, Inc.
- Apr 2012 Part-time Lecturer, Keio Business School (current)
- Jun 2016 Outside Director, Aozora Trust Bank, Ltd. (currently GMO Aozora Net Bank, Ltd.) (current)
- Jul 2017 Outside Director, U-NEXT Co., Ltd. (currently USEN-NEXT HOLDINGS Co., Ltd.) (current)

**Naoki Kume**  
Director and Vice President


The "Director Competency" evaluation indicates that Mr. Kume has the distinctive abilities related to flexible thoughts and actions for changes in the environment, etc., in making management decisions, possessing a firm idea of the values and social significance that the Company should have and also taking into account the history of the Company.



- Apr 1984 Joined POLA Cosmetics, Inc. (currently POLA INC.)
- Oct 2004 General Manager, Accounting Division, POLA Cosmetics, Inc.
- Apr 2005 Corporate Officer and General Manager, Group Organization Strategy Division, POLA Cosmetics, Inc.
- Jan 2007 Director, POLA Cosmetics, Inc.
- Corporate Officer, General Manager of Management Planning and Group Organization Strategy, POLA ORBIS HOLDINGS INC.
- Director, General Manager of Management Planning and Group Organization Strategy, POLA ORBIS HOLDINGS INC.
- Jan 2008 Director, H2D PLUS HOLDINGS, LLC
- Feb 2012 Director, Jurlique International Pty. Ltd.
- Jan 2014 Director and Vice President, POLA ORBIS HOLDINGS INC. (current)
- Mar 2018 Director and Vice President, General Manager of International Business Management, POLA ORBIS HOLDINGS INC.
- Oct 2023 Director, POLA CHEMICAL INDUSTRIES, INC. (current)

**Koji Ogawa**  
Director

The "Director Competency" evaluation indicates that Mr. Ogawa possesses a sense of mission to fulfill his role and the tenacity to steadily move forward even in the face of opposition. At the same time, he has the distinctive abilities to make decisions in a timely manner in order to seize opportunities and to take actions to steadily generate results by drawing forth challenges in various ways while allowing the organization to feel secure.




- Apr 1991 Joined POLA Cosmetics, Inc. (currently POLA INC.)
- Jan 2009 Saitama Area Manager, POLA Cosmetics, Inc.
- Jan 2012 General Manager, PR & IR, POLA ORBIS HOLDINGS INC.
- Jan 2014 General Manager, Corporate Communications, POLA ORBIS HOLDINGS INC.
- Jan 2015 General Manager, Legal & Administration, POLA ORBIS HOLDINGS INC.
- Jan 2017 Corporate Officer, POLA ORBIS HOLDINGS INC.
- Director, ORLANE JAPON INC.
- Jan 2018 Director, ORBIS INC.
- Jan 2021 Director, Jurlique International Pty. Ltd. (current)
- Mar 2022 Director, POLA ORBIS HOLDINGS INC. (current)
- Jan 2023 Director, POLA INC. (current)

**Motohiko Nakamura**  
Outside Corporate Auditor

Outside  
Independent

Reasons for appointment  
Mr. Nakamura has professional knowledge and experience as a certified public accountant and tax accountant, and provides advice on management of the Company from an objective perspective. For the reasons mentioned above, we appointed Mr. Nakamura as Outside Corporate Auditor.



- Oct 1990 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
- Aug 1994 Registered as a certified public accountant
- Jul 2003 Resigned from Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
- Aug 2003 Opened Certified Public Accountant Nakamura Office
- Oct 2003 Registered as a tax accountant
- Jul 2007 Partner, Mai Tax Accountant Corporation (current)
- Oct 2008 Outside Corporate Auditor, POLA ORBIS HOLDINGS INC. (current)
- Mar 2011 Outside Corporate Auditor, KAVAC Inc.
- Jul 2013 Chief Executive, JICPA
- Apr 2014 Associate Professor, Graduate School of Accounting & Finance, MBA Program, Chiba University of Commerce
- May 2015 Independent Committee Member, Nitore Holdings Co., Ltd.
- Jun 2015 Outside Corporate Auditor, Jorte Inc.
- Apr 2016 Professor, Graduate School of Accounting & Finance, MBA Program, Chiba University of Commerce (current)
- Apr 2019 Part-time Lecturer, Aoyama Gakuin University Graduate School of Professional Accountancy (current)
- Apr 2023 Director, Accounting Education & Research Center, Chiba University of Commerce (current)

**Miki Oikawa**  
Senior Corporate Officer (Part-time)

**Takayuki Katagiri**  
Senior Corporate Officer (Part-time)

**Noriko Suenobu**  
Corporate Officer








**Takahiro Tabata**  
Corporate Officer


**Naotaka Hashi**  
Corporate Officer

**Shinya Chiba**  
Corporate Officer

**Takuma Kobayashi**  
Director

The "Director Competency" evaluation indicates that Mr. Kobayashi has a strong belief and sense of mission, and his strengths lie in the abilities to take action and realize breakthroughs, drawing on his capability of building external relationships and strong capability to send out information. It also indicates that Mr. Kobayashi has the distinctive ability to take actions to strive for generating results based on the venture spirit, without being bound by the existing framework.




- Oct 2002 Joined POLA Cosmetics, Inc. (currently POLA INC.)
- Apr 2009 General Manager, Marketing Division, decencia Inc. (currently DECENCIA INC.)
- Nov 2009 Director, decencia Inc.
- Feb 2010 Representative Director and President, decencia Inc.
- Jan 2017 Director, ORBIS INC.
- Director, DECENCIA INC.
- Jan 2018 Representative Director and President, ORBIS INC. (current)
- Senior Corporate Officer, POLA ORBIS HOLDINGS INC.
- Jan 2020 Director, H2D PLUS HOLDINGS, INC.
- Mar 2020 Director, POLA ORBIS HOLDINGS INC. (current)
- Jan 2022 Director, tricot, Inc. (current)

**Kazuyoshi Komiya**  
Outside Director

Outside  
Independent

Reasons for appointment  
Mr. Komiya has a wealth of knowledge and experience in corporate management. He has been playing an appropriate role in providing proper advice and recommendations on management of the Company in general and overseeing business execution and other operations. For the reasons mentioned above, we appointed Mr. Komiya as Outside Director.




- Apr 1981 Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)
- Nov 1991 Resigned from The Bank of Tokyo, Ltd.
- Dec 1991 Joined Okamoto Associates, Inc.
- Mar 1994 Resigned from Okamoto Associates, Inc.
- Apr 1994 Joined Nippon Fukushi Service K.K. (currently SAINT-CARE HOLDING CORPORATION)
- Jan 1996 Resigned from Nippon Fukushi Service K.K.
- Representative Director, President, Komiya Consultants, Inc.
- Jun 1997 Outside Corporate Auditor, Sankei Giken Kogyo Co., Ltd. (current)
- Jun 2002 Outside Director, WAO CORPORATION (current)
- Mar 2003 Outside Director, CAS Capital, Inc. (current)
- Mar 2005 Outside Corporate Auditor, Sankei Giken Holdings Co., Ltd. (current)
- Jun 2011 Outside Corporate Auditor, APOLLO MEDICAL HOLDINGS Co., Ltd. (currently APOCREAT Corporation)
- May 2012 Outside Director, Kindware Corporation
- Oct 2014 Visiting professor, Nagoya University (current)
- Mar 2015 Outside Director, POLA ORBIS HOLDINGS INC. (current)
- Apr 2015 Representative Director, Head Office, Komiya Consultants, Inc. (current)
- Apr 2017 Representative Director, Chairman, Komiya Consultants, Inc.
- Apr 2020 Representative Director, Komiya Consultants, Inc. (current)

**Naomi Ushio**  
Outside Director

Outside  
Independent

Reasons for appointment  
Ms. Ushio specializes in business administration and human resources management theories. She has broad knowledge and expertise in addressing the issue of utilizing the abilities of working women. She has been playing an appropriate role in providing proper advice and recommendations on the development of human resources and the promotion of diversity at the Company and overseeing business execution and other operations. For the reasons mentioned above, we appointed Ms. Ushio as Outside Director.




- Apr 1983 Joined Fuji Television Network, Inc.
- Feb 1989 Resigned from Fuji Television Network, Inc.
- Apr 1998 Lecturer, Meiji University Educational Foundation
- Apr 2003 Associate Professor ("Jokyoju"), Meiji University Educational Foundation
- Apr 2007 Associate Professor ("Junkyoju"), Meiji University Educational Foundation
- Apr 2009 Professor, School of Information and Communication, Meiji University Educational Foundation (current)
- Aug 2009 Expert Member, Liaison Conference for the Promotion of Gender Equality, Cabinet Office
- Jun 2011 Outside Audit & Supervisory Board Member, Seven Bank, Ltd.
- Jun 2014 Outside Corporate Auditor, JX Holdings, Inc. (currently ENEOS Holdings, Inc.)
- Apr 2016 Vice President, Meiji University Educational Foundation
- Mar 2018 Outside Director, POLA ORBIS HOLDINGS INC. (current)
- Feb 2019 Member of 10th Central Council on Education, Ministry of Education, Culture, Sports, Science and Technology
- Jun 2019 Outside Corporate Auditor, The Shizuoka Bank Ltd.
- Apr 2020 Director, Gender Center, School of Information and Communication, Meiji University (current)
- Jun 2020 Outside Corporate Auditor, Haboromo Foods Corporation (current)
- Jun 2021 Outside Director, The Dai-ichi Life Insurance Company, Limited (current)
- Oct 2022 Outside Director, Shizuoka Financial Group, Inc. (current)

**Hikaru Yamamoto**  
Outside Director

Outside  
Independent

Reasons for appointment  
Ms. Yamamoto specializes in marketing. She has broad knowledge and expertise accumulated through such activities as engaging in consumer behavioral research in the use of digital technology. She has been playing an appropriate role in providing advice and recommendations which contribute to an increase in corporate value of the Company and overseeing business execution and other operations. For the reasons mentioned above, we appointed Ms. Yamamoto as Outside Director.



- Apr 2004 Assistant Professor, Graduate School of Economics, the University of Tokyo
- Apr 2005 Lecturer, Faculty of Economics, Seikei University
- Apr 2008 Associate Professor, Faculty of Economics, Seikei University
- Apr 2014 Associate Professor, Graduate School of Business Administration, Keio University
- Dec 2015 Outside Director, MTI Ltd. (current)
- Mar 2020 Outside Director, POLA ORBIS HOLDINGS INC. (current)
- Apr 2023 Professor, Faculty of Business and Commerce, Keio University (current)

Note: Director competency assessment undertaken with assistance from Korn Ferry Japan

## Skills Matrix of Directors and Corporate Auditors of POLA ORBIS HOLDINGS

Position at the Company	Areas of responsibility	Name	Competency strength/Behavior and performance particularly expected			Strength related to experience and expertise/Area of contribution particularly expected									
			Person-centered management	SHINKA (Evolution)	Value creation	Corporate management (top management)	Overseas business	Business planning (business creation)	Brand business/marketing	R&D	IT/digital	ESG	Finance/legal affairs	HR	
Representative Director and Chairman	—	Satoshi Suzuki	●	●	●	●	●	●	●	●	●	●	●	●	●
Representative Director and President	—	Yoshikazu Yokote	●	●	●	●	●	●	●	●	●	●	●	●	●
Director and Vice President	Finance, legal affairs, administration	Naoki Kume	●	●	●	●	●	●	●	●	●	●	●	●	●
Director	Management planning, IT, HR, business development	Koji Ogawa	●	●	●	●	●	●	●	●	●	●	●	●	●
Director	(Representative Director and President, ORBIS Inc.)	Takuma Kobayashi	●	●	●	●	●	●	●	●	●	●	●	●	●
Outside Director	—	Kazuyoshi Komiya	—	—	—	●	—	—	—	—	—	—	—	●	—
Outside Director	—	Naomi Ushio	—	—	—	—	—	—	—	—	—	—	—	—	●
Outside Director	—	Hikaru Yamamoto	—	—	—	—	—	—	—	—	—	—	—	●	—
Corporate Auditor	—	Hideki Komoto	—	—	—	—	—	—	—	—	—	—	—	—	—
Outside Corporate Auditor	—	Akio Sato	—	—	—	—	—	—	—	—	—	—	●	●	—
Outside Corporate Auditor	—	Motohiko Nakamura	—	—	—	—	—	—	—	—	—	—	●	●	—













Notes: 1. The above is not an exhaustive description of all the knowledge and experience each executive has.  
2. Characteristics related to competency strengths expected to be demonstrated in executives' actions are indicated by ●, and strengths expected to be especially demonstrated in their actions are indicated by ●.

Director Competency Model









Cluster	Characteristic	Definition
<b>A Person-Centered Management</b> Represents our group strength, Individual-centered management	Pursuit of Social Significance	Earn trust by promoting business activities from a social point of conduct based on the mission to contribute to society
	Bi-i-shiki (≒Esthetic Sense)	Ability to have impact on one's surroundings as a personal/unique leader by exhibiting one's attractive personality
	Concern for Diversity	Believing in one's individual abilities, respects and makes use of individuals
<b>SHINKA (Evolution)</b> Sensitivity to changes in society and active evolution	Long-term Vision	Define and penetrate the desired future image and direction with a long-term vision
	Business Context Awareness	Envisions the future market according to changes in social environment and recognizes the company's roles and positioning correctly
	Change-oriented	Creates innovation without sticking to conventional corporate thinking and actively leads to evolutionary opportunities
<b>Value Creation</b> Achieves corporate value creation by taking on new challenges	Leverages an extensive external network	Utilizing a wide range of external networks in different fields, effectively incorporates diverse perspectives into the company
	Make Decisions to Enhance Mobility	Enhances organizational agility by making timely decisions without relying on past experience
	Action-Oriented	Believe in oneself and repeats the process without fear of making mistake even if there is no perfect supporting evidence
	Passion for Results	Stays passionate about what he/she wants to achieve through intrinsic motivation

Directors and Corporate Auditors of Group companies (as of March 28, 2024)


POLA INC.

 <b>Miki Oikawa</b> Representative Director and President	 <b>Kazuhiro Nishikata</b> Director and Corporate Officer	 <b>Akira Gogo</b> Director and Corporate Officer	 <b>Koji Ogawa</b> Director (Part-time)	 <b>Seiichi Takaya</b> Director (Part-time)	 <b>Naoki Mikami</b> Corporate Auditor
 <b>Yasuro Katamine</b> Corporate Officer	 <b>Tamotsu Sato</b> Corporate Officer	 <b>Yuko Shoji</b> Corporate Officer	 <b>Shimpei Yasuno</b> Corporate Officer	 <b>Sawako Takahashi</b> Corporate Officer	 <b>Akiko Tamura</b> Corporate Officer

ORBIS Inc.

 <b>Takuma Kobayashi</b> Representative Director and President	 <b>Emi Nishino</b> Director and Corporate Officer	 <b>Hiroyuki Nakamata</b> Director (Part-time)	 <b>Naotaka Hashi</b> Director (Part-time)	 <b>Kazuhiko Segaki</b> Corporate Auditor (Part-time)
 <b>Masaki Motoki</b> Corporate Officer	 <b>Ryosuke Imai</b> Corporate Officer	 <b>Naoshi Higuchi</b> Corporate Officer		


POLA CHEMICAL INDUSTRIES, INC.

 <b>Takayuki Katagiri</b> Representative Director and President	 <b>Hiroki Tsuruoka</b> Director and Corporate Officer	 <b>Naoki Kume</b> Director (Part-time)	 <b>Akira Toyoda</b> Corporate Auditor		
 <b>Yasuhiro Fukuda</b> Corporate Officer	 <b>Tomomasa Shimanuki</b> Corporate Officer	 <b>Noboru Sugimura</b> Corporate Officer	 <b>Koji Yokoyama</b> Corporate Officer	 <b>Naoko Ota</b> Corporate Officer	 <b>Fumie Habu</b> Corporate Officer


ACRO INC.

  
**Toshiaki Miyazaki**  
Representative Director and President


P.O. REAL ESTATE INC.

  
**Takako Konishi**  
Representative Director and President


DECENCIA INC.

  
**Hiroe Yamaguchi**  
Representative Director and President

tricot, Inc.

  
**Kana Hanafusa**  
Representative Director and President

POLA MEDICAL INC.

  
**Noriko Suenobu**  
Representative Director and President

Jurlique International Pty. Ltd.

  
**Loic Rethore**  
CEO

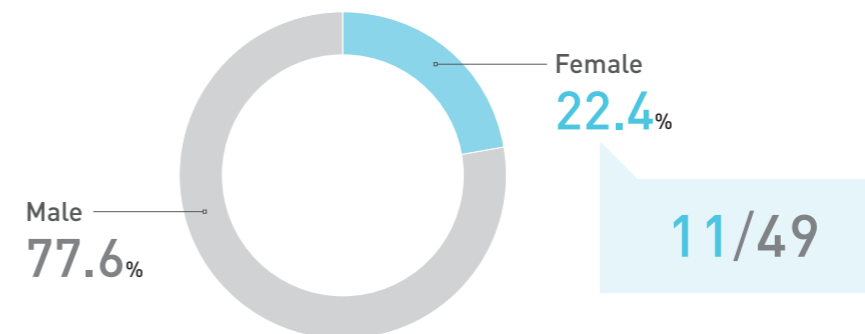
POLA ORBIS Travel Retail Limited

  
**Takahiro Tabata**  
Director and CEO (Part-time)

POLA ORBIS (Shanghai) Enterprise Management CO., LTD.

  
**Seiichi Takaya**  
Representative Director and President

Percentage of female POLA ORBIS Group executives (as of December 31, 2023)



\*Only those in positions of representative director and president at Group companies except at POLA, ORBIS and POLA CHEMICAL INDUSTRIES

# Fundamental Activities That Fulfill Our Corporate Responsibilities

## Executive compensation

The POLA ORBIS Group's executive compensation is set by the Board of Directors, based on discussions and recommendations by the Compensation Advisory Committee, in accordance with the following basic concept.

Performance indicators for medium- to long-term incentives (performance-linked, share-based compensation) include financial and non-financial benchmarks. Under the medium-term management plan (2024–2026), POLA ORBIS HOLDINGS has expanded its non-financial benchmarks to include the percentage of female managers, sustainable palm oil procurement and reductions in water consumption, reflecting measures to realize the Group's philosophy and address prevailing demands of society.

### 1. Basic policy

The POLA ORBIS Group has made executive compensation an important way to realize sustainable growth at the Group and improve corporate value over the medium to long term. As a holding company, POLA ORBIS HOLDINGS clearly defines the roles and responsibilities of Company directors and other executives, whose primary duties are to make decisions on the overall management of the Group and to supervise the execution of business as well as the roles and responsibilities of directors at subsidiaries, who are delegated authority by the Company to execute operations.

Executive compensation is therefore based on the level of responsibility that each executive assumes for the business results achieved in the area of responsibility. This provides a strong incentive for executives to reach performance targets not only in the short term but over the medium to long term as well.

In addition, the Company seeks to foster a greater sense of common interest between directors, corporate officers and shareholders by making the connection between executive compensation and stock value more obvious.

### 2. Compensation standard

The compensation standard is set at a level comparable with those of industry peers or companies of a similar size at home and abroad and is commensurate with the role and level of responsibility held by each individual, with the business environment of the Group and the need to stay competitive in the external market taken into consideration.

### 3. Compensation structure

**Directors/Corporate officers**

The POLA ORBIS Group's executive compensation is composed of basic compensation, which is fixed, and a performance-linked annual bonus and a medium- to long-term incentive (performance-linked, share-based compensation), which are variable. Annual bonuses are paid according to the Company's success in achieving performance targets and according to each individual's attainment of performance targets. In addition, POLA ORBIS HOLDINGS has introduced a "mission compensation\*" system for executives responsible for special missions.

Fixed compensation	Basic compensation	Performance-linked compensation
Basic compensation reflects rank set according to duties of position and role in management for each individual.	Payment between 0% and 200% of base amount for each rank, according to level of success in reaching performance targets.	<ul style="list-style-type: none"> <li>Annual bonus*</li> <li>Medium- to long-term incentive (performance-linked, share-based compensation)</li> </ul>

\* Mission compensation  
The recipients, themes and amounts of compensation associated with special missions in Group management are discussed by the Compensation Advisory Committee and approved by the Board of Directors, using the committee's recommendations. KPIs are set for each fiscal year in line with each mission theme. The degree of success in reaching these KPIs is assessed by the Compensation Advisory Committee, and additional compensation within a range of 0%–100% of base amount is paid. The percentage of variable compensation of 40%–50% in the upper right corner above does not include mission compensation. A percentage of variable compensation that includes mission compensation would be 40%–65%.

**Outside directors**

Components of compensation are basic compensation, which is fixed, and a medium- to long-term incentive (non-performance-linked, share-based compensation), which is fixed, to ensure effective execution of supervisory functions.

Fixed compensation	Basic compensation	Medium- to long-term incentive (non-performance-linked, share-based compensation)
Basic compensation based on position.	Share-based compensation granted as incentive to improve corporate value over medium to long term, seeking to foster greater sense of common interest with shareholders.	Does not vary with business results.

### 4. Process for determining executive compensation

To ensure objectivity and transparency in the process for determining executive compensation, POLA ORBIS HOLDINGS established the Compensation Advisory Committee as a voluntary structure to advise the Board of Directors. Over half of the committee's members including the chairperson are outside directors.

Executive compensation in the Group is set by the Board of Directors within a range of the compensation allotment decided at the general meeting of shareholders, following discussions and recommendations by the Compensation Advisory Committee.

Total, including compensation by executive classification; total, by type of compensation; and number of applicable executives (Fiscal 2023)

Executive classification	Total, including compensation (Millions of yen)	Total, by type of compensation (Millions of yen)			Number of applicable executives (persons)
		Fixed compensation	Short-term performance-linked compensation (bonus)	Medium- to long-term performance-linked compensation (share-based compensation)	
Directors (excluding outside directors)	150	96	54	—	5
Outside directors	30	30	—	—	3
Corporate auditors (excluding outside corporate auditors)	22	22	—	—	1
Outside corporate auditors	16	16	—	—	2

Note: Fixed compensation for outside directors includes ¥5 million in non-performance-linked, share-based compensation.

## Integrated internal control system involves all, from management team to employees

### Instilling thorough awareness of Code of Conduct

The POLA ORBIS Group Code of Conduct ("the Code of Conduct") sets forth standards for actions to put the Group philosophy into practice and for behavior that not only complies with general laws and regulations and internal rules for business activities but also shows a high level of social ethics. We ask all executives and employees to submit a written pledge confirming that they will abide by the stated Code of Conduct, and carry out thorough refresher training each year. The Code of Conduct is updated every three to four years to ensure its effectiveness.

### Training for employees

To instill the Group philosophy and preclude possible violations of compliance, POLA ORBIS HOLDINGS regularly conducts training programs. Every year, the Company provides correspondence courses on "compliance" for people newly assigned to management positions and a CSR e-learning program for all executives and employees. In addition, since 2022, we have been providing annual training on harassment to all people in management positions.

### Compliance surveys

The Group conducts annual compliance surveys of all Group executives and employees. With a response rate above 90%, the survey comprehensively evaluates risk in areas such as compliance. The results of the evaluation are reported to the Board of Directors of the holding company. The management and corporate auditors of each Group company take the lead in addressing any matters identified as issues in the survey. While ensuring anonymity, we conduct fact-checking investigations and provide corrective measures and refresher training as necessary, reporting to the committee chair of the Group CSR Committee.

### Risk management policy

The Group comprehensively identifies Groupwide risk items and conducts risk assessment based on the degree of impact, frequency of occurrence and the status of responses to risks. Risks that should be prioritized throughout the Group are managed as corporate risks. Meanwhile, each company manages risks specific to its business and brand with the same process as that for corporate risks.

### Risk management structure

A risk management structure has been established across the Group, and the Group CSR Committee monitors each company's risk assessment and countermeasures. The risks decided as

themes are perfected by determining the risk owner divisions, committees and subcommittees. The content of improvements is decided after deliberation by the Board of Directors and is reported and monitored quarterly.

### Internal reporting system (POLA ORBIS Group Helpline)

The Group developed a system that enables all executives and employees of domestic and overseas Group companies to report and discuss internal company issues. This approach allows the Company to directly obtain internal risk information and underpins efforts to reduce risks and prevent compliance violations. Reports and consultations are received by external contractors and anonymized. Only the content of the report is given to a contact person in charge of the Group's helpline. For cases involving directors of the Company or a contact person in charge of the Group's helpline, we have put in place the Corporate Auditor Line, which allows the external contractor to directly contact the corporate auditors of the Company. Reports and consultations are accepted by e-mail or letter 24 hours a day, 365 days a year. Depending on the case, an investigator is assigned to fact-check the situation. Investigations are conducted in coordination with external agencies, as necessary. If any items that need to be improved are found, instructions for corrective measures are given.

Under the helpline structure, the anonymity of whistle-blowers is protected and preserved through internal rules and general laws and regulations. If a report falls under the category of internal whistle-blowing as defined in the Whistleblower Protection Act, the contact person and the person in charge of the investigation and correction submit a written pledge confirming that they are obliged to keep confidential the information identifying the whistle-blower in accordance with Article 12 of the Whistleblower Protection Act.

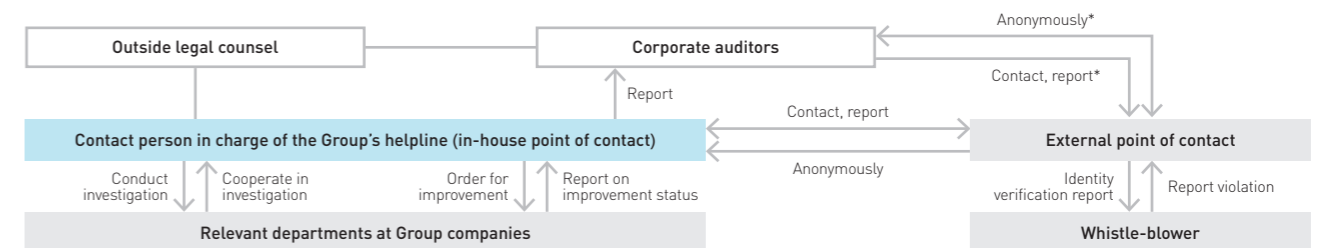
In addition, the status of the use of the helplines is reported monthly to the corporate auditors and regularly to the Board of Directors.

All Group employees are notified of the contact information for reporting on the Group's portal site and through a CSR e-learning program that is conducted annually.

Six reports were made to the helplines in 2023. All cases to be addressed for correction have been completed.

In addition, we established the "Business Partner Hotline," which allows our business partners to report compliance violations by our Group employees, creating a system for reporting and discussing problems with our business partners.

### Structure of internal reporting system (helpline)



\*If a director or a contact person in charge of the Group's helpline has possibly violated compliance rules, the office of the external point of contact will notify the corporate auditors at POLA ORBIS HOLDINGS.

## Ten-Year Summary of Selected Financial Data

Years ended December 31	Millions of yen (Except per share data)										Thousands of U.S. dollars <sup>1</sup> (Except per share data)
	2014	2015	2016 <sup>4</sup>	2017	2018	2019	2020	2021	2022	2023	2023
<b>Operating Results</b>											
Net sales <sup>2</sup>	¥198,094	¥214,788	¥218,482	¥244,335	¥248,574	¥219,920	¥176,311	¥178,642	¥166,307	¥173,304	\$1,221,914
Beauty Care	184,475	200,570	202,446	227,133	231,207	214,886	171,658	174,150	161,654	168,477	1,187,883
POLA	99,571	109,352	116,126	144,012	150,183	135,502	102,888	105,168	96,371	98,499	694,488
ORBIS	52,302	56,354	55,857	53,066	51,051	50,726	45,415	43,389	38,417	42,874	302,297
Overseas Brands	22,476	22,334	15,665	15,075	12,428	9,235	7,166	8,954	9,972	9,735	68,640
Brands under Development	10,123	12,529	14,796	14,978	17,544	19,421	16,186	16,637	16,892	17,368	122,458
Real Estate	3,179	2,951	3,043	2,694	2,707	2,619	2,291	2,112	2,083	2,078	14,654
Others	10,440	11,266	12,992	14,507	14,659	2,415	2,361	2,379	2,569	2,748	19,377
Operating income	17,683	22,511	26,839	38,881	39,496	31,137	13,752	16,888	12,581	16,080	113,380
Beauty Care	16,535	21,290	25,904	38,121	38,294	30,193	12,965	17,060	13,793	16,354	115,308
POLA	8,583	12,302	16,993	28,584	32,574	25,529	10,927	16,374	12,495	11,555	81,474
ORBIS	10,792	11,197	11,279	9,080	9,340	9,252	7,329	5,925	4,850	6,340	44,708
Overseas Brands	(1,881)	(2,194)	(3,210)	(823)	(4,316)	(3,794)	(3,214)	(2,338)	(1,446)	(1,243)	(8,767)
Brands under Development	(958)	(15)	841	1,278	695	(794)	(2,076)	(2,901)	(2,105)	(298)	(2,107)
Real Estate	1,227	1,265	1,395	1,082	1,001	1,021	710	488	491	440	3,104
Others	472	293	(133)	(314)	796	130	128	70	96	149	1,055
Operating margin (%)	8.9	10.5	12.3	15.9	15.9	14.2	7.8	9.5	7.6	9.3	
Profit attributable to owners of parent	10,382	14,095	16,328	27,137	8,388	19,694	4,632	11,734	11,446	9,665	68,147
<b>Financial Position</b>											
Net assets	180,793	180,635	183,282	198,845	188,797	191,069	169,854	173,267	171,459	168,398	1,187,326
Total assets	224,536	235,734	228,845	252,567	244,596	227,256	203,742	208,039	205,935	201,207	1,418,655
<b>Cash Flows</b>											
Cash flows from operating activities	16,643	28,379	23,561	35,333	30,283	21,127	23,394	23,830	15,548	14,423	101,697
Cash flows from investing activities	(8,391)	(7,331)	16,379	(22,065)	(9,125)	(12,514)	(3,342)	(2,174)	(12,370)	(18,734)	(132,094)
Cash flows from financing activities	(3,661)	(13,896)	(10,030)	(12,945)	(20,127)	(19,336)	(27,133)	(9,100)	(12,668)	(12,375)	(87,257)
Cash and cash equivalents at end of year	39,111	45,843	75,458	75,944	76,462	65,789	58,844	71,693	62,562	46,376	326,988
Depreciation and amortization	6,948	6,528	6,787	6,551	7,075	7,377	7,255	7,110	8,482	7,712	54,377
Capital expenditure	8,257	12,074	8,127	8,885	10,514	10,091	8,464	8,945	12,532	17,478	123,238
<b>Financial Indicators</b>											
Equity ratio (%)	80.4	76.5	79.9	78.6	77.0	83.9	83.2	83.1	83.0	83.4	
Return on equity (%)	5.9	7.8	9.0	14.2	4.3	10.4	2.6	6.9	6.7	5.7	
Return on assets (%)	8.6	9.7	11.7	16.3	15.7	13.0	5.8	9.2	7.2	9.1	
Price-earnings ratio (times)	25.9	31.5	32.7	32.2	78.3	29.4	100.0	36.1	35.9	36.3	
<b>Per Share Data<sup>3</sup></b>											
Net income per share (¥/\$)	46.95	63.74	73.83	122.70	37.93	89.04	20.94	53.04	51.74	43.69	0.31
Net assets per share (¥/\$)	816.03	815.00	826.65	897.26	851.78	862.00	766.05	781.11	772.60	758.49	5.35
Cash dividends per share (¥/\$)	46.75	37.5	50	70	80	116	50	51	52	52	0.37

<sup>1</sup> Dollar amounts are shown for convenience only and are calculated based on the prevailing exchange rate of U.S.\$1 = ¥141.83 as of December 31, 2023.

<sup>2</sup> Net sales do not include consumption taxes.

<sup>3</sup> On April 1, 2017, the Company executed a four-for-one stock split.

Net income per share and net assets per share have been calculated as if this stock split had occurred at the beginning of fiscal 2014.

<sup>4</sup> The Group's consolidated subsidiary has changed its accounting policy, recognizing deferred tax liabilities on intangible assets with an indefinite useful life that have been acquired as part of a business combination. Figures for fiscal 2016, ended December 31, 2016, reflect retroactive adjustment.



# Management's Discussion and Analysis

## Summary of business results

During fiscal 2023, personal consumption in the domestic cosmetics market has recovered thanks to the increase in opportunities to go out due to the normalization of economic activities. Moreover, the weak yen attracted foreign visitors to Japan, and increased inbound demand bolstered sales. Meanwhile, factors such as changes in consumer behavior and the composition of consumption due to the transformation of people's lifestyles, structural changes in sales channels, and soaring advertising costs in the e-commerce market are being observed, and more ingenuity is required to cope with these changes. In the overseas cosmetics market, although there are signs of weakness in some regions, business confidence is generally recovering. In the Chinese market, the lifting of the zero-COVID policy has brought economic activity toward normalization, and although there are signs of recovery

particularly in service consumption as the flow of people increases, the recovery of the economy is experiencing stagnation due to employment uncertainty and other factors. In addition, there is a move to avoid Japanese products, triggered by the release of ALPS treated water from a nuclear power plant into the ocean. Within this market environment, the POLA ORBIS Group (the "Group") has worked to achieve its key objectives—"evolve domestic direct selling," "grow overseas businesses profitably," "profit contribution from brands under development," "strengthen operations," and "expand new brands and domains of 'beauty.'" These objectives are in line with the medium-term management plan (from 2021 through 2023) that started in 2021.

Overall, POLA ORBIS HOLDINGS posted higher sales and income than those of a year earlier, on a consolidated basis.

## Analysis of operating results: Comparison of fiscal 2023 and fiscal 2022

### Net sales

Net sales for fiscal 2023 were ¥173,304 million (up 4.2% year on year). This was due to the strong performance of the POLA and ORBIS brands in department stores and e-commerce businesses, which have recovered from the turmoil of the COVID-19 pandemic.

### Cost of sales

Cost of sales increased 0.6% year on year, to ¥31,227 million. The cost of sales ratio—the cost of sales as a percentage of net sales—decreased 0.7 percentage point, to 18.0%.

Selling, general and administrative expenses increased ¥3,307 million, or 2.7%, from those of the previous fiscal year, to ¥125,996 million. Due to the increase in net sales, the burden of variable expenses such as sales-related expenses and some fixed costs increased, but the ratio to net sales was lower than that in the previous fiscal year.

### Operating income

Operating income increased ¥3,499 million from that of the previous fiscal year, to ¥16,080 million (up 27.8% year on year). This was due to higher gross profit that paralleled the aforementioned increase in net sales. The operating margin increased 1.7 percentage points, to 9.3%.

### Income before income taxes

Income before income taxes increased ¥3,049 million, or 24.8%, from that of the previous fiscal year, to ¥15,360 million, mainly due to an increase in ordinary income. In addition, an impairment loss on the FUJIMI brand and a loss due to liquidation of the Amplitude and ITRIM brands were recorded as extraordinary losses.

### Profit attributable to owners of parent

Profit attributable to owners of parent decreased ¥1,781 million, or 15.6%, from that of the previous fiscal year, to ¥9,665 million. Net income per share decreased to ¥43.69, from ¥51.74 in fiscal 2022. Return on equity decreased to 5.7%, from 6.7% a year earlier.

## Operating status by segment

### Beauty Care

The Beauty Care segment consists of the flagship brands POLA and ORBIS, the overseas brand Jurlique, and the brands under development THREE, DECENCIA, and FUJIMI.

POLA is working to further improve the value of its brand and build a medium- to long-term customer base by launching highly functional products mainly in the fields of anti-aging and skin-brightening. In the domestic business, we are promoting the integration of online and offline channels (OMO: Online Merges with Offline) to realize a high lifetime value business that leverages the features and strengths of each channel. With POLA Premium Pass, our new membership program launched in April 2023, we have integrated customer IDs from all sales channels and started delivering a shared service experience for all customers in Japan. In addition to the resumption of the flow of people due to the normalization of economic activities and the return of foreign visitors to Japan, domestic businesses as a whole recorded year-on-year growth thanks to new product *B.A MILK FOAM*, the renewed *B.A GRANDLUXE IV*, and strong sales of aesthetic treatments. In the overseas business, we are continually working to expand customer contact points for establishing a brand presence in mainland China, a top priority market. Although there was the impact of an economic slowdown in mainland China and some parts of Asia, the overall performance of the overseas business exceeded that of the previous year. As a result, POLA brand net sales increased year on year. However, operating income decreased year on year, due to factors such as the impact of the slowdown in the overseas business that occurred in the second half of the year.

ORBIS is striving to regrow into a highly profitable business by enhancing its presence through creation of brand differentiation, improvement of customer loyalty, and acquisition of users of skincare products such as the *ORBIS U* series. In the domestic business, we are making efforts to further boost the number of customers, which has begun to increase, and to maximize customer lifetime value by providing close communication that accompanies customers throughout their lives with our one-stop app, a cornerstone of the brand experience, and by continuing to introduce new products. In the direct selling channel, both the

number of customers and the customer unit price exceeded those of the previous year due to a renewal of *ORBIS U*, which has driven growth, and the extension of the special care line for UV skincare that has won numerous best cosmetics awards. The external channels grew significantly year on year as long-selling hair care products received the Grand Prize in the Best Cosmetics Awards, contributed to the development of new customer contact points, and expanded sales channels. In the overseas business, we are working to accelerate growth and turn to profitability particularly in mainland China, a priority market. In mainland China, despite the impact from deteriorating economic conditions and the discharge of ALPS treated water into the sea, efforts to strengthen investments for expanding customer contact points and raising brand recognition have led to results that exceeded those of the previous year. As a result of the above, ORBIS brand net sales and operating income exceeded those of the previous year.

The Jurlique brand continues to work toward business growth in Australia, mainland China, and other Asian markets. Jurlique achieved results exceeding those of last year due to recovery under the offline channel in Australia, a priority market. In mainland China, despite the impact of the slowdown in the pace of economic recovery, results exceeded those of the previous year due to such factors as the enhancement of brand value through the launch of new products and a focus on strategic products. As a result of the above, Jurlique brand net sales exceeded those of the previous year. Meanwhile, operating losses expanded due to the impact of factors such as a slowdown in the duty-free business.

For brands under development, the THREE brand is carrying out structural reforms targeting profitability. Thanks to the revitalization of customer behavior through those efforts, including the renewal of the core skincare series and the launch of the brand's first fragrance, the domestic business outperformed that of the previous year. In the DECENCIA brand, the renewal of our main product, a wrinkle-improving serum, was launched in September 2023. The implementation of purchase promotion measures tailored to customer attributes led to an increase in the number of customers, and the domestic business outperformed that of the previous year. In the FUJIMI brand, a new brand message was established in January 2023,

## Key financial indicators

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cost of sales ratio	19.9%	19.5%	18.7%	17.0%	16.7%	16.3%	17.0%	16.1%	18.7%	18.0%
Gross margin ratio	80.1%	80.5%	81.3%	83.0%	83.3%	83.7%	83.0%	83.9%	81.3%	82.0%
SG&A ratio	71.2%	70.1%	69.0%	67.0%	67.4%	69.5%	75.2%	74.5%	73.8%	72.7%
Personnel expenses	15.2%	14.3%	13.2%	12.2%	12.4%	13.0%	15.6%	16.1%	17.5%	17.0%
Sales commissions	23.2%	22.7%	21.3%	22.0%	22.4%	22.0%	20.4%	19.0%	21.0%	20.2%
Sales-related expenses	19.1%	20.1%	21.1%	20.7%	19.3%	19.8%	21.9%	21.0%	17.1%	17.3%
Administrative and other expenses	13.7%	13.0%	13.3%	12.2%	13.3%	14.7%	17.3%	18.3%	18.3%	18.2%
Operating margin	8.9%	10.5%	12.3%	15.9%	15.9%	14.2%	7.8%	9.5%	7.6%	9.3%

and rebranding is underway. Overall net sales for the brands under development were higher year on year. In addition, operating loss improved due to strict cost controls implemented for each brand. Furthermore, in order to make a reformation of the brand portfolio in the Beauty Care segment as a part of enhancement of its profitability, on March 6, 2023, the Group decided to exit from two brands, Amplitude and ITRIM. The withdrawal was completed within the current fiscal year.

As a result of the factors noted above, the Beauty Care segment's net sales—sales to external customers—were ¥168,477 million, up 4.2% year on year, and operating income was ¥16,354 million, up 18.6% year on year.

■ Real Estate

The Real Estate segment concentrates on the leasing of office buildings in urban areas. Efforts are currently directed at sustaining and improving rental income and reducing vacancy rates by creating attractive office environments. Another area of

emphasis is the residential properties rental business, which highlights condominiums perfect for families with young children. During fiscal 2023, net sales and operating income fell below those of the previous year mainly due to the impact of the sales of some office buildings in the previous year. As a result, net sales—sales to external customers—generated by the Real Estate segment totaled ¥2,078 million, down 0.2% year on year, and operating income was ¥440 million, down 10.5% year on year.

■ Others

The Others segment is the building maintenance business, which is mainly engaged in the operation and management of buildings. During fiscal 2023, both net sales and operating income increased year on year due to an increase in the number of contracts. As a result, net sales—sales to external customers—generated by the Others segment totaled ¥2,748 million, up 7.0% year on year, and operating income was ¥149 million, up 54.7% year on year.

Analysis of financial position

Assets, liabilities and net assets

Assets

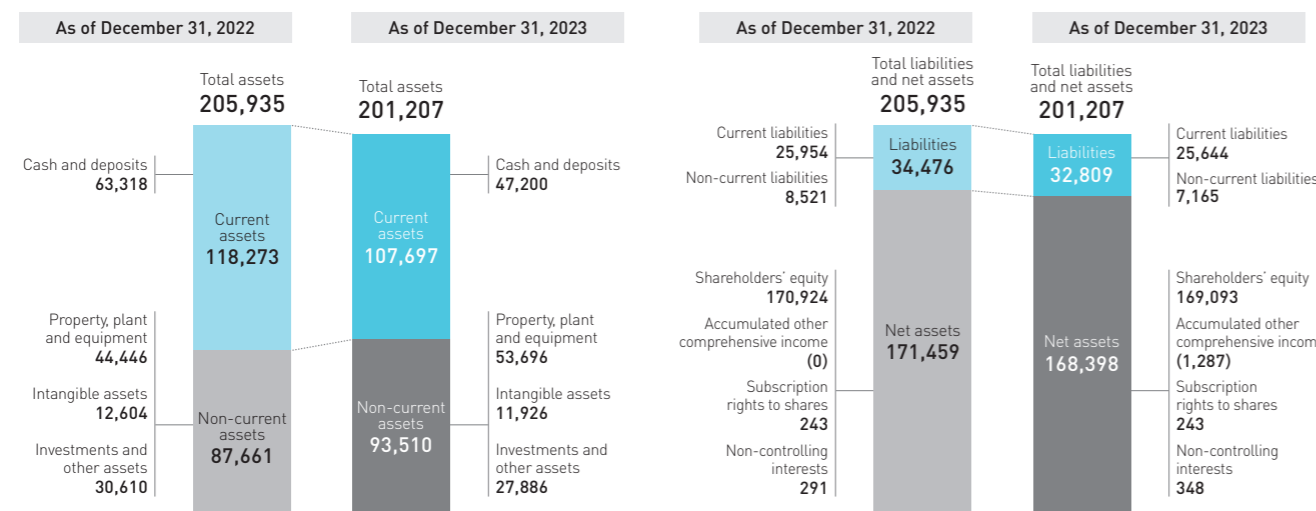
As of December 31, 2023, total assets stood at ¥201,207 million, down 2.3%, or ¥4,727 million, from December 31, 2022. Factors related to this change included increases of ¥9,136 million in construction in progress, ¥4,333 million in other under current assets, and ¥1,206 million in investments in securities, as well as decreases of ¥16,117 million in cash and deposits and ¥4,342 million in deferred tax assets.

Liabilities

Total liabilities amounted to ¥32,809 million, down 4.8%, or ¥1,666 million, from December 31, 2022. Factors related to this change included an increase of ¥1,266 million in accounts payable - other, as well as decreases of ¥1,073 million in net defined benefit liability and ¥1,031 million in other under current liabilities.

Overview of consolidated balance sheets

Millions of yen



Net assets

Net assets amounted to ¥168,398 million, down 1.8%, or ¥3,060 million, from December 31, 2022. Factors related to this change included a recording of ¥9,665 million in profit attributable to owners of parent, as well as decreases of ¥11,516 million in dividends from retained earnings and ¥1,468 million in foreign currency translation adjustments.

Cash flows

The balance of cash and cash equivalents as of December 31, 2023 was ¥46,376 million, down ¥16,185 million from the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities decreased 7.2% from a year ago, to ¥14,423 million. The primary components contributing to an increase in net cash were ¥15,360 million in profit before income taxes, ¥7,712 million in depreciation and amortization and ¥1,813 million in impairment loss. Major components leading to a decrease in net cash were ¥971 million of decrease in net defined benefit liability, ¥2,176 million of foreign exchange gain, ¥1,464 million of increase in inventories, and ¥6,586 million of income taxes paid.

Cash flows from investing activities

Net cash used in investing activities increased 51.5% from a year ago, to ¥18,734 million. The main factors were an increase in net cash resulting from ¥11,100 million in proceeds from sales and

redemption of short-term investments in securities, and a decrease in net cash resulting from outflows of ¥1,000 million in purchase of short-term investments in securities, ¥12,146 million in purchase of property, plant and equipment, ¥4,088 million in purchase of intangible assets, and ¥11,403 million in purchase of investments in securities.

Cash flows from financing activities

Net cash used in financing activities decreased 2.3% from a year ago, to ¥12,375 million. The decrease was primarily attributable to the application of ¥815 million in repayments of lease obligations and ¥11,547 million in cash dividends paid.

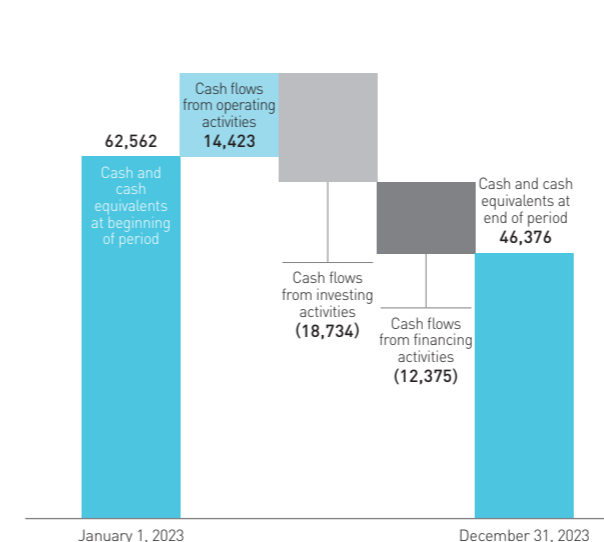
Sources of funds and policy on fund liquidity

The Group ensures the availability of the funds deemed necessary to maintain business activities. As for future applications of funds, POLA ORBIS HOLDINGS will emphasize investment in R&D to create new value, capital investment to open or renovate stores and boost productivity, and efforts to create and develop new brands, including M&A opportunities. The goal is to generate future cash flow from these activities. Note that the Company strives to enhance capital efficiency Groupwide through a cash management system that centralizes subsidiaries' cash operations under Company oversight.

The Company adheres to fund management regulations and standards to ensure appropriate application of operating funds and surplus funds, respectively. The balance of cash and deposits stood at ¥47,200 million as of December 31, 2023, down ¥16,117 million from a year earlier.

Overview of consolidated statement of cash flows

Millions of yen



Note: The effect of exchange rate change on cash and cash equivalents is omitted. Any discrepancies due to this omission have been adjusted accordingly.

## Corporate Information (As of December 31, 2023)

### Fiscal 2024 forecast

As the second stage toward achieving our long-term management plan, VISION 2029, the Group will be implementing the key strategies of the new medium-term management plan starting in 2024, namely, "Strengthen the customer base in the domestic business to achieve sustainable growth and improve profitability," "Further grow the overseas business and establish business bases in new markets," "Achieve profitability through growth in brands under development, contributing to sustainable earnings," "Enhance the brand portfolio and expand business domains," "Strengthen R&D capabilities for new value creation," and "Strengthen sustainability combining the resolution of

social issues with uniqueness" with the aim of accelerating business growth.

For the fiscal year ending December 31, 2024, the Group forecasts net sales of ¥179,000 million, up 3.3% year on year; operating income of ¥17,900 million, up 11.3%; ordinary income of ¥17,900 million, down 3.1%; and profit attributable to owners of parent of ¥11,600 million, up 20.0%, considering the steady execution of key strategies and downward pressure on the economy due to factors such as the downturn in overseas economies.

### Significant accounting policies and assumptions

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP). The preparation of consolidated financial statements requires management to select and apply certain accounting policies and make assumptions that affect reported amounts and disclosure of

assets and liabilities as well as earnings and expenses. These assumptions are based on reasonable conclusions that take into account historical performance and other factors. However, actual results could differ from stated expectations as they are subject to inherent uncertainties.

<b>Company name</b>	POLA ORBIS HOLDINGS INC.
<b>Foundation</b>	September 29, 2006
<b>Capital</b>	¥10 billion
<b>Number of employees</b>	4,046 (for the Group) 278 (for the Company) <small>Full-time employees (Excluding those on loan to other companies, including those on loan from other companies)</small>
<b>Fiscal year-end</b>	December 31
<b>General meeting of shareholders</b>	March
<b>Business description</b>	Business management of the entire Group
<b>Head office</b>	2-2-3 Nishigotanda, Shinagawa-ku, Tokyo, Japan <small>(Business activities conducted at 1-7-7 Ginza, Chuo-ku, Tokyo)</small>
<b>Stock listing</b>	Tokyo Stock Exchange, Prime Market
<b>TSE code</b>	4927
<b>Share register</b>	1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation

### Major Group Companies

#### Beauty Care business

- POLA INC.
- ORBIS Inc.
- POLA CHEMICAL INDUSTRIES, INC.
- Jurlique International Pty. Ltd.
- DECENCIA INC.
- ACRO INC.
- tricot, Inc.
- POLA ORBIS Travel Retail Limited
- POLA MEDICAL INC.
- POLA ORBIS (Shanghai) Enterprise Management CO., LTD.  
(Established in January 2024)

#### Real Estate business

- P.O. REAL ESTATE INC.

#### Other businesses

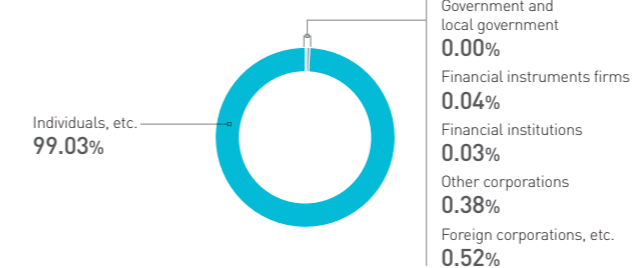
- P.O. TECHNO SERVICE INC

## Stock Information (As of December 31, 2023)

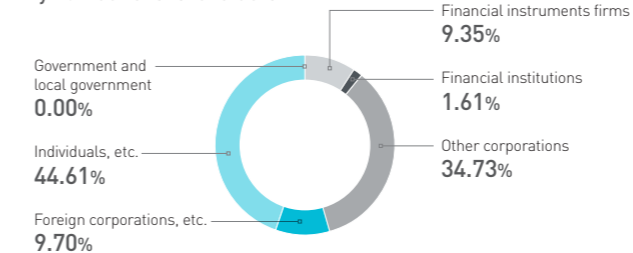
Total number of authorized shares	800,000,000
Total number of issued shares	229,136,156
Number of shareholders	100,919

### Composition of Shareholders

#### By number of shares



#### By number of shareholders



### Principal Shareholders

Shareholders	Number of shares held (Thousands)	Percentage of shareholding (%)
The POLA Art Foundation	78,616	35.5
Satoshi Suzuki	50,624	22.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,622	5.7
THE BANK OF NEW YORK MELLON 140051	4,937	2.2
Custody Bank of Japan, Ltd. (Trust Account)	4,857	2.2
Naoko Nakamura	4,770	2.2
Hiromi Suzuki	3,112	1.4
JPMorgan Securities Japan Co., Ltd.	1,843	0.8
THE BANK OF NEW YORK 133612	1,549	0.7
POLA ORBIS Group Employees' Stockholding	1,478	0.7

Notes: 1. In addition to the above, the Company holds 7,662 thousand shares of treasury stock. Note that the Company introduced a Board Incentive Plan Trust for directors, though the Company's shares held in this trust are not included in treasury stock.  
2. For number of shares held, figures are rounded down to the nearest thousand, and for shareholding ratios, figures are rounded to the first decimal place.  
3. The percentage of shareholding is calculated by deducting shares of treasury stock.

### Fiscal 2024 forecast

Millions of yen	Fiscal 2024 full year	YoY change	
		Amount	Percentage
<b>Net sales</b>	<b>179,000</b>	<b>5,695</b>	<b>3.3</b>
Beauty Care	174,000	5,522	3.3
Real Estate	2,250	171	8.3
Others	2,750	1	0.1
<b>Operating income</b>	<b>17,900</b>	<b>1,819</b>	<b>11.3</b>
Beauty Care	19,650	3,295	20.2
Real Estate	(50)	(490)	—
Others	100	(49)	(33.2)
Reconciliations	(1,800)	(936)	—
<b>Profit attributable to owners of parent</b>	<b>11,600</b>	<b>1,934</b>	<b>20.0</b>

**POLA ORBIS HOLDINGS INC.**

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