POLA ORBIS HOLDINGS

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Announcement Regarding 2017–2020 Medium-term Management Plan

POLA ORBIS HOLDINGS INC. (the “Company”) has established a new medium-term management plan for the POLA ORBIS Group that runs from fiscal 2017 through fiscal 2020, and hereby provides details about the new plan.

This medium-term management plan is the final stage of a road that the Group has been traveling toward its long-term vision for 2020. Under the 2017–2020 Medium-term Management Plan, the Company seeks to improve profitability in Japan, promote a solid shift toward overall profitability from overseas operations and build a brand structure for next-generation growth, while continuing to reinforce the operating base and increase corporate value through enhanced capital efficiency.

The Group will continue to evolve in response to changing market trends and customer needs and will move steadily toward stated targets to become a corporate organization with unique appeal.

1. 2017–2020 Medium-term Management Plan

(1) Basic Strategy

Improve profitability in Japan, promote a solid shift toward overall profitability from overseas operations and build a brand structure for next-generation growth

(2) Management Indicators

- Consolidated net sales: CAGR (compound annual growth rate) of 3% to 4%
  ¥250.0 billion in fiscal 2020
- Operating income: CAGR of 10% or higher
- Operating margin: 15% or higher in fiscal 2020
- Capital efficiency: ROE of 12% in fiscal 2020
- Shareholder returns: Consolidated payout ratio of 60% or higher from fiscal 2017

(3) Five Key Strategies

i. Sustain stable growth of flagship brands to lead Group earnings
- POLA: Reinforce business platform for long-term stable growth
- ORBIS: Achieve further growth by capitalizing on 30th anniversary to promote brand and enhance profitability

ii. Bring overseas operations solidly into the black overall

- Jurlique: Seek profitable business growth, particularly in Asia, by strengthening brand strategy, reviewing product portfolio and completing supply chain restructuring
- H2O PLUS: Contribute to profit position as soon as possible by expanding into select markets, introducing new products and completing brand restaging
- Flagship brands: Build model of success focusing on key countries and boost profits through better capital efficiency

iii. Expand brands under development, create new brands, pursue M&A activity

- THREE: Polish brand profile to a brighter shine, and expand business by exploring strategic commercial products and sales channels and by developing wider geographical presence
- DECENCIA: Continue to strengthen profit status and establish presence in target markets through brand building
- New brands: Start creating new brands, and continue to pursue M&A activity as key strategy in search for leading brands to add to portfolio

iv. Strengthen operations (reinforce R&D, human resources and governance)

- R&D: Develop new ingredients for aging-care and skin-whitening products
- Human resources: Constantly develop the capabilities of human resources with management potential through training opportunities that cut across the Group
  Attract and keep global personnel (transfer personnel from Japan to Group companies overseas and promote aggressive hiring)
  Implement groupwide personnel strategy to cultivate the skills of human resources throughout the Group
- Governance: Raise corporate governance to a higher level by building the Group’s own evaluation system for effectiveness of the Board of Directors and enhancing dialogue with stakeholders

v. Enhance capital efficiency and enrich shareholder returns

- Capital efficiency: Improve ROE through higher profitability and enhanced capital efficiency
- Shareholder returns: Achieve stable and ongoing dividends based on a consolidated payout ratio of 60% or higher

Reference: 1. Long-term vision—Goal for 2020 (announced in 2011)