

# Financial Results of 2023 2024–2026 Medium-term Management Plan

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POLA ORBIS HOLDINGS INC.  
Representative Director and President  
Yoshikazu Yokote

- This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties.
- POLA ORBIS HOLDINGS INC. has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from fiscal 2022. The results for fiscal 2021 in this presentation have been calculated using the same accounting standards as those in fiscal 2022, and are shown as reference information (unaudited) for the purpose of comparison.

## Part I Fiscal 2023 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis

## Part II 2024–2026 Medium-term Management Plan

1. Review of the Previous Medium-term Management Plan and Recognition of Current Status
2. 2024–2026 Medium-term Management Plan
3. Forecasts for Fiscal 2024

## Part I Fiscal 2023 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis

## Cosmetics Market

- It was recognized that the scale of the Japanese cosmetics market as a whole experienced low single-digit growth, partly due to the recovery from the COVID-19 pandemic.
- The cosmetics market in mainland China requires monitoring, with a sense of uncertainty concerning economic conditions and consumption trends.

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

## Our Group

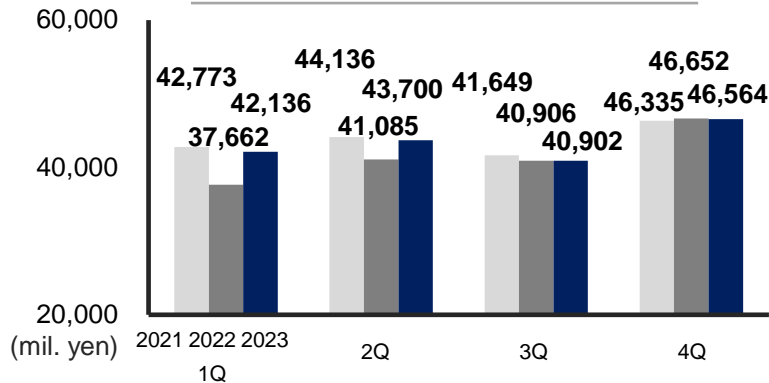
- Consolidated net sales increased (up 5% YoY in Japan, down 1% YoY in overseas). Substantial increase in consolidated operating income (up 28% YoY).
- POLA's revenue increased in Japan, supported by growth mainly in department stores and e-commerce. Revenue in mainland China declined YoY due to a deterioration in business sentiment and the impact of ALPS\* treated water. \*Advance Liquid Processing System
- ORBIS recorded double-digit growth in revenue and income due to growth in both the number of customers and average purchase per customer in the direct selling channel, as well as significant expansion in external channels.
- Jurlique's revenue increased, but losses were not ameliorated due to the impact of struggling duty free business.
- Losses from brands under development were ameliorated.

### Medium-term Management Plan Indicators (FY2023)

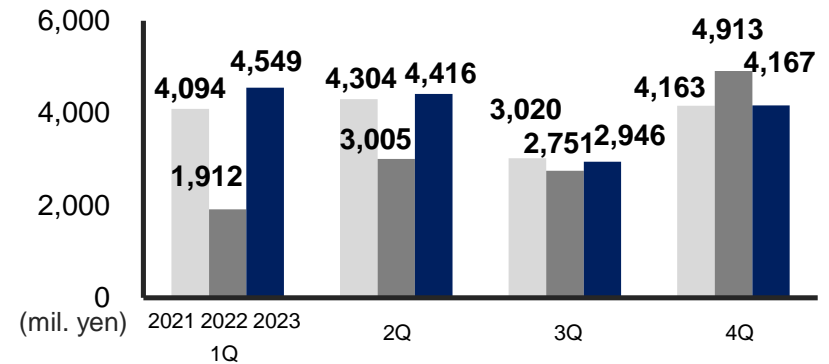
Overseas sales ratio	16.7% (-0.7ppt*)
Domestic e-commerce sales ratio	28.2% (+1.3ppt*)

\*vs Dec. 2022

### Quarterly Consolidated Sales



### Quarterly Operating Income



# Actual vs Planned Variance Analysis

(mil. yen)	FY2022	FY2023	YoY change		Jul. 31, 2023	vs. Plan	
	Results	Results	Amount	%	Plan	Amount	%
Consol. net sales	166,307	173,304	6,996	4.2%	180,000	(6,695)	(3.7%)
Operating income	12,581	16,080	3,499	27.8%	16,000	80	0.5%
Ordinary income	14,928	18,469	3,541	23.7%	17,500	969	5.5%
Profit attributable to owners of parent	11,446	9,665	(1,781)	(15.6%)	11,600	(1,934)	(16.7%)

Average exchange rates: 1.00 AUD = 93.33 JPY, 1.00 CNY = 19.82 JPY

	Variance from Jul. 31 Plan	Main causes of Variance
Consol. net sales	- ¥6,695 mil. (- 3.7%)	<ul style="list-style-type: none"> <li>■ Variance in the beauty care segment (approx. - ¥7,000 mil.)               <ul style="list-style-type: none"> <li>• POLA (approx. - ¥7,500 mil.)</li> <li>• Jurlique (approx. - ¥150 mil.)</li> <li>• ORBIS (approx. + ¥900 mil.)</li> <li>• Brands under development (approx. - ¥250 mil.)</li> </ul> </li> </ul>
Operating income	¥80 mil. (+ 0.5%)	<ul style="list-style-type: none"> <li>■ POLA: Expenses were controlled in Japan and the decline in marginal profit was suppressed (approx. - ¥1,400 mil.)</li> <li>■ ORBIS: Gross profit increased mainly due to the increase in net sales (approx. + ¥900 mil.)</li> <li>■ Jurlique: Difference due to struggling duty free business (approx. - ¥450 mil.)</li> <li>■ Brands under development: Progress on the amelioration of losses exceeded the plan (approx. + ¥850 mil.)</li> </ul>
Ordinary income	969 mil. (+ 5.5%)	<ul style="list-style-type: none"> <li>■ Foreign exchange gain was posted due to the lower-than-anticipated value of the yen (approx. + ¥1,000 mil.)</li> </ul>
Profit attributable to owners of parent	- ¥1,934 mil. (- 16.7%)	<ul style="list-style-type: none"> <li>■ Impairment loss, etc. for FUJIMI and other extraordinary losses increased (approx. + ¥2,400 mil.)</li> <li>■ Income taxes etc. increased (approx. + ¥300 mil.)</li> </ul>

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

(mil. yen)	FY2022	FY2023	YoY Change	
	Results	Results	Amount	%
Consolidated net sales	166,307	173,304	6,996	4.2%
Cost of sales	31,037	31,227	190	0.6%
Gross profit	135,270	142,076	6,806	5.0%
SG&A expenses	122,688	125,996	3,307	2.7%
Operating income	12,581	16,080	3,499	27.8%

### Key Factors

- Consol. net sales**      Revenue increased in Japan but decreased overseas for the full year due to struggling sales in the second half.
- Cost of sales**      The cost of sales ratio declined due to a greater proportion of high value-added products and a reduction in loss on valuation and abandonment due to brand discontinuation.  
 Cost of sales ratio    FY2022: 18.7% ⇒ FY2023: 18.0%
- SG&A expenses**      Labor expenses: up ¥382 mil. YoY  
 Sales commissions: up ¥105 mil. YoY  
 Sales related expenses: up ¥1,556 mil. YoY  
 Administrative expenses, etc.: up ¥1,262 mil. YoY
- Operating income**      Operating margin    FY2022: 7.6% ⇒ FY2023: 9.3%

(mil. yen)	FY2022	FY2023	YoY Change	
	Results	Results	Amount	%
Operating income	12,581	16,080	3,499	27.8%
Non-operating income	2,773	2,691	(82)	(3.0%)
Non-operating expenses	427	302	(125)	(29.3%)
Ordinary income	14,928	18,469	3,541	23.7%
Extraordinary income	762	674	(88)	(11.6%)
Extraordinary losses	3,379	3,783	404	12.0%
Profit before income taxes	12,311	15,360	3,049	24.8%
Income taxes etc.	804	5,627	4,823	599.9%
Profit attributable to non-controlling interests	61	67	6	10.5%
Profit attributable to owners of parent	11,446	9,665	(1,781)	(15.6%)

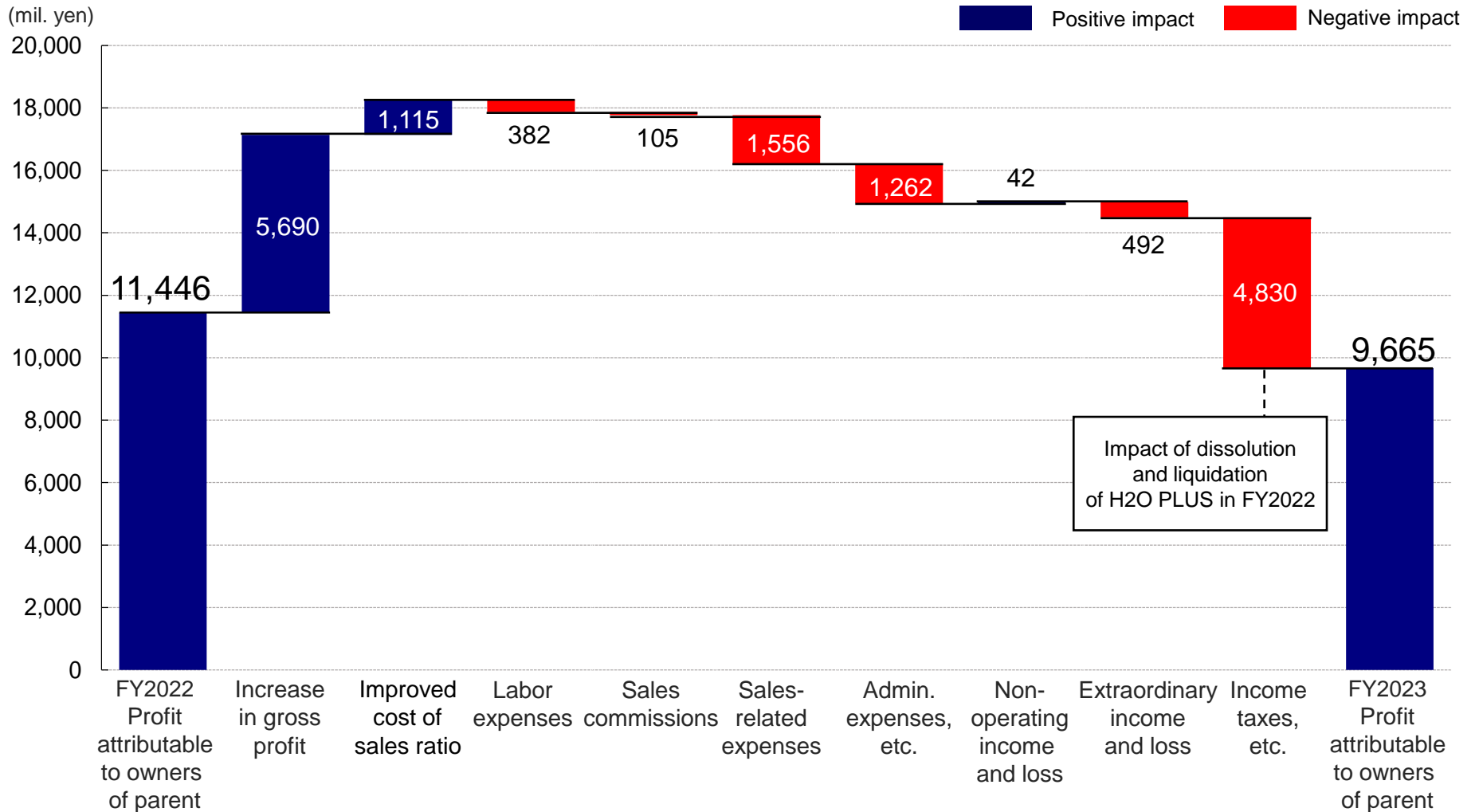
### Key Factors

- Extraordinary losses: FUJIMI impairment loss ¥928 mil.

Extraordinary losses due to discontinuation of Amplitude and ITRIM ¥770 mil.

- Income taxes etc.: Reduction in income taxes etc. – recorded in FY2022 due to liquidation of H2O PLUS ¥4,466 mil.

Despite an increase in gross profit due to higher revenue, profit attributable to owners of parent declined by ¥1,781 mil. YoY due to the rebound of the reduction in income taxes, etc. in FY2022.





## Part I Fiscal 2023 Consolidated Performance

1. Highlights of Consolidated Performance
2. Segment Analysis

(mil. yen)	FY2022	FY2023	YoY Change	
	Results	Results	Amount	%
Consolidated net sales	166,307	173,304	6,996	4.2%
Beauty care	161,654	168,477	6,822	4.2%
Real estate	2,083	2,078	(5)	(0.2%)
Others	2,569	2,748	178	7.0%
Operating income	12,581	16,080	3,499	27.8%
Beauty care	13,793	16,354	2,561	18.6%
Real estate	491	440	(51)	(10.5%)
Others	96	149	52	54.7%
Reconciliations	(1,800)	(863)	936	-

## Segment Results Summary

- Beauty care** Net sales increased YoY, primarily due to an increase in revenue from POLA and ORBIS, and operating income rose, mainly due to an increase in gross profit and the amelioration of losses in brands under development.

## Beauty Care Business Results by Brands

(mil. yen)	FY2022	FY2023	YoY Change	
	Results	Results	Amount	%
Beauty care net sales	161,654	168,477	6,822	4.2%
POLA	96,371	98,499	2,127	2.2%
ORBIS	38,417	42,874	4,457	11.6%
Jurlique	8,388	9,032	644	7.7%
Brands under development	16,892	17,368	475	2.8%
Beauty care operating income	13,793	16,354	2,561	18.6%
POLA	12,495	11,555	(940)	(7.5%)
ORBIS	4,850	6,340	1,490	30.7%
Jurlique	(1,266)	(1,350)	(84)	-
Brands under development	(2,105)	(298)	1,807	-

Note: Consolidated operating income and loss for each brand are shown for reference purposes only (figures are unaudited).  
Totals for the beauty care business include results for the H2O PLUS brand (liquidation completed in December 2023).

### FY2023 Result

- Revenue experienced double-digit growth in the department store, e-commerce and amenities business, and domestic revenue increased.
- The decline in customer numbers for consignment sales was ameliorated, and the decline in customer numbers in Japan overall was stopped.
- Mainland China struggled during the second half, but existing customer numbers at stores remained on par with the previous year and the business maintained its strength in customer relations.

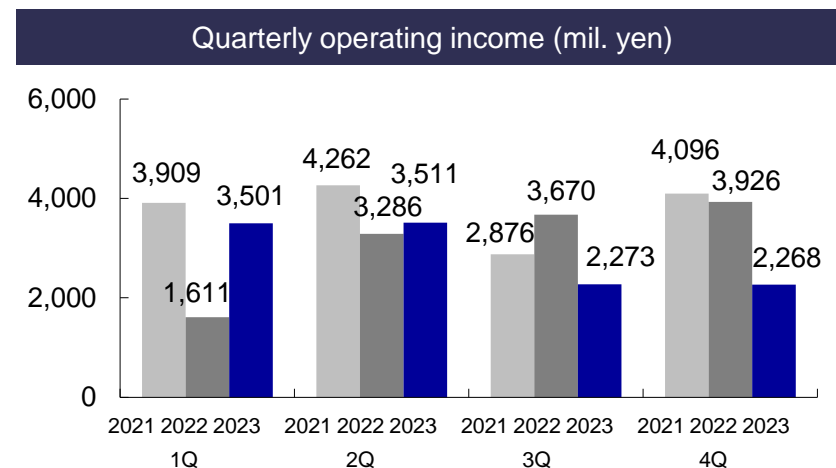
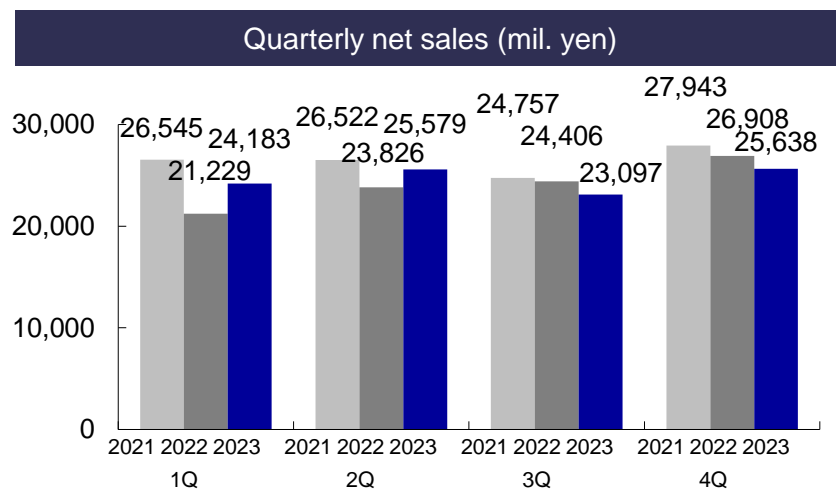
Q4 (YTD)	Results (mil. yen)	YoY Change
Net sales	98,499	2.2%
Operating income	11,555	(7.5%)
Key indicators		
Sales ratio	Domestic	83.4%
	Consignment sales	61.8%
	E-commerce	6.7%
	Dept. store, B2B <sup>(1)</sup> etc.	14.9%
	Overseas	16.6%
Sales growth <sup>(2)</sup>	Domestic	up 2.2%
	Consignment sales	down 3.8%
	E-commerce	up 18.4%
	Dept. store, B2B etc.	up 26.8%
	Overseas	up 2.5%
Consignment sales channel		up 6.0% /
Purchase per customer <sup>(2)</sup> / # of customers <sup>(2)</sup>		down 7.2%
# of stores domestic <sup>(3)</sup>		2,666 (down 168)
# of stores overseas <sup>(3)</sup> /		162 (up 10) /
# of stores mainland China <sup>(3)</sup>		90 (up 3)

### Topics

- Launched POLA's premium serum *B.A GRANDLUXE* (October).



*B.A GRANDLUXE IV*



(1) Hotel amenities business  
(2) YoY basis (3) vs Dec. 2022

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

### FY2023 Result

- Stabilization of the customer base progressed in the direct selling channel, with double-digit growth in the number of new customers and a YoY increase in the number of existing customers.
- Revenue increased substantially for external channels with the expansion of sales channels.
- *ORBIS U.* and other highly functional, high price range products grew.
- Double-digit increase in revenue and income

Q4 (YTD)	Results (mil. yen)	YoY Change
Net sales	42,874	11.6%
Operating income	6,340	30.7%
Key indicators		
Sales ratio	Domestic	95.9%
	Direct Selling <sup>(1)</sup>	85.2%
	External channels etc.	10.7%
	Overseas	4.1%
Sales growth <sup>(2)</sup>	Domestic	up 12.2%
	Direct Selling	up 7.4%
	External channels etc.	up 73.7%
	Overseas	down 0.3%
Direct Selling purchase per customer <sup>(2)</sup>		up 1.4%
Number of Direct Selling customers <sup>(2)</sup>		up 4.7%
Core target customer ratio		66.7%

(1) Total of in-house mail-order sales and directly-operated stores sales

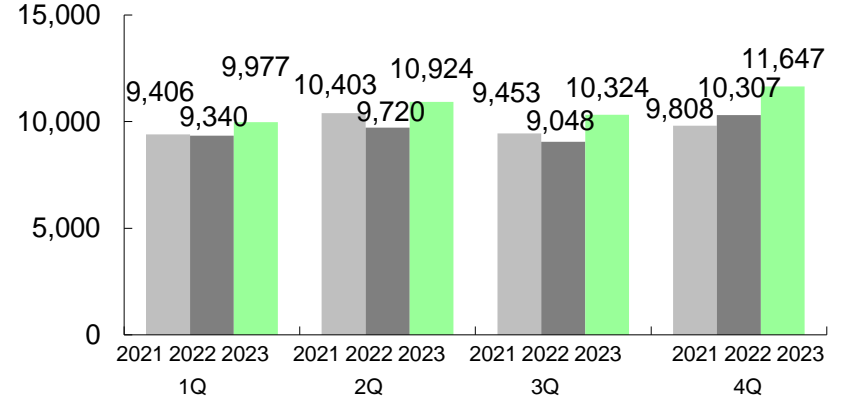
(2) YoY basis

### Topics

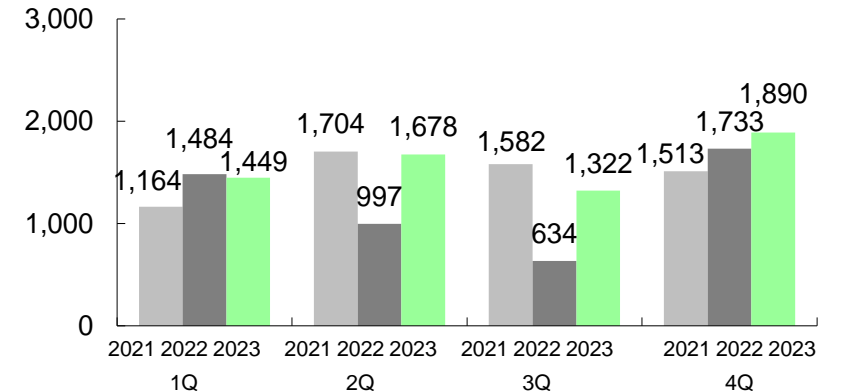
- *ORBIS U. Foaming Wash* received best cosmetics award from a beauty magazine.



### Quarterly net sales (mil. yen)



### Quarterly operating income (mil. yen)



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

### FY2023 Result

- Revenue grew in all key markets of mainland China, Australia, and Hong Kong.
- Income was significantly impacted by a decline in gross profit due to a slowdown in duty free business, and the contribution from key markets was not enough to ameliorate losses overall.

Q4 (YTD)	Results (mil. yen)	YoY Change
Net sales	9,032	7.7%
Operating income <sup>(1)</sup>	(1,350)	(84)
Key indicators		
Sales ratio	Australia	20.4%
	Mainland China	38.6%
	Hong Kong	13.1%
	Duty free	12.5%
Sales growth <sup>(2)</sup>	Australia	up 17.9%
	Mainland China	up 2.3%
	Hong Kong	up 12.1%
	Duty free	down 10.3%

(1) The YoY difference is shown as an amount (mil. yen)

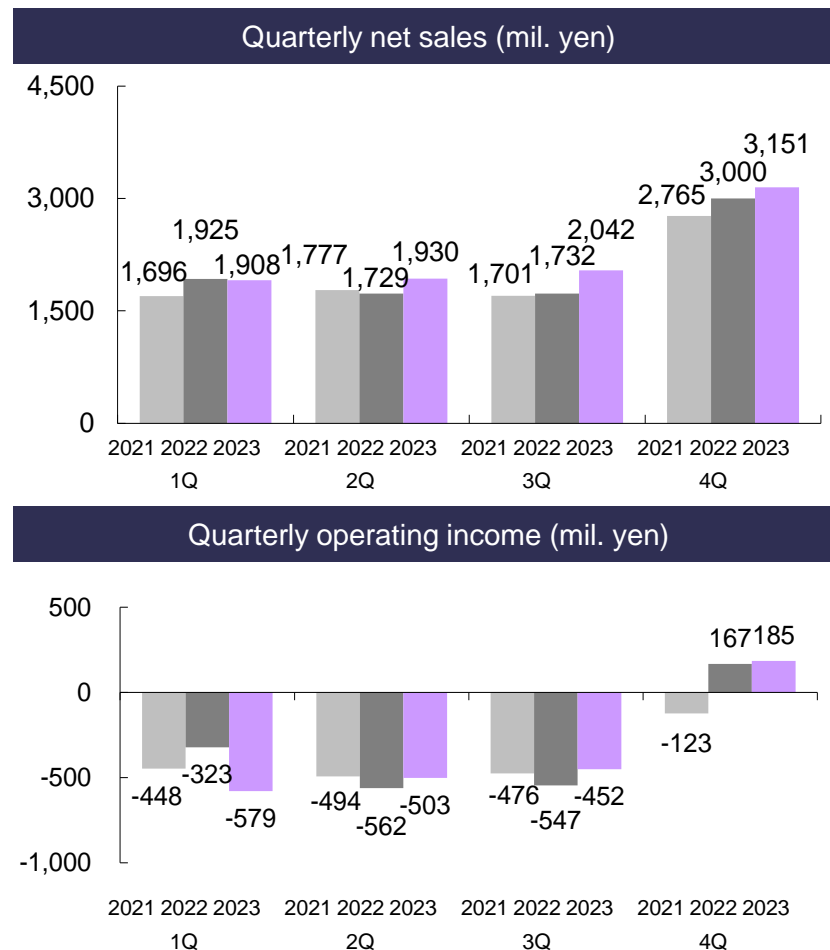
(2) AUD basis, YoY

### Topics

- The business focused on face oil, Jurlique's star product.



Rare Rose Face Oil



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

## FY2023 Result

- Domestic revenue for THREE increased, and initial results from the launch of the brand's first fragrance were strong.
- DECENCIA focused on marketing to boost its brand value, and its customer numbers transitioned to a growth trend.
- Losses from brands under development were ameliorated.

Q4 (YTD)	Results (mil. yen)	YoY Change
Net sales	17,368	2.8%
Operating income <sup>(1)</sup>	(298)	1,807
THREE Net sales	5,771	(4.5%)
THREE OP income <sup>(1)</sup>	(867)	297
DECENCIA Net sales	5,220	10.5%
DECENCIA OP income	678	14.1%

### Key indicators

#### THREE

Sales ratio	Domestic	80.4%
	Overseas	19.6%
Sales growth <sup>(2)</sup>	Domestic	up 4.7%
	Overseas	down 29.7%

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

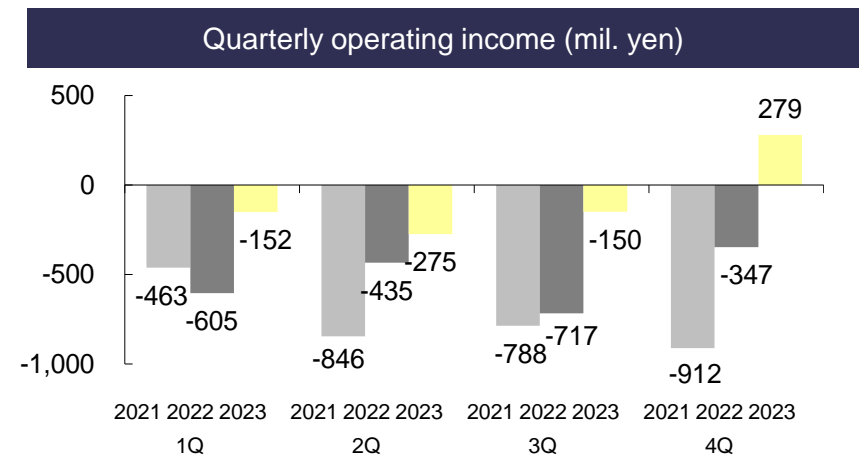
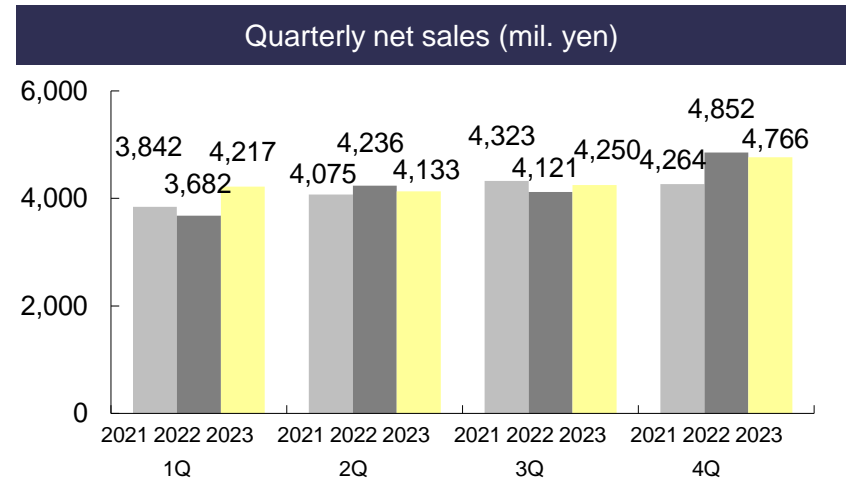
(2) YoY basis

## Topics

- Launched a fragrance from THREE (November). Sought product differentiation through an approach centered on essential oils.



THREE ESSENTIAL SCENTS



## Part II 2024–2026 Medium-term Management Plan

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## Management Indicators

## FY2023 Results

## Performance Trend

Consolidated net sales

**¥173.3 bil.** CAGR\* **0.1%**

Overseas sales ratio

**16.7%**

Domestic e-commerce sales ratio

**28.2%**

Consolidated operating margin

**9.3%**

Consolidated operating income

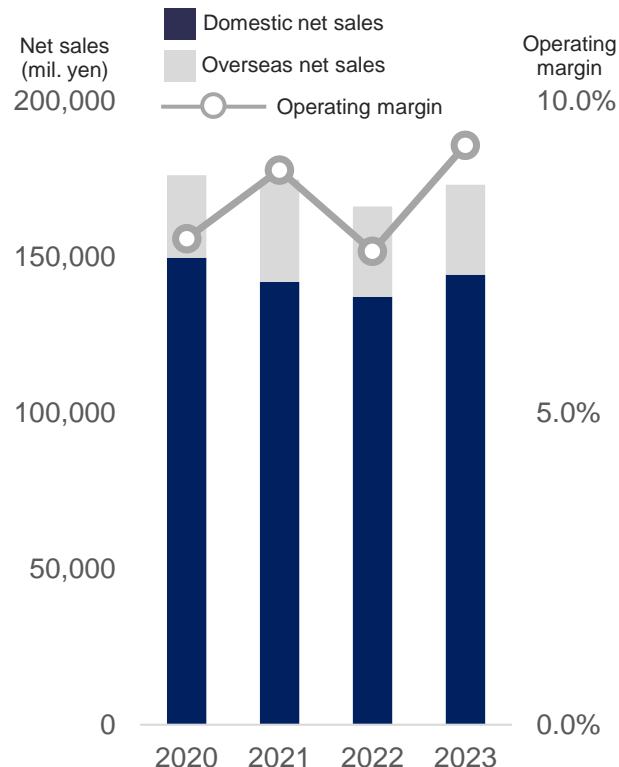
CAGR\* **8.2%**

ROE

**5.7%**

Consolidated payout ratio

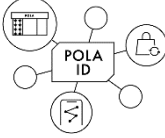




Maintained a payout ratio of 60% or higher



\*CAGR for 2021-2023  
Calculated using the same accounting standards for each fiscal year.

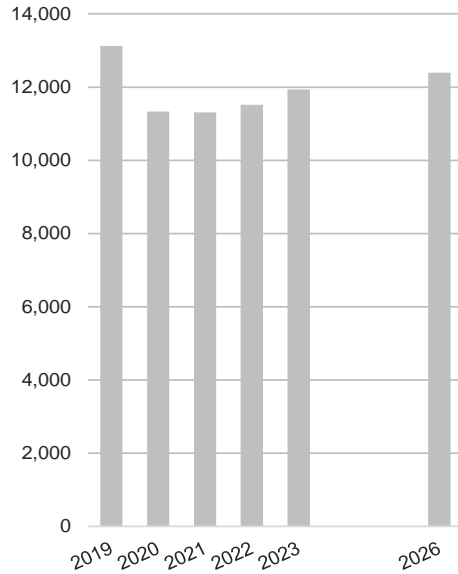
Note: Results for FY2021 have been calculated using the same revenue recognition standards as FY2022.

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.

Strategies	Evaluation	
<b>Evolve domestic direct selling</b>	<b>Fell short</b>	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <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> </div> <div style="width: 45%; text-align: right;">  </div> </div>
<b>Grow overseas businesses profitably</b>	<b>Failed</b>	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <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 customers 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> </div> <div style="width: 45%; text-align: right;">  </div> </div>
<b>Profit contribution from brands under development</b>	<b>Fell short</b>	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <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 into 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> </div> <div style="width: 45%; text-align: right;">  </div> </div>
<b>Strengthen operations</b>	<b>Achieved</b>	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>■ Completed construction of the Technical Development Center 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> </div> <div style="width: 45%; text-align: right;">  </div> </div>
<b>Expand new brands and domains of “beauty”</b>	<b>Achieved</b>	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <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> </div> <div style="width: 45%; text-align: right;">  </div> </div>

## Domestic Cosmetics Market

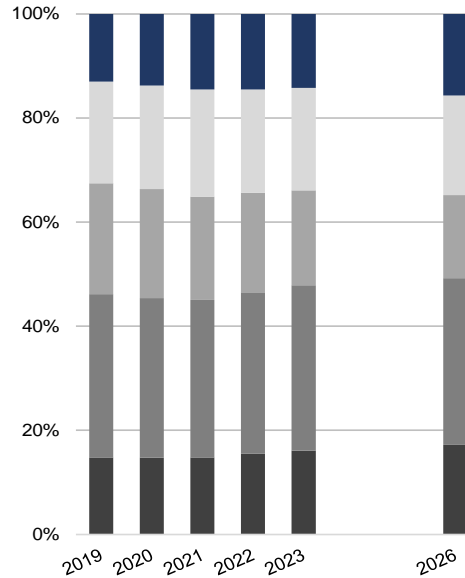
(100 mil. yen)



Source: Data published in January 2024 by Intage SLI  
Company assumption for 2026

## Percentage by Domestic Price Range

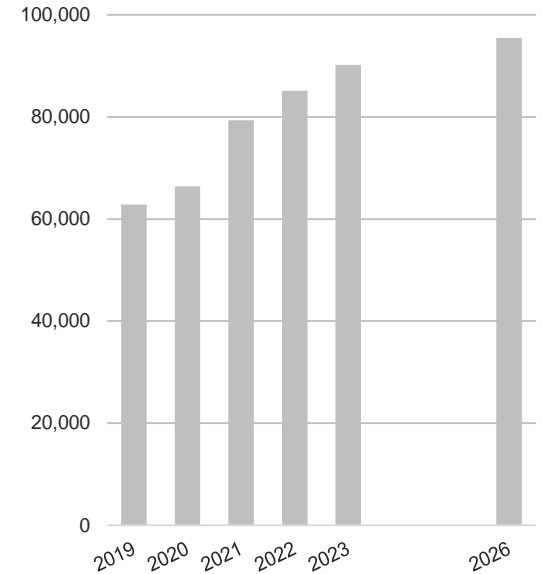
Bottom to top: ■ 1-1000 ■ 1001-3000 ■ 3001-5000  
■ 5001-10000 ■ 10001-



Source: Data published in January 2024 by Intage SLI  
Company assumption for 2026

## Chinese Cosmetics Market

(100 mil. yen)



Source: Data published in December 2023 by Euromonitor  
Note: Data aggregation methods differ between research companies.

### 【Domestic market】

- Domestic demand is on a recovery trend and a moderate recovery is expected continue, but there is no change in the outlook for market contraction in the long term due to the declining population.
- Despite the recovery in the number of foreign visitors to Japan, there is a clear difference in consumption trends compared to before the COVID-19 pandemic, and it is difficult to see inbound expenditure on cosmetics recovering to pre-pandemic levels.
- By price range, the high price range market that is the Group's focus is performing strongly and predicted to continue to expand in 2024 and beyond.

### 【Overseas market】

- In the Chinese market, a sense of uncertainty persists at present concerning economic conditions and consumption trends, but given the market scale, it continues to be our main key market.
- ASEAN is in an expanding trend, with the prestige skincare market, especially, forecast to grow, and we perceive it as a promising market.

## VISION 2029

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

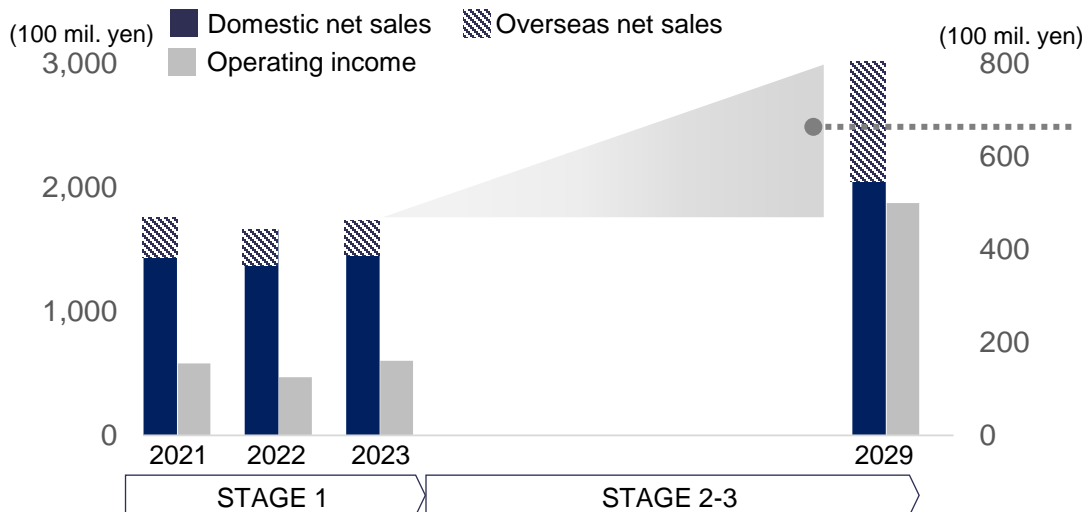
Basic strategy 1	Develop the cosmetics business globally; reform and enhance the brand portfolio
Basic strategy 2	Create new value and expand business domains
Basic strategy 3	Strengthen research and technical strategy

### 【Targets for 2029】

- Consolidated operating income: ¥50.0 bil.
- Consolidated operating margin: 15% or higher
- Consolidated net sales: ¥300.0 bil.
- Overseas sales ratio: 30-35%
- ROE: 14% or higher

The progress and external environment in STAGE 1 of VISION 2029, from 2021 to 2023, differed from our expectations, but our vision for the future remains unchanged. In STAGE 2, the next three years, we will swiftly resolve outstanding issues to achieve high growth and enhanced profitability in STAGE 3.

### Performance Trend



### What is needed to bridge the gap with VISION 2029

- ✓ Achieve an overwhelming increase in income-generating power in the domestic business.
- ✓ Grow business in the Chinese market and develop the Next Market.
- ✓ Steadily implement plans to achieve profitability in unprofitable brands.
- ✓ Build new core businesses.

## Part II 2024–2026 Medium-term Management Plan

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## 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.

### 4 Business Growth Strategies

Strategy  
**1**

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

Strategy  
**2**

Further grow the overseas business and establish business bases in new markets

Strategy  
**3**

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

Strategy  
**4**

Enhance the brand portfolio and expand business domains

### Sustainably Strengthen Management Foundations

Strategy  
**5**

Strengthen R&D capabilities for new value creation

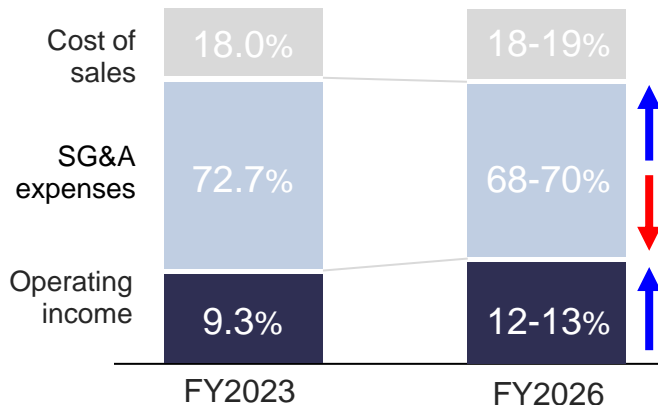
Strategy  
**6**

Strengthen sustainability combining the resolution of social issues with uniqueness

## Management Indicators for 2026

Consolidated Net Sales	¥200.0 bil. CAGR approx. <b>5%</b>	Domestic Net Sales	CAGR approx. <b>4%</b>
		Overseas Net Sales	CAGR approx. <b>12%</b>
		Overseas Sales Ratio	<b>20%</b>
Consolidated Operating Income	Operating margin <b>12-13%</b>		
Capital Efficiency	ROE <b>10%</b> or higher		
Shareholder Returns	Consolidated payout ratio <b>60%</b> or higher		

### ■ Changes in the structure of P&L under the Medium-term Management Plan



- ✓ Increase in depreciation burden due to the operation of new production equipment.
- ✓ Increase investment in overseas and untapped markets where high growth is forecast into the future.
- ✓ For existing business, achieve more efficient investment in customer acquisition through expense execution emphasizing accumulating the customer composition and improving customer retention rates.
- ✓ Increase in gross profit due to sales growth.
- ✓ More efficient expense execution and amelioration of losses in unprofitable businesses.
- ✓ Boost profitability through changes to the mix of high-profit sales channels.

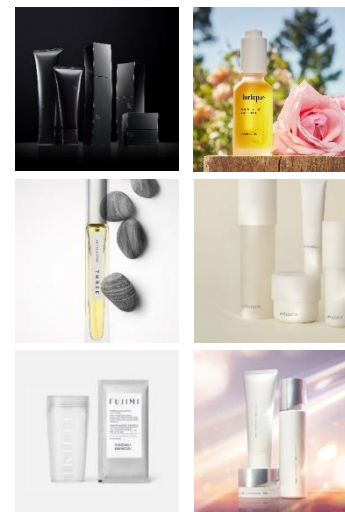
2026  
Consolidated domestic sales

CAGR approx. **4%**

## 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 (LTV).
  - Achieve profitability in unprofitable brands to contribute to income.
- Continue to sow seeds and monetize new businesses.

## <The Group's Brand Lineup>





- Establish brand experience (the One POLA model) to promote the transition from new customer acquisition to high LTV.
- Introduce a new salon model for offline sales, the pillar of relationship-building with customers. (Please see p25 for details.)

### One POLA value proposition

New customers

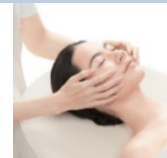
#### Expand and strengthen new contact points

- Offline
  - Strengthen locally-based customer contact points for consignment sales.
  - Open stores in the train station buildings, etc. expected to attract young customers.
  - Develop new sales channels such as specialist cosmetics stores.
- Online
  - Continue to strengthen the entrance function for e-commerce and expand marketing volume.
  - Strengthen communication from stores.



#### Enhance LTV through seamless cross-channel brand experience

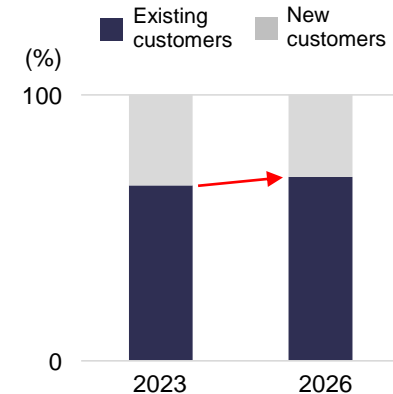
- Introduce the new salon model.
- Strengthen measures to direct e-commerce customers to physical stores through new store websites.
- Enhance purchasing experience through the implementation of new customer contact records.
- Develop the role of e-commerce from a forum for purchasing to a forum for brand experience and enable live two-way communication.



Existing customers

### Change in customer composition

<Customer composition in the domestic business>

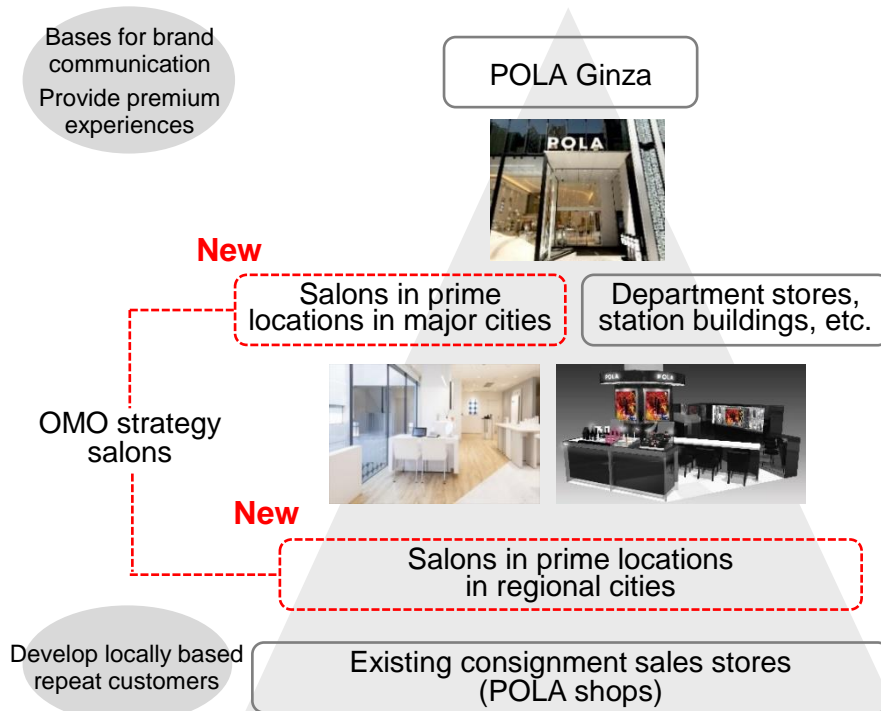


- ✓ Improve the customer retention rate, increase the proportion of existing customers among all customers, and build a strong customer base.
- ✓ In addition, boost profitability by achieving higher LTV.

POLA domestic business  
FY2024–2026 Net sales CAGR **2-3%**

- Relocate offline customer contact points and clarify the role and value provided by each customer contact point.
- Strengthen the rollout of salons as a destination for customer direction through OMO and focus on attracting new customers to stores and retaining customers through store branding.

### Approach to store rollout



### ■ Introduce a new salon model

- Open new high-grade aesthetic salons in major metropolitan areas to communicate the POLA brand.
- Relocate stores to locations with high market potential and boost convenience in regional cities.
- Build a store network to receive customers acquired online and directed to physical stores.
- Continue the incorporation of stores, heavily emphasizing store results, while also introducing systems and mechanisms adapted to the operation of the salon model.

### ■ Enhance customer experience in salons

- Introduce exclusive aesthetic treatment courses under the new salon model and further enhance customer engagement through personalized beauty experiences.
- Focus on training to improve the quality of service provided by Beauty Directors.

### ■ Vision for opening OMO strategy salons

Planned rollout of **300 stores in 2027** in main cities across Japan.

2025: Approx. 50 stores (including 5 major city stores)

2026: Approx. 150 stores\* (including 10 major city stores\*)

\*Cumulative number

- Stably grow the direct selling business pivoting on skincare and build a robust income base.
- Enter untapped markets and expand top-line in new domains.

### Growth pivoting on skincare

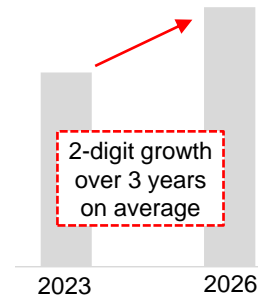
- Sales of *ORBIS U.* experienced double-digit growth in 2023 and high value-added special care grew due to popular attention on high function UV product.
- Launched new products in our focus skin-brightening category (February).



### Expand in growth domains and untapped markets

- Develop sales channels
  - Actively develop external channels as new growth drivers.

<External channels: sales plan>

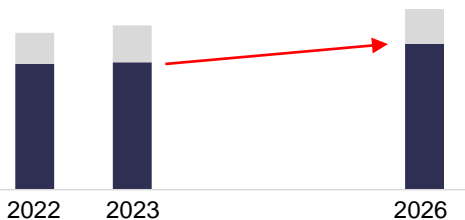


ORBIS U.

### Customer retention and LTV enhancement

<Trend in direct selling customers>

Existing customers (dark blue) New customers (light grey)



Raise the proportion of existing customers and build a strong customer base

- Use our platform for customer data, acquired mainly through the app, to expedite the steps from customer insight analysis to the implementation of measures and execute customer retention scenarios with high precision.
- Introduce a new loyalty program centered on brand empathy and experience to boost customer loyalty and LTV.

### Product rollout

- Strengthen base makeup, centering on *ORBIS U* makeup.
- Expand the product lineup in domains associated with skin beautification, not limited to cosmetics.

ORBIS domestic business  
FY2024–2026 Net sales CAGR **4-5%**

- Swiftly achieving profitability in brands under development remains a challenge.
- THREE will be in a brand regeneration phase, DECENCIA will achieve profitable growth, and FUJIMI will achieve profitability in 2024.

## THREE

- Regenerate the brand through a customer approach pivoting on differentiated “essential oils” and “fragrances” to evolve into a lifestyle brand.

	Until now	From now on
Market	Beauty market	Wellness market
Customer contact points	Centered on makeup	Centered on holistic / fragrance
Customer composition	High proportion of new customers	More repeat customers



THREE Isetan Shinjuku store

## DECENCIA

- Reinforce the increasing trend in customer numbers seen in the second half of 2023 and implement marketing with a greater focus on customer retention and LTV enhancement.
- Improve investment efficiency to achieve profitable growth.



DECENCIA series

## FUJIMI

- Expand the lineup of beauty wellness products centered on protein, for which further market expansion is forecast, enhance customer experience value and strengthen cross-selling.



FUJIMI PERSONALIZED PROTEIN

# The Group's Overseas Strategy

2026  
Consolidated  
overseas sales

Drive the Group's growth and establish an earnings structure.  
CAGR approx. **12%**

Overseas  
sales ratio



## Key Strategy 1 Regrowth in the Chinese market

- We have established a company to oversee management of the Chinese business and we will build a locally-directed Group-wide structure.
- Focus the investment of the Group's management resources to achieve business expansion centered on POLA and multi-brand growth.



## Key Strategy 2 Next Market development

- Establish ASEAN as a new strategic region, formulate strategies on a Group-wide basis, and expedite their implementation (expand offline contact points where customers can experience the brand philosophy through aesthetic and spa treatment, etc., and develop special localized products).
- Swiftly formulate growth scenarios and implement trial rollouts for North America.
- Seek growth opportunities through new brands, including external collaboration and M&A activities.

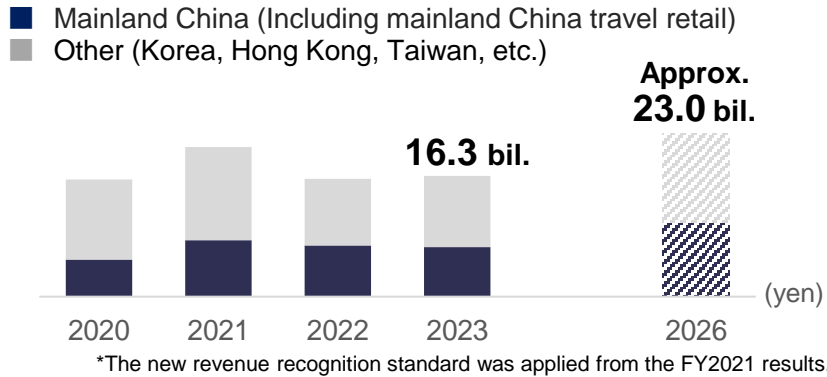


## Key Strategy 3 Ensure profitability for Jurlique

- Continue to position mainland China as our main key market and restructure strategies to adapt to changes in the environment.
- Strengthen contact points expected to expand high-prestige, loyal customer demographic and boost brand recognition.

### Overseas sales plan

#### Trend in Overseas sales\*



- Continue to identify the Chinese market as our main key market based on the scale of brand sales in mainland China and the growth potential for high-prestige skincare.
- Expand customer contact points in ASEAN to enhance brand recognition and accelerate growth in new markets.

POLA overseas business  
FY2024–2026 Net sales CAGR **12-13%**

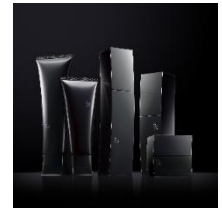
### Restructuring strategies for the Chinese market

**Strategy 1** Focus resources on expanding the high-prestige, loyal customer demographic

- Set the customers in the high-prestige, loyal demographic, expected to invest stably in their own beauty, as a key target, and refine brand value as a luxury brand underpinned by science.
- Selectively open and renew stores and test specialized new experiential store models for the new target demographic and enhance brand experience at stores.
- Strengthen CRM to promote the enclosure of targets, such as workshops and new product trial sessions.

**Strategy 2** Increase the focus on high price range products and develop high value-added services

- Implement marketing pivoting on POLA B.A series and the premium line, B.A GRANDLUXE, and expand the product lineup.
- Introduce high value-added, high-end aesthetic treatment.



B.A series

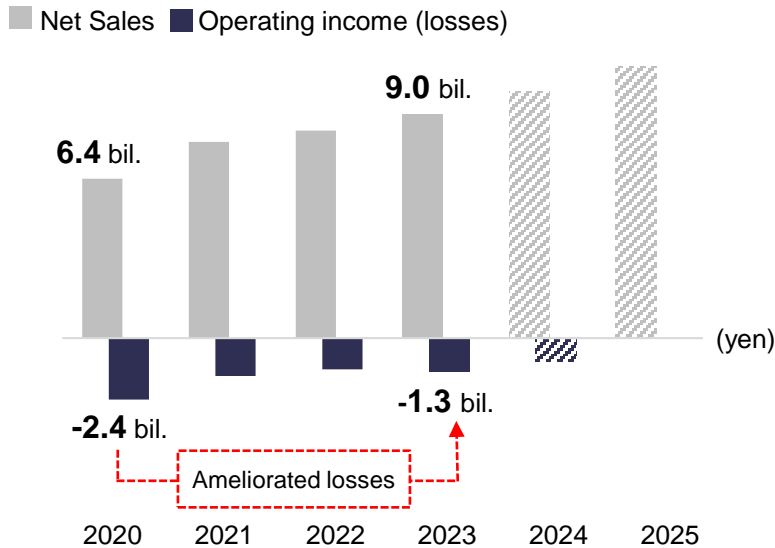


B.A GRANDLUXE IV 29

- Narrow down our key markets to mainland China and Australia, and reset our profitability target for 2025.
- Concentrate resources to expand the top line and achieve greater efficiency in SG&A expenses.

### Progress on achieving profitability

#### Performance Trend\*



\*The new revenue recognition standard was applied from the FY2021 results.

- In addition to the prolonged impact of COVID-19, changes in the market environment in mainland China have caused slower top-line growth.
- The breakeven point is improving and operating losses are shrinking.

### Ameliorate losses through business growth

#### Strategy 1

#### Accelerate growth in key markets

- Focus on acquiring and developing new customers through strategic products such as the face oil category, which grew approximately 40% in 2023.



(Left) *Rare Rose Face Oil*  
 (Right) *Herbal Recovery*  
 (Scheduled for launch in March;  
 Japan launch in June.)

- Selection and focus in marketing investment
  - Mainland China: Expand investment from e-commerce advertising to social media and influencers.
  - Australia: Concentrate investment on strategic products.

#### Strategy 2

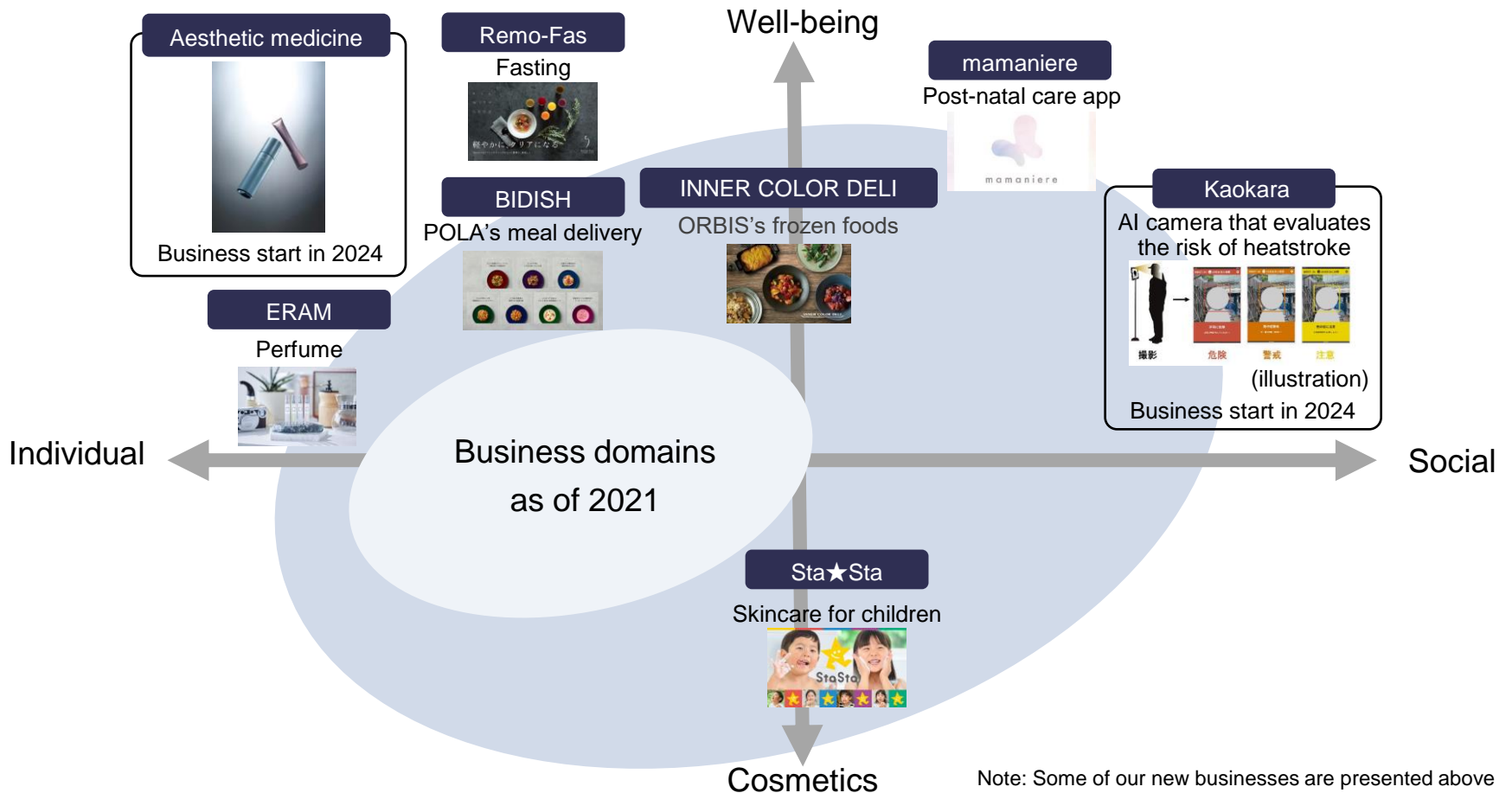
#### Build a sustainable earnings structure

- Renew all products using “Natural & Clean” recipes by 2026 to strengthen global product competitiveness.



# 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.”



<Approach to expanding into new domains>

Utilization and evolution of research techniques and knowledge

Revitalization of the internal venture program

Collaboration with external resources, including Corporate Venture Capital (CVC), etc.



## Research and development

### <Cosmetics Domain>

- The Technical Development Center (TDC) began operation in January 2024
  - ✓ New facility responsible for new dosage forms research and the manufacture of high value-added products
  - ✓ Launch differentiated products on the market more swiftly through integrated “research,” “development,” and “production.”
  - ✓ Create new dosage forms using innovative manufacturing technologies.
  - ✓ Environmentally-friendly facility design and production methods that achieve environmental beautification
- The expansion of the new materials pipeline is progressing as planned and we aim to create industry-first materials with new efficacies.



Technical Development Center

### <New Domain beyond Cosmetics>

- Research is progressing into *Mirror Skin*<sup>(1)</sup> and frailty<sup>(2)</sup> countermeasures as we aspire to create new value transcending the cosmetics category under VISION 2029.

(1) Our research into artificial skin, based on skin copying using iPS cells.


















(2) Indicates a condition in between wellness and the need for long-term care, defined as a state of increased vulnerability resulting from aging-associated decline in the ability to recover from stressors (The Japan Geriatrics Society).

## Approach to investment in research and development

- Continue to invest at least 2% of consolidated net sales in research and development.
- Shift resources to the development of new technologies and new dosage forms at the TDC.

## The unique KPIs to realize a sustainable society

No changes have been made to the five categories, established based on the Group's strengths and social responsibilities.

Materiality Categories	Corresponding SDGs	KPIs	Targets for 2029
QOL improvement through innovative technology services	  	Number of new businesses created <sup>(1)</sup>	31 in total (2026 target)
		Brand recognition and loyalty	Brand awareness and enthusiasm
		Number of research awards won at home and aboard	10 in total
		Number of researchers in cutting-edge dermatology research	120
Regional revitalization	  	Number of regional entrepreneur owners	1,200
		Number of initiatives contributing to the local economy	78
Culture, Arts, and Design	 	Number of new brand experiences created that utilized art	20
		Number of participants in workshops on liberal arts topics	550,000 in total
All-inclusive human resources	   	Job satisfaction and engagement score	75%
		Women's empowerment	Percentage of female executives: 30-50%
			Percentage of female division managers <sup>(2)</sup> : 35% (2026 target) <span style="color: red;">New for 2024</span>
			Percentage of female managers: 50% or higher
		Percentage of candidates to become management executives	200%
Environment	    	CO <sub>2</sub> emissions	Scope 1, 2 down 42% (vs. 2019) Scope 3 down 30% (vs. 2019)
		Water consumption	Down 26% (vs. 2019)
		Sustainable palm oil procurement	100% <span style="color: red;">New for 2024</span>
		Plastic cosmetics containers and packaging consumption	100% sustainable design based on 4R's

(1)The degree of achievement of the KPIs boxed in red is linked to compensation for the Group's corporate executives (medium- to long-term incentive).

(2) POLA ORBIS HOLDINGS INC., POLA INC. and ORBIS Inc.

## Main Initiatives

### All-inclusive Human Resources

- Promote the creation of environments where employees can make the most of their abilities, regardless of gender, nationality, or age. We have established the percentage of female division managers (35% by 2026) as a new KPI for our sustainability strategy.
- Support employees to build their careers autonomously, provide opportunities for them to learn, and focus on developing leaders with rich individuality to drive the Group's growth.
- Create workplace environments to promote job satisfaction and enhance our engagement with employees.

### Environment

- Acquired SBT 1.5°C certification, aiming to achieve net-zero CO<sub>2</sub> emissions by 2050.
- Accelerate the introduction of renewable energy, on target to source 70% of the electricity we consume from renewable energy (as of 2023).
- Develop environmentally-friendly products, expand the use of refills and simple packaging, and aim for the 100% sustainable design of cosmetics containers and packaging based on the 4R's\*.

\*Reduce/Reuse/Replace/Recycle



The solar power generation system at Jurlique's Adelaide factory

## Inclusion in ESG indexes and external ratings

- MSCI Japan Empowering Women Index (WIN)
- FTSE4Good Index Series and FTSE Blossom Japan Index
- SOMPO Sustainability Index
- Selected by CDP as a "Climate Change A List" company, the highest rating, for the third consecutive year
- Supplier Engagement Leader, CDP



**【Enhancing Capital Profitability】**

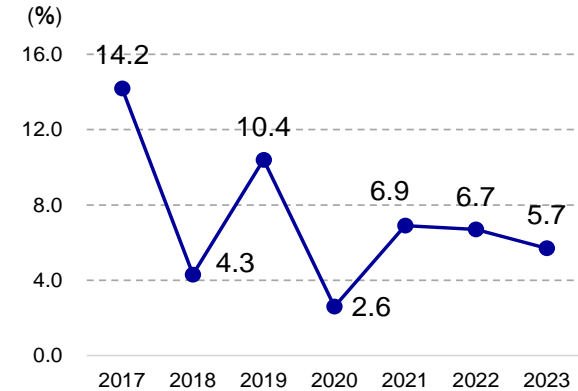
Return on equity (ROE) has been declining due to the decrease in profit. Under the new Medium-term Management Plan, we aim to achieve ROE of at least 10% by 2026 through capital profitability enhancement founded on stable and sustainable business growth.

## Initiatives to achieve the ROE targets

	FY2023 Result	2026 Target	2029 Target
ROE	5.7%	10% or higher	14% or higher

- Swifter decisions to discontinue unprofitable businesses and brands
- Shareholder returns through stable dividends
- Greater balance sheet efficiency
- Strategic investment to achieve sustainable growth

ROE movement

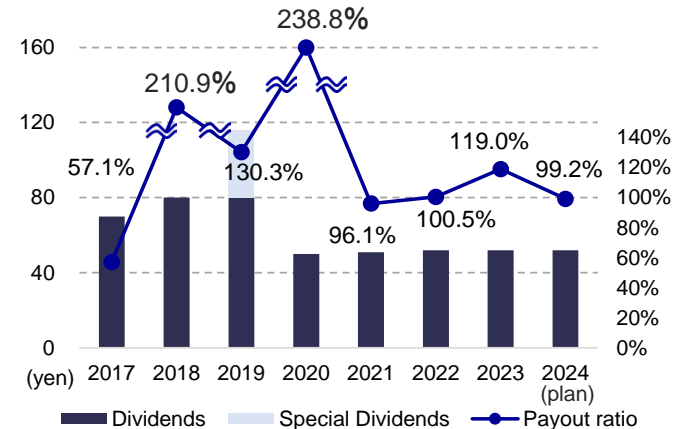


## Improvement of Shareholder Return

- With a policy of consolidated payout ratio of **60% or higher**, aim for steady increases in dividends, in line with profitable growth.
- Purchases of treasury stock shall be considered based on our investment strategies, as well as market prices and liquidity of the Company's shares.

Dividends forecast for FY2024:

- Dividend per share : **¥52** (Interim ¥21, Year-end ¥31)
- Consol. payout ratio : 99.2%



## Part II 2024–2026 Medium-term Management Plan

1. Review of the Previous Medium-term Management Plan and Recognition of Current Status
2. 2024–2026 Medium-term Management Plan
3. Forecasts for Fiscal 2024

(mil. yen)	FY2023	YoY Change	
	Full-year Results	Amount	%
Consol. net sales	173,304	6,996	4.2%
Beauty care	168,477	6,822	4.2%
Real estate	2,078	(5)	(0.2%)
Others	2,748	178	7.0%
OP income	16,080	3,499	27.8%
Beauty care	16,354	2,561	18.6%
Real estate	440	(51)	(10.5%)
Others	149	52	54.7%
Reconciliations	(863)	936	-
Ordinary income	18,469	3,541	23.7%
Profit attributable to owners of parent	9,665	(1,781)	(15.6%)

FY2024	YoY Change	
	Full-year plan	Amount
179,000	5,695	3.3%
174,000	5,522	3.3%
2,250	171	8.3%
2,750	1	0.1%
17,900	1,819	11.3%
19,650	3,295	20.2%
(50)	(490)	-
100	(49)	(33.2%)
(1,800)	(936)	-
17,900	(569)	(3.1%)
11,600	1,934	20.0%

Assumed exchange rates: 1.00 AUD = 93.0 JPY (PY 93.33) 1.00 CNY = 19.7 JPY (PY 19.82)

	FY2023
Shareholder returns	Annual ¥52 (Consol. Payout ratio 119.0%)
Capital investment	¥17,478 mil.
Depreciation	¥7,712 mil.

	FY2024 (plan)
Shareholder returns	Annual ¥52 (Interim ¥21, Year-end ¥31) (Consol. Payout ratio 99.2%)
Capital investment	¥ 13,000mil. - ¥14,000 mil.
Depreciation	¥ 8,000mil. - ¥9,000 mil.

# Appendices

## (Appendix) Quarterly Segment Results

### ■ Net sales

(mil. yen)	FY2023 Jan.–Mar.		FY2023 Apr.–Jun.		FY2023 Jul.–Sep.		FY2023 Oct.–Dec.	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Consolidated net sales	42,136	11.9%	43,700	6.4%	40,902	(0.0%)	46,564	(0.2%)
Beauty care	40,950	12.1%	42,578	6.7%	39,731	(0.2%)	45,216	(0.5%)
Real estate	518	(0.9%)	518	0.3%	521	(0.1%)	520	(0.2%)
Others	666	7.1%	603	(9.3%)	650	13.3%	827	16.9%

### ■ Operating income

(mil. yen)	FY2023 Jan.–Mar.		FY2023 Apr.–Jun.		FY2023 Jul.–Sep.		FY2023 Oct.–Dec.	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Consolidated operating income	4,549	137.9%	4,416	47.0%	2,946	7.1%	4,167	(15.2%)
Beauty care	4,359	115.1%	4,354	35.2%	2,993	(2.6%)	4,646	(15.1%)
Real estate	161	(14.7%)	115	(9.0%)	142	25.2%	19	(67.4%)
Others	2	113.5%	28	(59.1%)	34	36	84	203.6%
Reconciliations	26	331	(81)	329	(224)	210	(583)	65

Note: Where operating income (current or previous year) is negative, YoY change represents YoY difference (mil. yen).



## (Appendix) Quarterly Results by Brands

### ■ Net sales

(mil. yen)	FY2023 Jan.–Mar.		FY2023 Apr.–Jun.		FY2023 Jul.–Sep.		FY2023 Oct.–Dec.	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Beauty care net sales	40,950	12.1%	42,578	6.7%	39,731	(0.2%)	45,216	(0.5%)
POLA	24,183	13.9%	25,579	7.4%	23,097	(5.4%)	25,638	(4.7%)
ORBIS	9,977	6.8%	10,924	12.4%	10,324	14.1%	11,647	13.0%
Jurlique	1,908	(0.9%)	1,930	11.6%	2,042	17.9%	3,151	5.0%
Brands under development	4,217	14.5%	4,133	(2.5%)	4,250	3.1%	4,766	(1.8%)

### ■ Operating income

(mil. yen)	FY2023 Jan.–Mar.		FY2023 Apr.–Jun.		FY2023 Jul.–Sep.		FY2023 Oct.–Dec.	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Beauty care operating income	4,359	115.1%	4,354	35.2%	2,993	(2.6%)	4,646	(15.1%)
POLA	3,501	117.3%	3,511	6.8%	2,273	(38.1%)	2,268	(42.2%)
ORBIS	1,449	(2.4%)	1,678	68.2%	1,322	108.5%	1,890	9.1%
Jurlique	(579)	(256)	(503)	59	(452)	94	185	10.7%
Brands under development	(152)	453	(275)	159	(150)	567	279	627

Note: Where operating income (current or previous year) is negative, YoY change represents YoY difference (mil. yen).

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

: Totals for the beauty care business include results for the H2O PLUS brand (liquidation completed in December 2023).

# (Appendix) Beauty Care Business Results for FY2021–FY2023 by Brands

(mil. yen)	FY2021	FY2022	FY2023	FY2022–FY2023 YoY Change	
	Results (recalculated under the 2022 standard)	Results	Results	Amount	%
Consolidated net sales	174,896	166,307	173,304	6,996	4.2%
Beauty care net sales	170,403	161,654	168,477	6,822	4.2%
POLA	105,769	96,371	98,499	2,127	2.2%
ORBIS	39,071	38,417	42,874	4,457	11.6%
Jurlique	7,940	8,388	9,032	644	7.7%
Brands under development	16,505	16,892	17,368	475	2.8%
Consol. operating income	15,582	12,581	16,080	3,499	27.8%
Beauty care operating income	15,754	13,793	16,354	2,561	18.6%
POLA	15,144	12,495	11,555	(940)	(7.5%)
ORBIS	5,965	4,850	6,340	1,490	30.7%
Jurlique	(1,542)	(1,266)	(1,350)	(84)	-
Brands under development	(3,011)	(2,105)	(298)	1,807	-

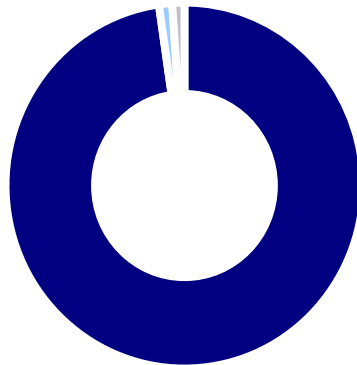
Note : Consolidated operating income and loss for each brand are shown for reference purpose only (unaudited).

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

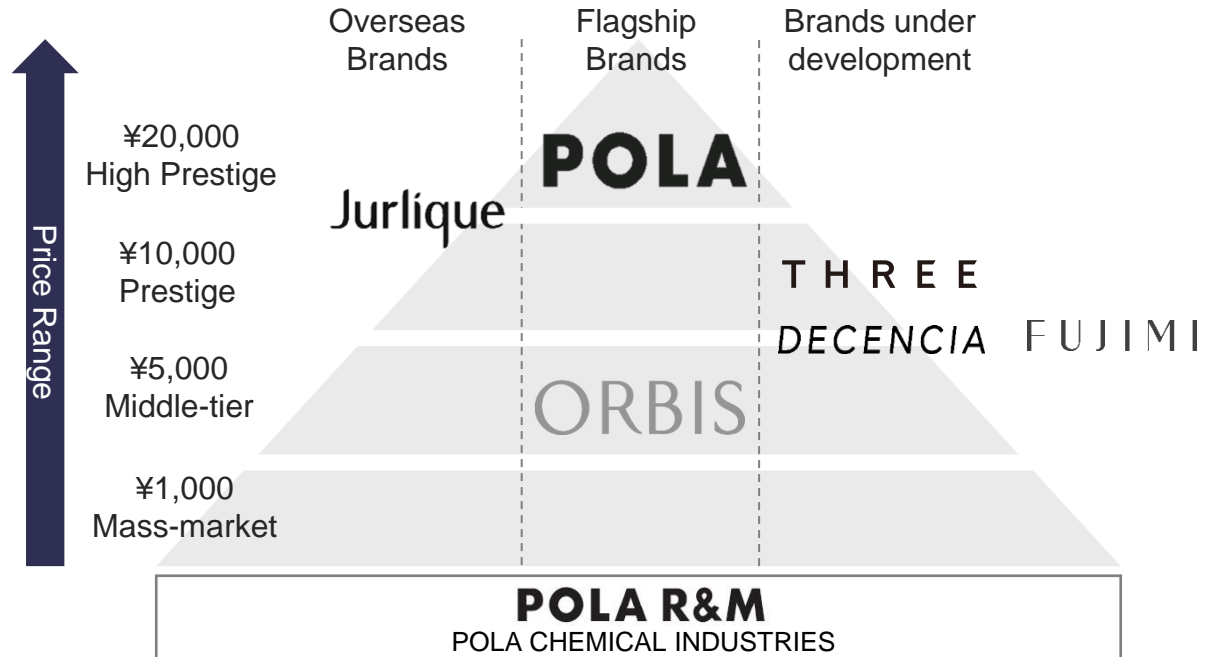
Beauty care is the core business of the Group, and six different cosmetics brands are operated under the Group umbrella.

FY2023

Consol. Net Sales  
¥173.3 bil.



- Beauty care business 97%
- Real estate business 1%
- Other businesses 2%  
(building maintenance business)



### Our strengths

- Multi-brand strategy
- Focus on skincare products
- Flagship brands, POLA and ORBIS own and operate through their own unique sales channels
- Meeting diversified needs of customers
- High customer repeat ratio
- Strong relationships with customers

	Sales ratio*	Brand	Concept and products	Price	Main sales channel
Flagship brands	59%	<b>POLA</b> Since 1929	<ul style="list-style-type: none"> <li>High-prestige skincare</li> <li>Leading-edge technology in aging-care and skin-brightening fields</li> </ul>	Approx. ¥10,000 or higher	<ul style="list-style-type: none"> <li>JP: Consignment sales, department stores and e-commerce</li> <li>Overseas: Department stores, directly-operated stores, duty free stores, e-commerce and cross-border e-commerce</li> </ul>
	25%	<b>ORBIS</b> Since 1984	<ul style="list-style-type: none"> <li>Aging-care brand to draw out people's intrinsic beauty</li> </ul>	Approx. ¥1,000-¥3,000	<ul style="list-style-type: none"> <li>JP: Mail-order (e-commerce and catalog) and directly-operated stores</li> <li>Overseas: E-commerce, cross-border e-commerce, duty free stores, and retail stores</li> </ul>
Overseas Brands	6%	<b>Jurlique</b> Acquired in 2012	<ul style="list-style-type: none"> <li>Premium natural skincare brand from Australia</li> </ul>	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> <li>AU: Department stores, directly-operated stores and e-commerce</li> <li>Overseas: Department stores, directly-operated stores, duty free stores, e-commerce and cross-border e-commerce</li> </ul>
Brands under development		<b>THREE</b> Since 2009	<ul style="list-style-type: none"> <li>Skincare made with natural ingredients from Japan and fashion-forward make-up</li> </ul>	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> <li>JP: Department stores, directly-operated stores and e-commerce</li> <li>Overseas: Department stores, duty free stores, e-commerce and cross-border e-commerce</li> </ul>
	10%	<b>DECENCIA</b> Since 2007	<ul style="list-style-type: none"> <li>Skincare for sensitive skin</li> </ul>	Approx. ¥5,000-¥10,000	<ul style="list-style-type: none"> <li>JP: E-commerce</li> <li>Overseas: Cross-border e-commerce</li> </ul>
		<b>FUJIMI</b> Acquired in 2021	<ul style="list-style-type: none"> <li>Personalized beauty care brand operated by tricot, Inc.</li> </ul>	Approx. ¥6,000-¥10,000	<ul style="list-style-type: none"> <li>JP: E-commerce</li> </ul>

\*Sales ratio in the beauty care business as of FY2023. Brands under development includes OEM business.

## VISION 2029

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

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

