POLA ORBIS HOLDINGS INC.

POLA GINZA BUILDING 1-7-7 Ginza,
Chuo-ku, TOKYO 104-0061, JAPAN
Tel.: +81-3-3563-5517
www.po-holdings.co.jp/en/

POLA ORBIS HOLDINGS

POLA

ORBIS

Jurlique

THREE

DECENCIA

FUJIMI

POLA ORBIS HOLDINGS
Integrated Report 2024

VISION

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

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 Integrated 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 2024—the 12 months from January 1, 2024 to December 31, 2024—but some fiscal 2025 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 2024 has been prepared on the basis of data available as of February 14, 2025.

Editorial Structure The Corporate 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 IR carries responsibility for production of this report.

WE SUPPORT

PART 1
POLA ORBIS Group direction

Our perception of value/what we hold dear

Value creation story

Strategy

PART 2
Activities that underpin value creation

Five non-financial materiality categories

PART 3
Financial data

Our perception of value/what we hold dear

To Our Stakeholders

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." To achieve this goal, in addition to our existing value provision centered on cosmetics, we are expanding our business portfolio beyond well-being and individuals into the social domain, aiming for sustainable business growth in Japan and overseas.

Fiscal 2024 was the first year of the medium-term management plan (2024–2026), which is the second stage toward achieving VISION 2029. In line with this plan, we focused efforts on priority strategies to 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; 5) strengthen R&D capabilities for new value creation; and 6) strengthen sustainability combining the resolution of social issues with uniqueness. ORBIS marked favorable progress, maintaining double-digit increases in sales and income, but POLA struggled, ultimately impacting consolidated results, which fell short of targets.

We see fiscal 2025 as the year to build on the steady growth and enhanced profitability of ORBIS and to focus efforts on revitalizing POLA's domestic operations, which hinge on the consignment sales channel. We recognize that this is the year to focus on the structural reform of our overseas business, especially in mainland China, where the external environment is severe. In January 2025, the POLA ORBIS Group revamped the management structure of Group operating companies. Under this new structure, we will work as a cohesive corporate body toward achieving VISION 2029, expediting a recovery in business results and further refining the unique qualities of portfolio brands.

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

鈴木郷史
Satoshi Suzuki
Representative Director and Chairman

横手喜一
Yoshikazu Yokote
Representative Director and President

Our perception of value/what we hold dear

A Message from the President

Under a new Group management structure, we will maximize the individuality and sensitivity of every employee to create new value.

横手喜一

Yoshikazu Yokote
Representative Director and President

Looking back on fiscal 2024 results

Against a backdrop of a gradual recovery in the domestic economy, demand in the cosmetics market shifted favorably, substantiated by growth in the low single digits. But overseas, especially in mainland China, sluggish economic conditions persisted, and spending on cosmetics mirrored the economic situation. Under this business environment, ORBIS posted double-digit increases in sales and income in fiscal 2024, but POLA struggled domestically and overseas, experiencing eroded consolidated sales and income that left significant room for improvement. We know that falling short of targets despite revising our consolidated performance forecast downward, at the announcement of second-quarter financial results, requires serious reflection. The reasons for the results are very clear: the recovery of POLA's domestic consignment sales channel*[1] is taking longer than expected and measures to address challenges in the economic environment, particularly in mainland China, have been inadequate.

In the wake of the COVID-19 pandemic, POLA found that relationships with existing customers, especially those who had been loyal to the brand for ages, had weakened. Thus, the most important issue for POLA has been to strengthen the connection between brand and customers and rebuild the customer base. Meanwhile, ORBIS has successfully won the loyalty of a wide range of customers by offering high-quality products at affordable prices, steadily expanding its base of loyal customers.

*1 Consignment-style salon business run by Beauty Directors

Aim of new Group management structure through replacement of operating company presidents

In 2022, POLA ORBIS HOLDINGS announced a long-term management plan for the Group—VISION 2029—with end year 2029 coinciding with the Group's 100th anniversary. The year 2025 marks the halfway point to our 2029 finish line, but progress toward goals has been derailed in both the domestic and overseas businesses. To resolve issues specific to each brand and bridge the current gap between anticipated results and actual results through the second half of VISION 2029, we implemented a new management structure in January 2025 by appointing new presidents and a different lineup of officers at Group operating companies.

Our biggest challenge is to strengthen brand power so that we can reach VISION 2029 targets. Toward that end, we have to take a medium- to long-term perspective in defining strategies that will deliver the desired results. POLA urgently needs to rebuild close relationships with its domestic customers. Takuma Kobayashi, who executed highly precise customer-oriented marketing methods and enhanced customer-company communication at DECENCIA and ORBIS, is the new president of POLA. We expect him to take the initiative on swiftly implementing insightful strategies. Meanwhile, Hiroe Yamaguchi has assumed the role of president at ORBIS, where she will certainly draw on a proven track record of creating high-value-added series at POLA and building a stable customer base at DECENCIA. We expect her to lead to an enhanced connection between customers and brand and improve lifetime value for customers while reinforcing branding—an area of her expertise—to make ORBIS even more appealing. Taking the corporate reins at DECENCIA is Emi Nishino, who served as a director at ORBIS. We expect her to promote stronger messaging to better engage the steadily increasing number of repeat customers while implementing growth strategies such as launching highly functional products to attract new customers and raise brand presence.

The true value of the new management structure lies in its potential to boost brand power and solidify customer composition more quickly than before, driven by the unique perspective that each new president brings in recognizing brand-specific issues and hypothesis-testing fine-tuned to that brand. This structure will facilitate evolution of the Group's business portfolio combining 1) different value perceptions and experiences gained in directing the strategic trajectory of brands and 2) other brands distinguished by unique characteristics.

New Management Structure (as of January 1, 2025)

Takuma Kobayashi
Representative Director and President
POLA INC.

Hiroe Yamaguchi
Representative Director and President
ORBIS Inc.

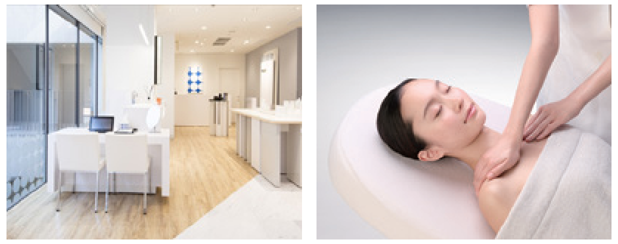
Emi Nishino
Representative Director and President
DECENCIA INC.

Initiatives under 2024–2026 medium-term management plan

The 2024–2026 medium-term management plan that currently guides Group activities is the second stage of VISION 2029. Let me provide a progress report on the first year of the second stage and describe initiatives going forward under each of the stated strategies.

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

POLA has been struggling since the COVID-19 pandemic, largely due to a decrease in customers over its consignment sales channel. However, stores on a growth track have bucked the trend because the operators flexibly adapted to changes in the market environment and, on their own initiative, utilized social media, etc., to attract customers and deepen communication with their customer base overall. Stores on a growth track make up a solid 20% of POLA's salon network, and the company introduced a new salon strategy to capitalize on the momentum generated by profitable salons and accelerate development of a store-on-a-growth-track network. Under this strategy, newly established salons will offer higher-end services in a more upmarket space, enticingly adapted to location, concept and current trends. Salons will be opened primarily in Japan's three major metropolitan areas, core cities and large commercial districts. Existing salons will be relocated and renovated, with the aim of opening a total of 180 new-style salons by 2027.



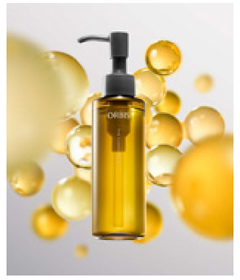
Increasing brand value of POLA salons

To date, POLA has accumulated a vast amount of customer data through direct selling, including notes about customer thought processes or interests gleaned from conversations during customer contact. I believe that POLA possesses a unique underlying strength because the individuals who interact with customers are sensitive to their needs and use in-person contact opportunities to build stronger relationships based on knowledge that goes beyond simple purchasing history to deep insight into what customers are truly looking for. POLA will maximize this underlying strength and, under the new management structure, strive to achieve a quick recovery in business results.

On the products front, POLA plans to launch a new aesthetic service in August 2025, followed by its new and improved high-prestige series, *B.A*, in September. The company will leverage strengths by building good customer relationships through aesthetic services and improved lifetime value with high-performance skincare products. Concerted efforts will be directed toward reversing the current trend of declining revenue and returning POLA's domestic business overall to its original state, where the number of loyal customers steadily increased.

POLA's new and improved high-prestige series, *B.A*

ORBIS is successfully attracting customers to its skincare, especially the *ORBIS U* series, and steadily improving lifetime value by cross-selling to existing customers its high-performance products such as skincare that targets skin-brightening, dark spots and wrinkles. In addition, the company is making favorable progress in expanding customer touch points through external channels, highlighted by the launch of *ORBIS SHOT PLUS* exclusively for external channels, which will serve as a gateway for wider access to the brand. In May 2025, ORBIS debuted a cleansing oil as a strategic product designed to attract not only existing customers but also new customers. With the widespread availability of makeup products that claim to be long-lasting, customers can be extremely critical in their reviews about how well a cleanser works and how it leaves their skin after use. With this in mind, ORBIS knew the market needed a cleanser that would surpass the usual standards in removing makeup and pore-clogging impurities, and embarked on developing its first cleansing oil. Capitalizing on the R&D capabilities that the Group has cultivated over the years and its abundant track record in product development, we will earn even greater customer trust and loyalty.



ORBIS THE CLEANSING OIL

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

Many issues remain to be addressed in our overseas operations. In POLA's mainland China operations, the number of store openings was on the rise and the business achieved profitability. But from the second half of 2023, the economic environment changed dramatically, and the number of potential shoppers at malls and department stores plummeted, as if the previously substantial middle class had simply vanished. Such factors make a market recovery in the near future unlikely. In response, POLA reshaped its strategy to adapt to the changing conditions, shuttered unprofitable stores and embarked on community-store development as a new approach to improving customer contact. Targeting affluent customers, POLA will open stores in areas near districts where the wealthy reside and then unveil experience-based initiatives, such as community-building events, beauty services and workshops, to deepen relationships with existing customers and create new touch points to connect with new customers. In the ASEAN region, demand for cosmetics is expected to increase, supported by higher disposable incomes against a backdrop of continued economic growth. The positive atmosphere has benefited POLA as well, with business results improving in this market over the last few years and investment accelerated to quickly expand customer touch points and, by extension, the POLA ORBIS Group. The goal of these initiatives is to position the ASEAN region as a key market of overseas strategy. As of 2024 year-end, POLA was operating 23 stores in the ASEAN region. With a commitment to open new stores, the local network could even double by 2027.

Community store in mainland China

Jurlique had been moving toward reduced losses from the success of face oil and other skincare products, but a sudden deterioration in business conditions, especially in mainland China, caused losses to expand beyond management's estimate. In certain markets, namely, mainland China and Hong Kong, the company is pursuing structural reforms more thoroughly than before, assuming that a recovery in those markets is not likely anytime soon. Jurlique is, of course, closing unprofitable stores, but rather than continuing along the same strategic path, management will make critical changes to the very structure and functions of the organization, implementing measures to simplify operations and drastically boost efficiency, while establishing a framework that will ensure profit even if sales do not grow significantly. The goal is to turn a profit by 2026.

Rare Rose Face Oil

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

We are working to rebuild THREE's brand value with an emphasis on essential oils. As a holistic care brand, THREE presents an approach built around essential oils extracted from domestic sources with careful attention paid to harvest time and extraction method. We aim to strengthen THREE's customer base, a priority issue, by enhancing the appeal of products and developing experience-oriented customer touch points dedicated to the scents of essential oils. The facility in the city of Karatsu, Saga Prefecture, where THREE's essential oils are refined, grows the herbs and other source plants from which raw materials for cosmetics are produced. This location serves as a combined laboratory and experience space, playing a role in communicating the brand value to customers and focusing on developing domestic high-quality herbal ingredients.

THREE HIBIYA, where customers can enjoy the scents of plant-derived essential oils

DECENCIA is a line of anti-aging care and skin-brightening products that can be used with peace of mind by people with sensitive skin. This is the message that the company wants customers to understand as its brand value. The brand is steadily attracting new customers, prompting efforts to build a more stable customer structure through sophisticated, data-utilizing customer relationship management (CRM).

FUJIMI turned a profit in fiscal 2024. tricot initially launched FUJIMI as a personalized supplement brand, and personalized protein has been well received by many customers as it fits the lifestyle and values of FUJIMI's target wellness-conscious customer segment. tricot aims to achieve further growth by reinforcing the FUJIMI lineup with seasonal cross-selling centered on protein products.

Strategy 4 Enhance the brand portfolio and expand business domains

POLA ORBIS HOLDINGS is keen to utilize accumulated knowledge cultivated through skin research to extend the Group's reach into uncharted domains. In 2024, the Company started the aesthetic medicine business, which draws on the Group's proprietary dermatology research results. Entry into this new beauty domain was guided by the thinking that, ideally, aesthetics and medicine should not be segmented and that people are free to choose a beauty method matched to personal preference. Meanwhile, the *Kaokara* business, which uses an AI camera for heat countermeasures, is steadily attracting more clients. *Kaokara* was developed from results gathered by POLA CHEMICAL INDUSTRIES over many years in the field of facial analysis technology. Heat countermeasures are urgently needed not only at construction sites and

Dive® medical cosmetics series offered exclusively to clinics factories but also in many other places such as schools. The *Kaokara* business will surely help ameliorate social issues associated with health risks in hot conditions.

In addition to these two businesses, POLA ORBIS HOLDINGS continues to encourage ideas for projects and external collaboration that could lead to new businesses, including means such as an internal venture program that shapes employee-presented ideas and awareness of issues into start-ups as well as a Corporate Venture Capital (CVC) business and Brand Studio, initiatives to cocreate new businesses with partners. All these businesses are still in the investment phase and small in scale, but they represent a commitment to explore a number of approaches to nurture new businesses and new brands. We hope that some of these businesses will grow into brands on a par with THREE and DECENCIA.

Strategy 5 Strengthen R&D capabilities for new value creation

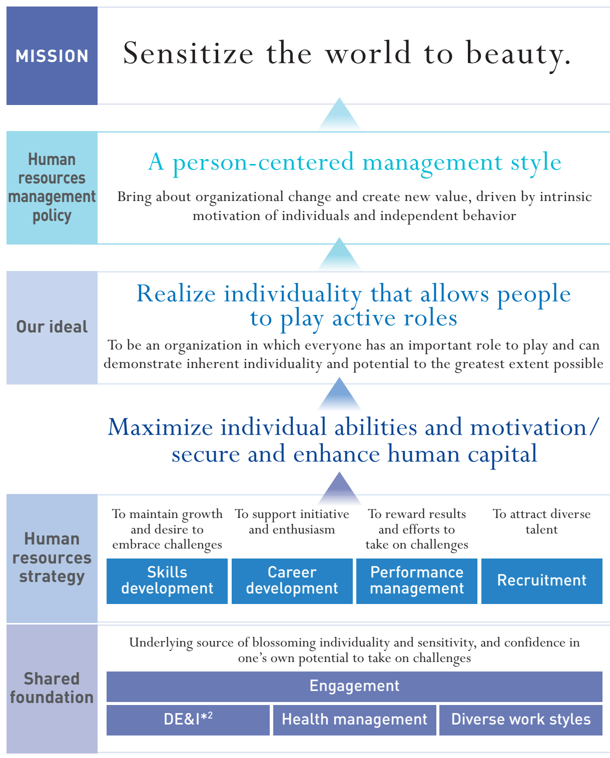
The Technical Development Center (TDC), a new research and production facility, began operations in 2024. Through the introduction and practical application of manufacturing technologies that differ from conventional cosmetics-making processes, TDC will create original formulations and develop unprecedentedly high-performance, highly effective cosmetics. TDC will also pursue innovation in cosmetics, including the evolution of multiple new materials pipelines, which is a Group strength.

R&D capabilities are an extremely vital source of competitiveness that gives brand-driven companies in the Group an edge in creating new value and enhancing the uniqueness of their brands. Investment in new product and technology development is ongoing, always looking five to 10 years ahead. POLA ORBIS HOLDINGS will continue to authorize investment of at least 2% of consolidated net sales to R&D to accelerate the creation of new value.

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

To underpin sustainability, we established and continue to refine Group-original KPIs that reflect inherent strengths and social responsibilities. 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. Of these areas, all-inclusive human resources are viewed as the most significant. Human resources are the true cornerstone of management and support the Group's growth. Our human resources management policy is defined as a person-centered management style because we believe that the thoughts, awareness and intrinsic motivation unique to each employee are the building blocks of organizational management.

Consider a corporate organization from the perspective of people. An environment in which people communicate across organizational boundaries and job titles is likely to provide more inspiration and generate more insights and ideas than an environment where daily interaction is limited to dealings with others within the same department or a structure where only people connected to a particular brand or lineup work together. I talk to employees daily, an activity that supports good personal rapport and allows me to learn about issues in the workplace. For this reason, I am fully in favor of Group-wide training to build connections that transcend the boundaries of departments and companies, not only for myself but also for the leadership team and employees. This corporate culture is clearly reflected in the new management structure. Our goal is to create an organization characterized by mutual respect for and a deeper appreciation of the values and judgment criteria that people in other departments attach importance to—an organization that generates new challenges and thus fuels inspiration and enthusiasm. Toward this end, we actively facilitate transfers across the Group, regardless of brand, be it POLA, ORBIS, DECENCIA or any other brand in our portfolio, so that all members can gain experience, and encourage them to collaborate with different departments and engage in friendly competition to build new skills.



*2 DE&I: Diversity, equity & inclusion

Furthermore, to foster an environment and corporate culture that motivate each and every individual and inspire active involvement throughout the Group, POLA ORBIS HOLDINGS set its engagement score as a KPI in progress toward achieving the desired environment and culture. We are taking a strategic approach to reach our target score. In 2025, we established A Person-Centered Management (AP-CM) Committee to shape the future of the organization through the achievements of individuals. Led by POLA ORBIS HOLDINGS, the committee showcases success stories for the Group.

Toward enhanced corporate value and stronger management capabilities

POLA ORBIS HOLDINGS' price-to-book ratio hovered around 1.7 times in March 2025 and has been decreasing for the past few years. Since stock prices fluctuate with changes in business performance, we know, in terms of capital cost as well as stock price, that our priority must be to put consolidated results back on a growth trajectory, with an emphasis on the performance of domestic businesses, especially POLA.

We will continue to consider cash allocation and balance sheet management. We had been applying a medium- to long-term perspective to investment allocation, such as increased funds for investment in R&D, but, going forward, we must consider the state of management over the medium to long term and make investments based on a more strategic narrative. Regarding shareholder returns, we will maintain our two basic policies—a consolidated dividend payout ratio of 60% or more and enhanced shareholder returns through increased operating income and net income per share. In addition, we must disclose our management philosophy in a way that is easy for investors at home and abroad, including our shareholders, to understand, and we must strive to raise expectations for the POLA ORBIS Group's growth and future potential.

To our stakeholders

As I mentioned at the start of this message, 2025 marks the halfway point to our VISION 2029 destination. During the second half, an emphasis will be placed on discussions with a view of the future and concrete strategies to implement. The decision to establish a new management structure in March 2025 mirrors a renewed commitment to improve the effectiveness of strategies with Group-wide impact and reinforce governance. Throughout 2024, the Board of Directors repeatedly discussed what expertise and areas are insufficient for improving corporate value in the future. The board concluded that there was an urgent need to evaluate and analyze each business and make better use of customer data, an unmatched Group asset. In line with these findings, the Company appointed two outside directors with expertise in data technology and business evaluation and analysis, and added one corporate auditor to enhance governance. However, changes will not end here. A healthy corporate metabolism requires constant management renewal to forge a structure that is the most appropriate and absolutely necessary for any given time.

We are living in the VUCA*3 era, a time of unpredictability and unknowns about what might happen when. Consequently, it is becoming increasingly unclear if the lifestyles and healthcare people enjoy now will continue in the future. In times such as this, past precedents and even common sense are no longer applicable. On a personal note, I always wish I could be free from old assumptions and successes, but it is actually very difficult to live completely untouched by the past. This is exactly why the concept of a person-centered management carries such weight. My goal is to shape an organization where every individual, including myself, is always asking, "Why haven't we done this yet?" or "Why are we still doing this?" and communicates these questions to others to prompt a course correction.

Turning to social issues of global consequence such as conflicts, climate change and inequality, we clearly see that the days of making management decisions based solely on economic rationality and in the best interests of a company or organization are over. As described in the Group's mission statement, we seek to "sensitize the world to beauty." We must detect changes or anything slightly out of the ordinary to do more for consumers beyond the realm of cosmetics and discover things that enrich people's lives. I believe this is the Group's purpose.

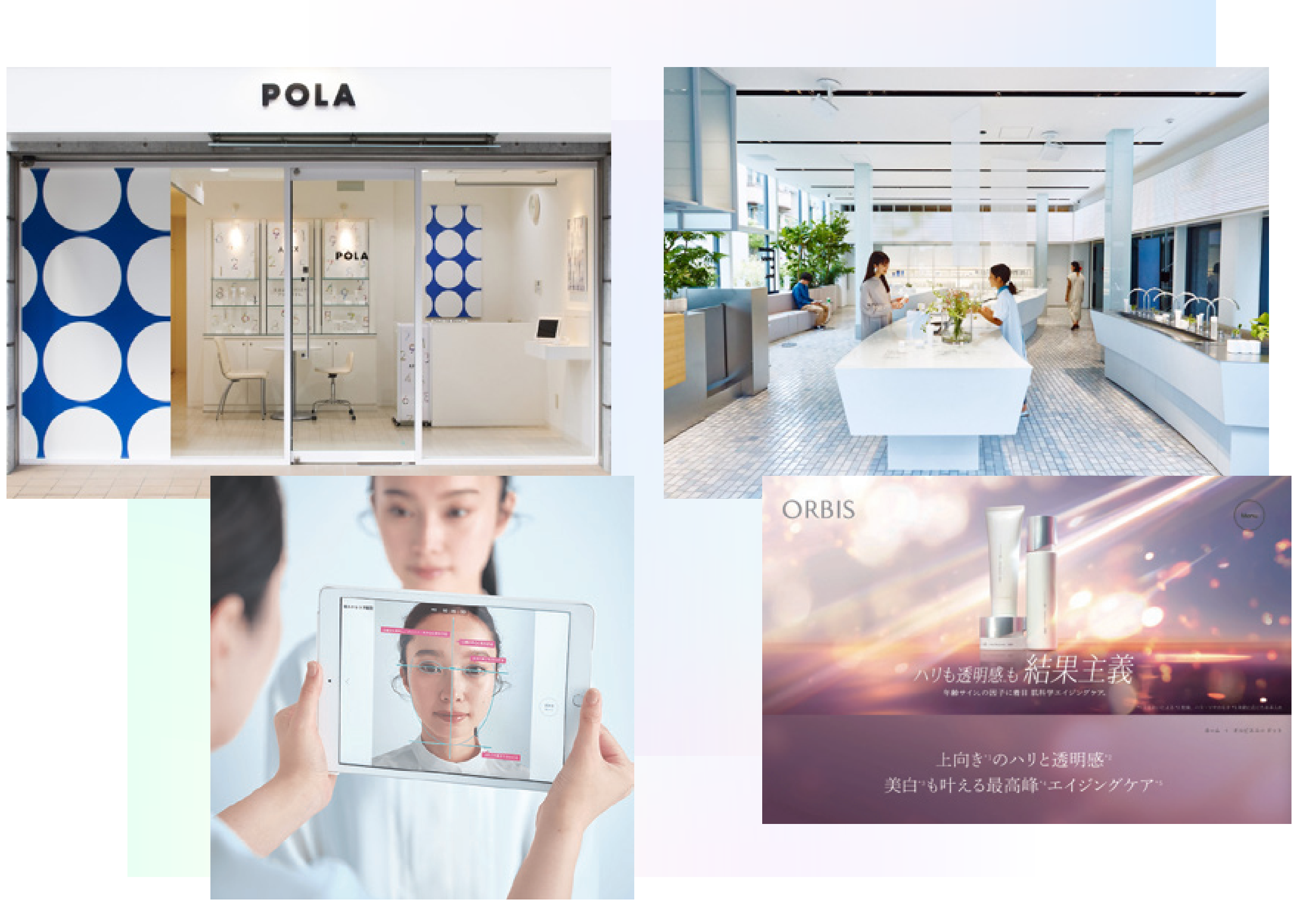
POLA ORBIS HOLDINGS launched a 100th-anniversary project to highlight the Group's 100th anniversary in 2029, beginning a process of re-examining the Group's purpose and its values. Through dialogue opportunities with employees throughout the Group, we will revisit topics that underscore perceptions of value. For the upcoming 100th anniversary and many years beyond, we seek to continue the longevity of the Group. Shareholders can look forward to a future of great promise.

*3 VUCA: Volatility, uncertainty, complexity and ambiguity

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.

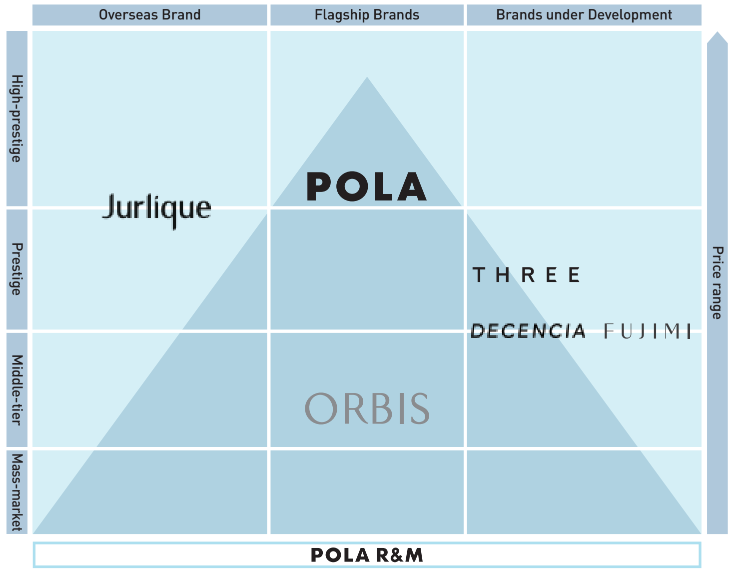
POLA's strength is to provide face-to-face consulting and aesthetic services through its network of about 19,000 Beauty Directors across Japan. The primary mode of communication with customers had been offline but now methods of contact include the digital realm, through social media platforms, as well as online consulting and workshop opportunities.

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 21.4 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 high repeat-purchase rates and brand loyalty. Going forward, the goal remains to enhance capabilities for customer analysis by using POLA's Online Merges with Offline (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. To address lifestyles and values, which are always changing with the times, the POLA ORBIS Group has built a portfolio of brands distinguished by concept, price range and sales channel. This portfolio comprises six brands—shown on the right—and hinges on core brands POLA and ORBIS. Each brand has its own distinctive characteristics and polishes brand identity through independent management. A stated goal of VISION 2029, the long-term vision taking the POLA ORBIS Group toward a milestone 100th anniversary in 2029, is to expand the scope of business domains. The Group is working to reinforce the brand portfolio by promoting research in such themes as well-being and solutions to social issues by utilizing knowledge gained through skin research.



Research and Development Capabilities

VISION 2029 sees the POLA ORBIS Group as a collection of unique businesses that respond to diversifying values of "beauty" and guides efforts to achieve sustainable business growth. To realize underlying objectives, we are extending the horizons of research, moving beyond beautiful skin to whole-body health and vitality.

Efforts hinge on 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 big data analysis and open innovation 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.

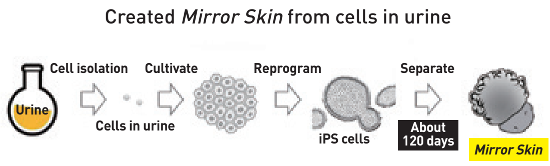
POLA CHEMICAL INDUSTRIES, INC. presented three papers at the 34th International Federation of Societies of Cosmetic Chemists (IFSCC) Congress in 2024, all of which received recognition, including the top award in the poster category. IFSCC is the most prestigious academic society for engineers and researchers in the field of cosmetics. POLA CHEMICAL INDUSTRIES has been recognized nine times, making it the third-most IFSCC-honored company in the world.

For the launch of *WRINKLE SHOT SERUM DUO*, a facial serum formulated with the quasi-drug active wrinkle-improvement ingredient NEI-L1®*, high-precision equipment used in semiconductor manufacturing was installed to ensure accurate and precise filling of the bottle. The release of *WRINKLE SHOT SERUM DUO* reflects efforts at the Technical Development Center (TDC)—the new research and production facility, which opened in 2024—and the adaptation of other-industry technology. POLA CHEMICAL INDUSTRIES will continue to build on accumulated research and technology that will underpin efforts to explore new fields and create new value, thereby enhancing the corporate value of the POLA ORBIS Group.

*Sodium formylhippurate trifluoroacetylisobutyl dipeptide-42 amide

IFSCC Award Theme

"*Mirror Skin*" made from cells derived from urine
Perfect copy of skin for ultimate in personalized cosmetics



Steps in *Mirror Skin* creation

Value creation story

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.

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

Active participation of women in society

As Japan welcomes more active participation of women in society, POLA embarks on what is now a 95-year history in the cosmetics business with expansion of its door-to-door business.

POLA

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

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.

1981 Fashion business is launched.

1989 Department store business is launched.

ORBIS

1984 ORBIS Inc. is established.

1988 Mail-order business is launched.

1999 Internet order system is launched.

ORBIS's first generation 100% oil-free series

2000 — 2004 More sales channel variety

Fragmentation of needs

New ways to shop appear with advances in information technology. Sales channels expand in response to changes in society.

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.

2001 ORBIS commences international sales.

2005 — 2010 Multi-brand strategy

Multi-brand emphasis

Launches multiple brands matched to diversifying customer needs.

2006 POLA ORBIS HOLDINGS INC. is established and the Group transitions to a pure holding company system.

2010 POLA ORBIS HOLDINGS INC. is listed on the Tokyo Stock Exchange, First Section (currently Prime Market).

2005 POLA THE BEAUTY stores are launched.

2006 ORBIS enters the Taiwanese market.

2008 ORBIS enters mainland China's market.

Brands under Development

2007–2008

Current DECENCIA INC. is established.

DECENCIA

ACRO INC. is established.

THREE

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

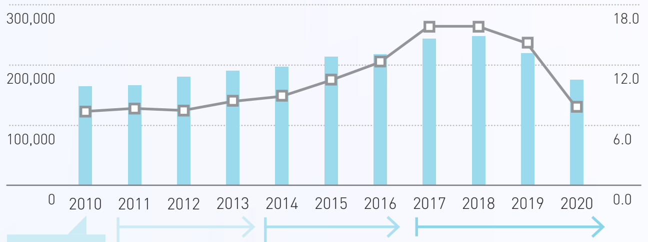
New stage of growth

Takes opportunity afforded by stock listing to draw up long-term vision. Makes headway on improving domestic profitability and expanding overseas presence. But in final year of vision, operating environment undergoes huge shift.

Performance trend

Net sales (Left axis) / Operating margin (Right axis)

Millions of yen / %



Stock listing

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 expands overseas business

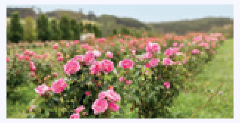
Concentrated management resources into skincare

- Evolves brand portfolio following 2010 stock listing, concentrates management resources into skincare and achieves growth
- Expands 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

Overseas Brand

2012 The Group acquires Jurlique International Pty. Ltd.

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 — 2023 VISION 2029 STAGE 1

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%

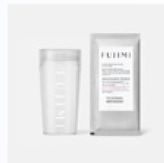
Capital efficiency
- ROE: 5.7% in FY2023

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"

2021 The Group acquires tricot, Inc.

FUJIMI



2024 — 2026 VISION 2029 STAGE 2

"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

2024 Aesthetic medicine business is launched. (POLA MEDICAL INC.)

Environmental/Social/Governance Efforts

1937 POLA hires its first saleswoman.

1979 The current POLA Foundation of 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 Creates Group-wide 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_2 emissions to medium- to long-term incentive evaluation criteria for corporate officers.

2021-2024
- Included in CDP* Climate Change A List for fourth 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_2 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.

2024 Selected for CDP* Water Security A List for first time.

*CDP: International non-governmental organization that researches, evaluates and discloses corporate strategies on climate change and efforts to curb greenhouse gas emissions

Value creation story

Value Creation Process of the POLA ORBIS Group

Mission

Sensitize the world to beauty.

Opportunities

Pages 16–17

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 16–17

1 Human capital

A person-centered management style

Person-centered, respect-for-individuals concept

2 Manufacturing capital	3 Intellectual capital	4 Social capital	5 Natural capital	6 Financial capital
Start of TDC operations	Basic research Customer data	Connections with local communities/customers	Reduced environmental impact Resource recycling	Solid financial structure

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 29

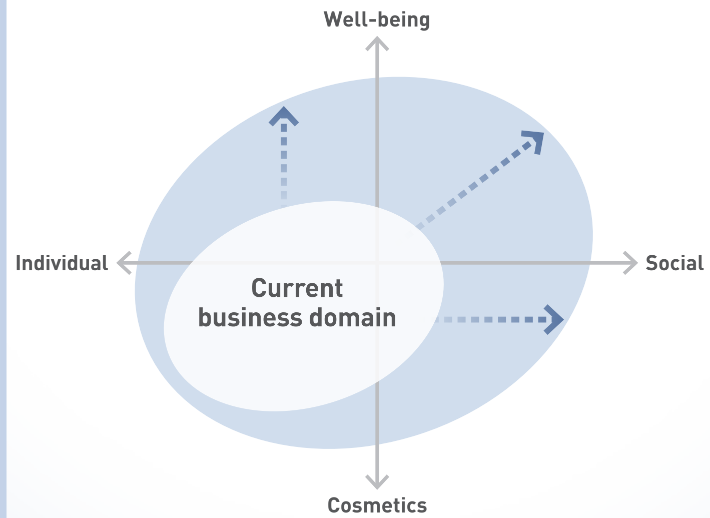
Realization of our vision

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.

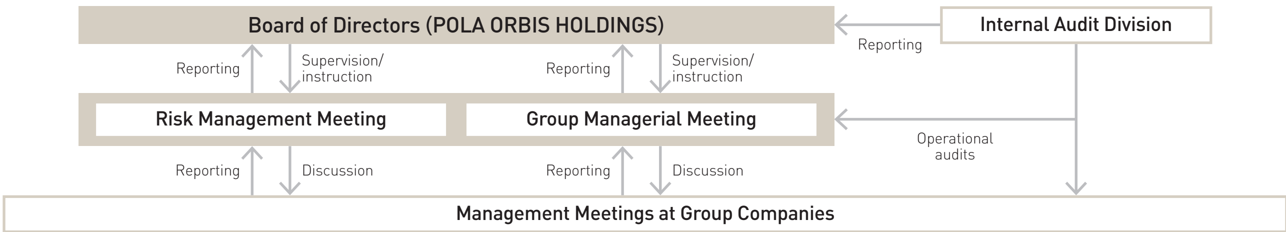
Opportunity and risk structure

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 Risk Management Meeting 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 at the Risk Management Meeting, 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 Risk Management Meeting consists of members of the CSR Committee (management level) from the Company and other Group companies, and members from outside the Company. The meeting 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



Opportunities

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	• Develop original research strategies to create new value (dispatch researchers to research base in Singapore) • Shorten development time and improve accuracy of product commercialization by establishing TDC
Digital marketing	Growing impact of Internet and social media on consumption	• Utilize customer data to strengthen the customer base • Achieve a seamless cross-channel customer experience (OMO promotion) (POLA) • Use smartphone app to facilitate digital consulting (ORBIS)
Global economy	Expanding demand in cosmetics market in mainland China and ASEAN region	• Reorganize overseas organizational structure • Increase customer contact points in response to changes in the market environment
Changing consumer awareness	Diversifying consumer needs due to lifestyle changes	• Promote online consulting • Create new value through MIRC and Frontier Research Center (FRC) • Develop new businesses • Cultivate new business domains
	Increase of products tailored to personal preferences	• Enhance personalized response irrespective of gender through *APEX*, using AI (POLA)
Changing labor environment	• Decrease in job openings in rural areas and for non-regular employees • More elderly • Empowerment of women	• Provide work that business owners can do in rural communities (POLA) • Promote new partnerships (incorporation) (POLA) • Increase the Beauty Directors' presence in their regions (POLA)
Sustainability	Raising awareness of sustainability by society and consumers	• Strengthen sustainability combining the resolution of social issues with uniqueness • Launch sustainable products

Risk management

In risk management, we comprehensively, inclusively and strategically identify and list up our risks from a Group-wide 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.

2024 corporate risks

Risk formulation process

We comprehensively identify Group-wide risks and perform risk assessments based on the impact, frequency of occurrence and status of responses to risks, then select risks that should be addressed Groupwide.

Theme	Item	Action
Environment (climate change) risk	• Reduce risk of being excluded from ESG-related indexes • Prevent decline of brand value from being perceived as an environmentally non-compliant company	**Achieve CO_2 emission reduction targets (Scope 1, 2 and 3) and enhance the level of information disclosure**
Information security risk	• Prevent the use of unreliable cloud services • Prevent risk of brand damage due to leakage of customer information	**Heighten the reliability of cloud service evaluations and prevent unauthorized use of cloud services**
	• Prevent security incidents by improving security literacy and minimize impact if an incident occurs	**Provide education and training to improve awareness and security literacy of Group employees**
Personnel and work-related risk	• Create a work environment that makes the Company a rewarding place to work • Prevent decline of brand value due to deteriorating reputation	**Establish a framework to properly control working hours**
Human rights risk	• Reduce the impact on human rights caused by corporate activities, including in the supply chain	**Continue switch to sustainable palm oil procurement for raw materials derived from palm oil used in cosmetics**

Key business-related risks

Item	Details	Measures
Brand value damage	Possibility that a negative reputation or evaluation of the Group's business activities will reach the public, undermining the brand image	• Uphold integrity of corporate management • Provide products and services worthy of customers' trust
Competition within the Group	Possibility that competition within the Group occurs in the process of maximizing the value of existing brands and accelerating the deployment of multi-brand emphasis	• Set several key indicators for each brand and business at the Board of Directors and monitor the status of maintaining and managing the uniqueness of each brand
Securing sales partners (business owners and corporations)	Risk of difficulties implementing measures to secure human resources and of a decrease in sales partner applicants	• Run online recruitment forums • Begin partnerships beyond consignment sales contracts
Strategic investment activities	Possibility that companies brought into the Group through M&A, overseas businesses or new businesses are not as successful as initially expected due to unforeseen changes in the business environment, etc.	• Perform accurate due diligence, calculate appropriate stock value and decide investments from Investment Approval Committee thinking
Cosmetics market environment	Domestic cosmetics market reaching maturity, heralding possible impact on businesses that cannot respond to changes in competitive environment	• Focus on developing overseas markets and new business domains
Research and development	Possibility that results of research will not be as successful as expected	• Shorten development time and improve accuracy of product commercialization by establishing TDC
Production and quality assurance	Possibility of disruption in the procurement of raw materials or inability to provide products that meet the quality standards required by customers	• Create Group quality control system monitored by QCD* Committee *QCD: Initialism for quality, cost and delivery
Overseas business activities	Possibility that business activities are disrupted due to economic/political instability, labor unrest or terrorism/conflict	• Collect information through overseas subsidiaries and affiliates • Avoid risks early and cultivate new business domains by gaining insight into global trends through MIRC
Foreign exchange	Possibility that the Group's business results and financial position will be impacted by exchange rate fluctuations	• Hedge risks as necessary, through measures such as forward exchange contracts
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 the Group infringes upon intellectual property of an outside party	• Secure patent/trademark rights in activity hubs at home and abroad • Monitor activities to prevent the Group's rights from being infringed upon and to prevent infringement of outside parties' rights
Information security	Possibility that personal information or confidential information will be leaked, or that information will be leaked or system outages will occur due to cyberattacks, etc.	• Establish the Information Security Committee to protect and manage information assets • Build up-to-date defenses based on cybersecurity frameworks
Major lawsuits	Although no lawsuits have been filed or other actions that could significantly impact the Group have taken place, major lawsuits or other actions may arise in the future	• Develop and operate an internal reporting system
Disasters	Possibility that supply of finished products will be disrupted due to large earthquake or flood severe enough to affect operations at production facilities	• For items deemed key from a business continuity perspective, maintain inventory of products and materials • Stay in constant contact with contracted factories
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	• Strengthen capability to provide digital marketing • Enhance e-commerce and promote OMO
Climate change and human rights issues	Possibility that natural disasters occur more frequently due to the effects of global warming, changing ecosystems and other climate issues, and that needs will change due to global warming Possibility that human rights violations such as forced labor and child labor occur in the supply chain	• Pursue initiatives to reduce greenhouse gas (CO_2) emissions • Procure certified palm oil
Decrease in domestic population	Situation that leads to business slump or hampers recruitment efforts	• Expand overseas business activities • Promote work-style reform and efforts to energize workforce

POLA ORBIS HOLDINGS performs scenario analysis in line with TCFD* recommendations and discloses the results (see page 44 for details). Risks related to human rights are listed on page 50.

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

Strategy

Financial Strategies

> We remain committed to achieving return on equity (ROE) of 14% or more by 2029 and enhancing shareholder returns, which will lead to higher corporate value.

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

Message from director in charge of finance

Consolidated net sales for fiscal 2024 reached ¥170.3 billion, down 1.7% year on year. Operating income fell 14.1%, to ¥13.8 billion, and ordinary income declined 12.9%, to ¥16.0 billion. Profit attributable to owners of parent dropped 3.9%, to ¥9.2 billion, leading to ROE of 5.6%. We have set ROE as an important management indicator. In line with a policy of creating a level of capital efficiency that exceeds capital cost—which we understand to be about 6%—and improving corporate value, we will work toward a long-term ROE target of 14% or more by 2029, as stated in VISION 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) increase profit attributable to owners of parent and 2) boost the efficiency of net assets.

Investment aimed at sustainable growth, and improved profitability

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

A look at our business portfolio shows that the cosmetics business has traditionally been the focus of resource allocation because this segment is where we can best leverage accumulated R&D capabilities and ultimately achieve stable growth. However, while we intend to keep the cosmetics business at the core of Group operations, we also believe that sustainable business growth in today's world—characterized by diversifying perceptions of "beauty"—requires investment to expand our business portfolio to activities that contribute more widely to the well-being of people everywhere and provide greater value to society. We will also plant seeds that grow into new businesses.

In domestic cosmetics operations, an urgent issue is to return flagship brand POLA to a growth trajectory. Efforts will be directed toward accelerating application of the Online Merges with Offline (OMO) strategy and rebuilding the customer structure by attracting active interest across sales channels. ORBIS, our other flagship brand, has maintained double-digit increases in sales and income since fiscal 2023. Going forward, the brand will emphasize measures to retain the customers it has attracted and improve lifetime value to achieve even higher profitability. Meanwhile, in overseas operations, particularly for POLA, we stand behind the swift closure of unprofitable stores in mainland China to improve profitability, while supporting the opening of new-format stores to expand touch points with target affluent customers. The current market environment in mainland China is challenging, but with a long-term perspective, we will pursue investments that underpin strong relationships with customers highly likely to remain loyal to their chosen brands. In addition, we will reinforce strategic investments to deepen our presence in the ASEAN region, developing this market into a future pillar of profit for overseas operations.

In R&D activities, the Technical Development Center (TDC), a research and production facility that opened in 2024, will fuel progress in original, new-formulation research and high-value-added product development. In addition, efforts are being directed toward augmenting world-first and industry-first new material pipelines as well as pursuing research into new domains beyond cosmetics borders, including artificial skin (*Mirror Skin*) and measures to combat frailty. We will actively invest at least 2% of consolidated net sales in R&D.

In pursuit of improved profitability, an 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. Jurlique was impacted by deteriorating economic conditions in mainland China and Hong Kong that led to major deviations from fiscal 2024 expectations. A dramatic improvement in the business environment that characterizes these markets is unlikely. Given this situation, if Jurlique is to achieve profitability in the near term, the brand will have to implement more extensive structural reforms than ever before and lower its break-even point. Meanwhile, THREE is seeking to boost profitability mainly by strategically concentrating its store network and streamlining SKUs (stock-keeping units), while working to attract customers to holistic care products, which should support a high retention rate and lifetime value, thereby stabilizing the customer base.

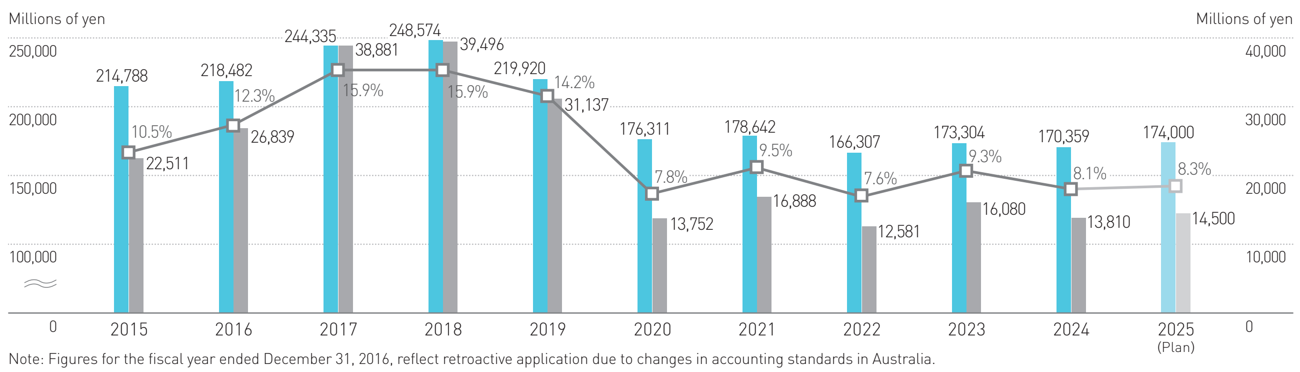
Through these initiatives, we aim to push the consolidated operating margin above 15% by 2029 and, complemented by such factors as a drop in the effective tax rate through better results from overseas operations, achieve net income growth higher than operating income growth.

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 2024 was set at ¥52 per share, which translated into a payout ratio of 123.9%.

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

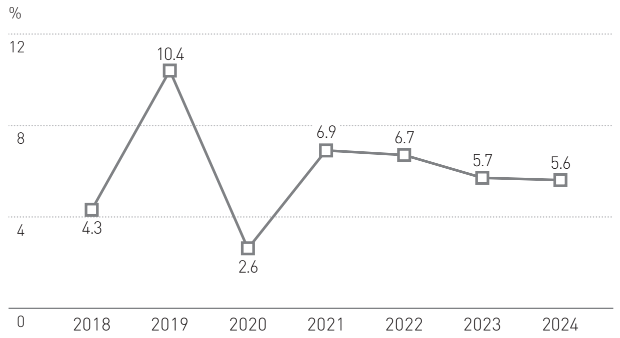
[Enhancing capital profitability]
ROE is on a downward trend paralleling the decrease in net income, but we are targeting ROE of **14% or more** by 2029 through turning stable and sustainable business growth into a pillar supporting enhanced capital profitability.

Initiatives to achieve the ROE targets

	FY2024 result	2026 target	2029 target
ROE	5.6%	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

Return on equity



Enrich shareholder returns

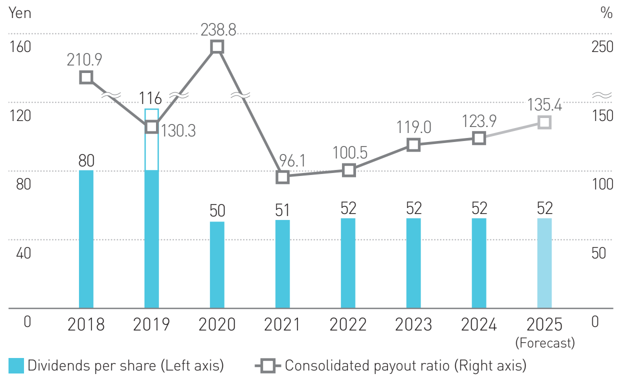
Basic policies

- 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 2025

Dividends per share (Forecast)	Annual dividend: ¥52 Comprising ¥21 interim and ¥31 year-end dividends Consolidated payout ratio: 135.4%

Annual dividend and consolidated payout ratio



Note: □ indicates special dividend.

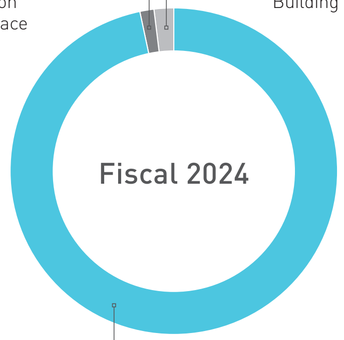
Strategy

Business Structure

Net sales by business segment

Real Estate
¥2,214 million
Business focus on leasing office space

Others
¥3,085 million
Building maintenance

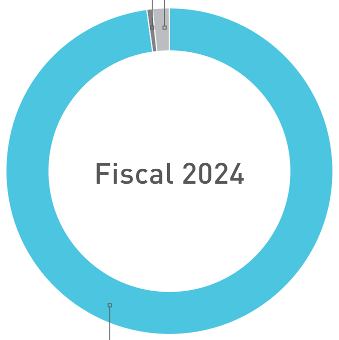


Beauty Care
¥165,060 million
Core business built on six cosmetics brands, with emphasis on POLA and ORBIS

Operating income by business segment

Real Estate
¥76 million

Others
¥231 million



Beauty Care
¥14,926 million

Flagship Brands

POLA

Concept	High-prestige skincare brand with proven expertise in anti-aging and skin-brightening fields
Sales channels	Consignment sales (POLA THE BEAUTY, etc.), department stores, directly operated retail stores, travel retail, e-commerce and cosmetics specialty stores
Market presence	Japan, mainland China, South Korea, Hong Kong, Australia, Macao, Taiwan, Thailand, Singapore, Vietnam, Malaysia and Indonesia

ORBIS

Concept	Anti-aging care brand that brings out the beauty inherent in each person
Sales channels	Mail-order business (Internet and catalog), directly operated retail stores, travel retail and external channels (cosmetics specialty stores, drugstores, etc.)
Market presence	Japan, Taiwan and Malaysia

Overseas Brand

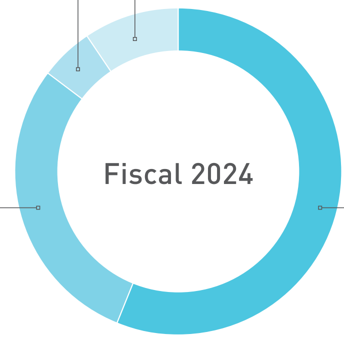
Jurlique

Concept	Australia's premium natural skincare brand
Sales channels	Department stores, directly operated retail stores, travel retail and e-commerce
Market presence	Sold in 25 countries and regions, mainly Australia, mainland China and Hong Kong

Beauty Care business sales by brand

Overseas Brand
¥8,763 million (down 3.0%)

Brands under Development
¥15,307 million (down 11.9%)



ORBIS
¥48,190 million (up 12.4%)

POLA
¥92,798 million (down 5.8%)

The percentage in parentheses indicates year-on-year change.

Changes in Beauty Care business sales by brand over the past five years (2020–2024)

Millions of yen

	2020	2021	2022	2023	2024
POLA	102,888	105,168	96,371	98,499	**92,798**
ORBIS	45,415	43,389	38,417	42,874	**48,190**
Overseas Brands*	7,166	8,954	9,972	9,032	**8,763**
Brands under Development	16,186	16,637	16,892	17,368	**15,307**

*Years 2020 through 2022 include H2O PLUS

Brands under Development

THREE

Concept	Holistic care brand featuring essential oils and other natural, plant-based ingredients
Sales channels	Directly operated retail stores, department stores, travel retail, semi-self service shops and e-commerce
Market presence	Japan, South Korea, Thailand, Hong Kong, Singapore and mainland China

DECENCIA

Concept	Skincare brand for 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

Strategy

Growth Strategies by Brand (Flagship Brands)

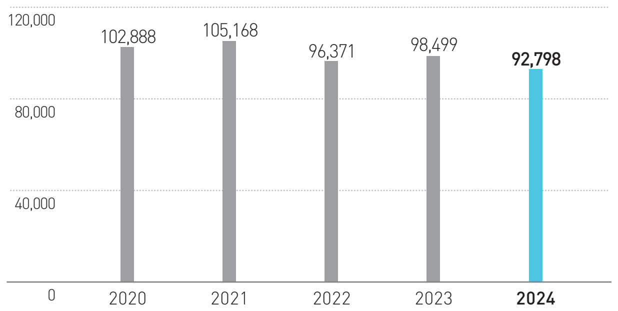
POLA

High-prestige skincare brand with proven expertise in anti-aging and skin-brightening fields

B.A series　*White Shot* series　*WRINKLE SHOT* series

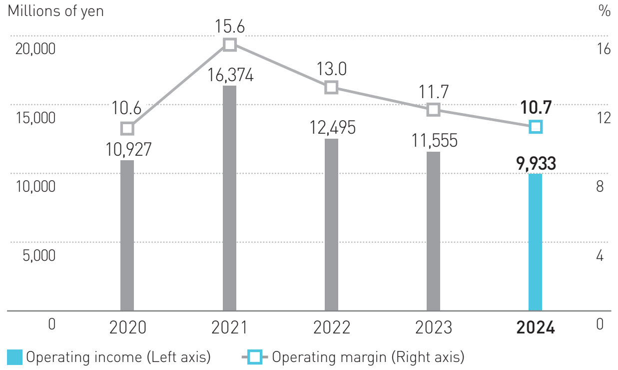
Net sales

¥92,798 million (down 5.8%)



Operating income and operating margin

¥9,933 million (down 14.0%)



President's message

Takuma Kobayashi
Representative Director and President
POLA INC.

Appointed in January 2025

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," under the "Science. Art. Love." corporate philosophy. To realize this vision, we interact with customers personally, using cosmetics as the gateway to bring out the personality and inherent beauty unique to the individual and provide value that enriches life.

Fiscal 2024 saw a decrease in customer touch points along the domestic consignment sales channel and significant impact from changes in the external environment that adversely affected demand in mainland China, culminating in lower sales and income for POLA. I realize it is imperative that we put POLA—one of the Group's flagship brands—back on a growth trajectory.

Online customer touch points increased during the COVID-19 pandemic and have become notably more pervasive since. But our Online Merges with Offline (OMO) strategy calls for integrating offline customer touch points into this model. POLA Premium Pass, a membership program that debuted in 2023, removes barriers between sales channels, namely, consignment sales, department store sales and e-commerce sales, and connects customers to all POLA products. To date, more than a million customers have signed up. Utilizing a unified customer ID format, POLA Premium Pass creates a more appealing touch-point experience as a portal to all sales channels while showcasing the best of both the online and offline worlds.

We continue to face challenges in domestic operations. From our earliest days, we have pursued direct selling, an original business model that hinges on people—that is, knowledgeable people who deliver the best products to interested people. Our greatest strength is the high lifetime value created by Beauty Directors—sales representatives with deep roots in their respective communities—through close relationships with their customers. We will leverage this strength to ensure customer continuity and cement brand loyalty. Also of note, we boast strong R&D and product planning capabilities as well as high brand value, exemplified by the *B.A* range of products. We will enhance these various facets of value and also strive to create customer value through thorough quantitative customer analysis and measurement of the effectiveness of initiatives we implemented. ORBIS, where I worked previously, has also successfully applied the direct-selling approach. I will draw on the results achieved by ORBIS to help put POLA back on a positive performance track.

Fiscal 2024 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. Kicking off new product releases in 2024 was *WHITE SHOT FACIAL SERUM*, a beauty serum targeting brighter, more beautiful skin, in February. This was followed by the March renewal of *B.A LIGHT SELECTOR* and the October debut of *B.A GRANDLUXE O*, the first cream in this offshoot lineup under POLA's high-prestige series, *B.A*. All three products proved popular, picking up many best cosmetics awards.

In Japan, sales remained favorable at department stores, but challenges on the consignment sales channel pulled down overall results in the domestic market. In consignment sales, POLA encouraged customers likely interested in consulting and aesthetic treatments to visit a store, and welcomed an increase in sales at stores on a growth track. The rate of revenue decline on the consignment sales channel improved throughout the fiscal year. Meanwhile, overseas, worsening economic conditions in mainland China had a big impact on demand, eroding sales. Steps were taken to close unprofitable stores in this market to realize a profitability upswing.

Given the above, net sales fell 5.8%, and operating income dropped 14.0% year on year.

Future measures

In 2024, the speed of recovery in consignment sales and the growth of the Chinese market fell far short of initial expectations. We will strive to build the business base to get back on a growth trajectory.

Fiscal 2025 plan		
	Net sales	In line with FY2024
	Operating income	Down approx. 10 to 12%

Enhance brand presence in Japan

We will clarify the role of every offline customer touch point and its value and will launch a new salon model on the consignment sales channel. We will locate stores in prime locations in major metropolitan areas and regional cities easily accessible to customers, building a store network that will serve as a destination for customers we initially connected with online, while leveraging store branding and boosting the brand value of POLA's aesthetic salons. At department stores, we will strive to attract customers and enhance engagement from a brand experience perspective through consulting and trial use of products, thereby keeping growth potential high. On other sales channels, we will expand the number of facilities that stock our popular hotel amenities and open stores in cosmetics specialty stores to increase points of contact with customers.

On the products front, POLA will expand the *WRINKLE SHOT* and *WHITE SHOT* lineups, both mainstay series, in the first half of fiscal 2025, followed in the second half by an updated aesthetic treatment menu and relaunch of the flagship *B.A* skincare series. By introducing persuasively appealing products and a fuller selection of services, we will attract new customers and increase lifetime value for existing customers while strengthening brand presence.

Facial treatments utilizing all techniques accumulated through years of skincare research

Strategic business restructuring in mainland China and business expansion in ASEAN

The business environment in mainland China is likely to remain challenging for POLA's local operations. Against this backdrop, we will promote community-store development as a new approach to improved profitability and stable business growth. Specifically, we will open stores in affluent residential districts and choose locations easily accessible to target customers. We aim to attract well-heeled individuals and maximize lifetime value by enhancing engagement through consulting, exclusive workshops and other relationship-building opportunities.

Community store in mainland China

In the ASEAN region, which presents growth potential, we hope to expand customer touch points and attract new customers through communication tailored to the culture and customs of each country within the greater market sphere. This approach could transform the ASEAN region into a driver of overseas business growth for POLA.

ASEAN store

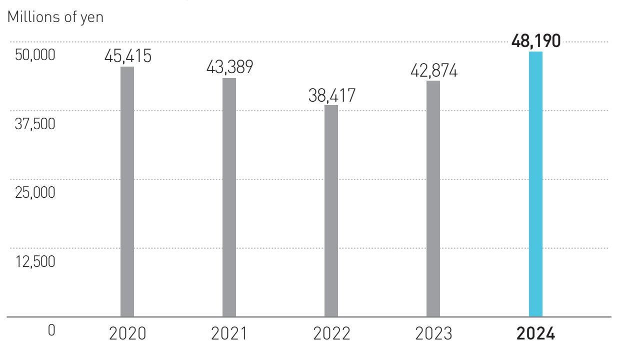
ORBIS

Anti-aging care brand that brings out the beauty inherent in each person

ORBIS U. series　　*ORBIS WRINKLE BRIGHT* series

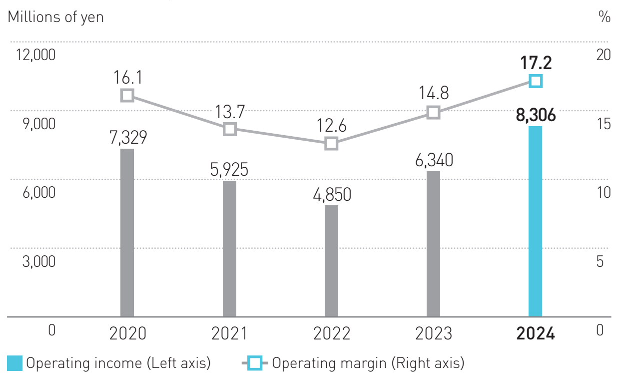
Net sales

¥48,190 million (up 12.4%)



Operating income and operating margin

¥8,306 million (up 31.0%)



President's message

At ORBIS, from our foundation to the present day, we believe skin has an inherent power that we strive to bring out. The value we provide customers is epitomized by SMART AGING®, whereby each person ages naturally in his or her own way by demonstrating inherent strengths. We began a process of rebranding in fiscal 2018 and implemented bold reforms targeting business activities as well as our organizational structure, evolving into a brand that delivers high added value. This evolution has resulted in two consecutive years of double-digit increases in sales and income.

A comparison of ORBIS today and ORBIS before rebranding shows that the median price of main products has risen, up from the ¥1,000 range, to the ¥3,000 range, and the brand has captured the attention of more customers who present high lifetime value as they continuously purchase anti-aging skincare series, such as mainstay *ORBIS U.*, in the high-price tier. In addition, we have launched numerous hit products, including a medicated sunscreen that also reduces the appearance of wrinkles and promotes skin-brightening as well as a skin-brightening serum featuring original ingredients that promote beautifully clear, radiant skin. We will build a stable customer base by inspiring brand loyalty among customers initially enticed by ORBIS's high-performance skincare and then maximize cross-selling opportunities for other appealing product lineups. The ability to execute this process with a high degree of accuracy is an ORBIS strength facilitated through one-to-one marketing using customer data.

In addition, in fiscal 2024, we debuted *ORBIS SHOT PLUS*, an affordable skincare line, exclusively for sale through drugstores and other external sales channels. To date, ORBIS has maintained a direct-to-consumer approach to sales. The recent addition of sales channels is intended to reach a deep consumer segment unfamiliar with the brand but possibly very interested in what ORBIS has to offer. ORBIS is unique because of the added value it provides, namely, quality and reliability, and also because repeat customers feel an affinity for the brand. Going forward, we will focus on creating customer value from a more essential perspective, increasing brand recognition and achieving further business growth.

Hiroe Yamaguchi
Representative Director and President
ORBIS Inc.

Appointed in January 2025

Fiscal 2024 results

On the direct-selling channel, our goal was to retain customers and maximize lifetime value through greater efficiency and more precise communication helpful to individual customers. Sales of our pinnacle anti-aging series *ORBIS U.*, which embodies the brand's provided value SMART AGING®, have charted a steady upward path since the August 2023 revamp. We marked a favorable increase in demand for high-performance skincare products in the high-price tier, complemented by a good market response to the February 2024 launch of *ADVANCED BRIGHTENING SERUM*, which contains a proprietary active ingredient developed within the POLA ORBIS Group for skin-brightening. We also leveraged cross-selling opportunities with an enriched assortment of base makeup, contributing to higher lifetime value for customers.

As for external channels, we expanded customer touch points and maintained high growth in sales with a more pervasive product presence at physical stores, such as cosmetics specialty stores, cosmetics and lifestyle goods stores and drugstores, and through e-commerce platforms, such as Amazon and Rakuten Ichiba in Japan.

Given the factors outlined above, ORBIS achieved a second straight year of double-digit increases in sales and income, with net sales climbing 12.4% and operating income jumping 31.0% year on year.

Future measures

In 2024, we achieved high growth through the stabilization of the customer base and the expansion of sales channels. Going forward, we will aim for an even higher-profit business structure by focusing on customer retention and lifetime value improvement.

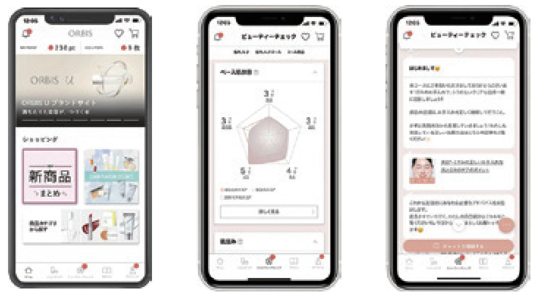
Fiscal 2025 plan		
	Net sales	Up approx. 2 to 3%
	Operating income	Up approx. 5 to 6%

Increase customer touch points

To date, ORBIS has developed its business with high-performance, high-value-added skincare as the foundation of the brand. The stable customer base that we have built has allowed us to expand direct-selling channels and cultivate external channels, resulting in high growth. While the brand's provided value will remain central to further business development, we will strive to improve lifetime value by increasing brand presence by introducing new strategic products and by strengthening cross-selling across product categories. Also, in addition to the two channels—mail-order (e-commerce and catalog) and stores—that support direct selling, it is increasingly important to pursue comprehensive marketing with a third channel, the external channels business, to build a massive distribution network and drive brand growth. Toward this end, in designing strategies for products, pricing, channels, promotions and other facets of business, we will assume growth in direct selling while providing more customer touch points to deliver the value inherent in the ORBIS brand to as many people as possible.

Strengthen customer base

We will utilize our own customer data platform that brims with content obtained primarily through the ORBIS app—a robust business platform with some six million downloads, as of December 31, 2024—to move customer communication methods to the next level. Transitioning from communication based on traditional purchase history to communication based on behavior and value perceptions will strengthen engagement and boost lifetime value for customers.



ORBIS app

Strategy

Growth Strategies by Brand (Overseas Brand)

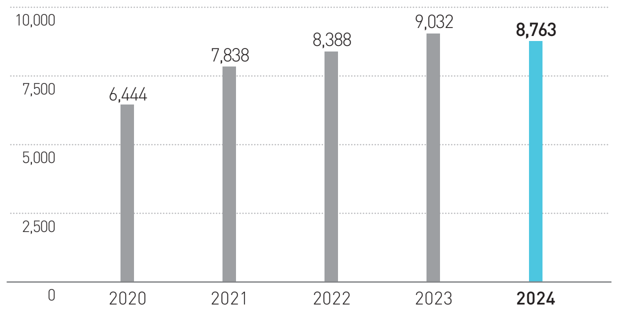
Jurlique

Australia's premium natural skincare brand


Company-owned farm in Adelaide, Australia

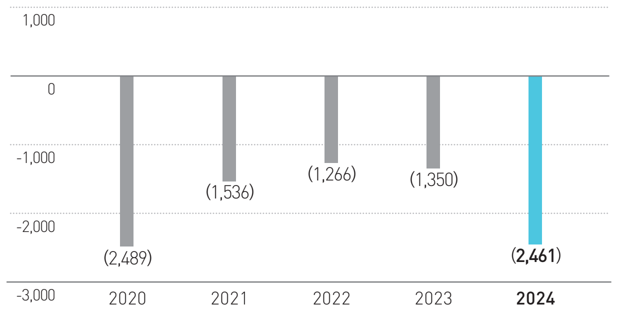
Net sales

¥8,763 million (down 3.0%)



Operating loss

¥2,461 million (—)



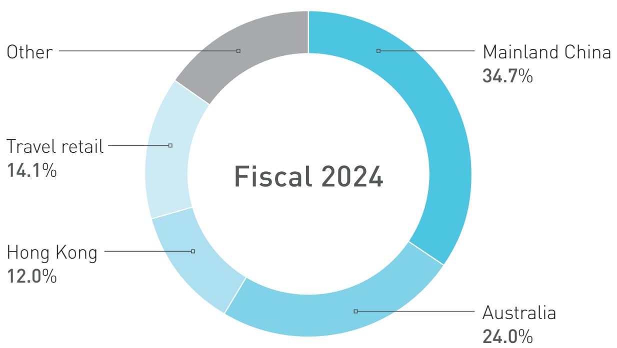
Fiscal 2024 results and future measures

Jurlique was established in Adelaide, a city in southern Australia, in 1985. At company-owned farms certified organic by the National Association for Sustainable Agriculture Australia (NASAA), Jurlique handles everything from soil preparation to plant cultivation, manufacturing and quality control, and has also been recognized under the global B Corporation system. The company seeks to grow its face-oil category, centering on *Rare Rose Face Oil*, which features original proprietary rose ingredients, into a product group that showcases the brand, while pursuing further efforts to strengthen branding Jurlique as a holistic and conscious beauty brand.

In 2024, Jurlique posted an increase in home-market sales in Australia, but further deterioration of business conditions in mainland China and Hong Kong eroded results, leading to a 3% decrease in net sales. Cost control efforts failed to compensate for a drop in gross profit due to faltering sales, culminating in wider losses. Going forward, Jurlique aims to turn to profitability by 2026 and will implement structural reforms to achieve this goal. An emphasis will be placed on lowering the break-even point and working to improve profitability through a cost review process more thorough than ever before, including simplifying and downsizing the organizational structure and closing unprofitable stores.

Results have fallen far short of the plan in 2024 due to the impact of deteriorating business conditions in mainland China and Hong Kong.
We will engage in structural reforms to swiftly achieve profitability.

Net sales breakdown by region

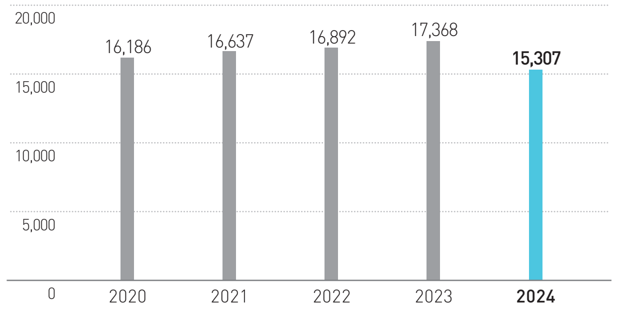


Strategy

Growth Strategies by Brand (Brands under Development)

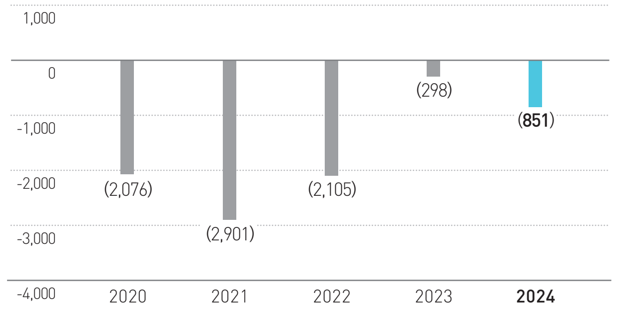
Net sales

¥15,307 million (down 11.9%)



Operating loss

¥851 million (—)



Fiscal 2024 results and future measures

THREE


Balancing series


ESSENTIAL SCENTS

Since THREE's earliest days, we have made naturally derived essential oils integral to R&D activities, highlighting a holistic approach to skincare designed to reveal the inherent vitality and beauty unique to the individual by harmonizing society and nature with oneself. Efforts were directed toward reimagining the brand by emphasizing essential oils as provided value, but the brand failed to attract the anticipated level of new and repeat customers, leading to a 4.8% decrease in net sales and derailing progress to exit the persistent operating loss situation of 2024. Going forward, we will strive to rebuild THREE's customer base and establish a stable earnings base by capturing the attention of customers with repeat purchase potential and high lifetime value through such strategies as reinforcing the range of distinctive holistic products using essential oils and expanding experience-oriented stores specializing in the scents of essential oils. These strategies differ from those of conventional stores, which concentrate on product sales.

FUJIMI


Personalized proteins

FUJIMI is a brand that offers supplements, face masks and protein products personalized to each customer using its proprietary analysis. Buoyed by solid demand for personalized protein products from FUJIMI's target wellness-conscious customer segment, the brand showed profit in 2024. Going forward, FUJIMI will leverage efforts to constantly launch new products, especially protein products, raise the repeat ratio and strive to expand its business scale.

DECENCIA


DECENCY series

DECENCIA has been addressing sensitive skin concerns since before the concept of sensitive skin became widely known, offering anti-aging care products and skin-brightening products that can be used with peace of mind even by those with sensitive skin.

In 2024, net sales grew 7.2% year on year, fueled by favorable demand from new customers as well as existing customers. Going forward, DECENCIA will seek further growth by engaging in strategic marketing, expanding marketing channels and improving customer loyalty and lifetime value.

President's message

Emi Nishino
Representative Director and President
DECENCIA INC.
Appointed in January 2025

DECENCIA is a brand that connects directly to people with sensitive skin with the underlying purpose of eliminating unfairness caused by skin conditions. DECENCIA will leverage reliable product appeal based on POLA CHEMICAL INDUSTRIES's expertise and communication attuned to the concerns of people with sensitive skin to build a stable customer base and steadily expand its business scale. These efforts should lead to enhanced profitability.

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_2 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.

1 Exploring issues

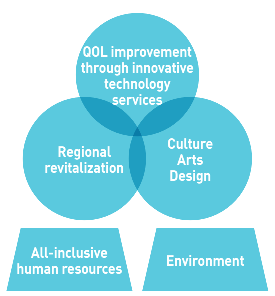
- **Group philosophy**
- **Vision**
- **Business strategies/ financial status**

- **Global trends**
- **ESG/SRI evaluation analysis**
- **Market needs**

2 Identifying issues

- **Build sustainable society**
  Stakeholder engagement
  Coexistence with global environment and society
- **Boost corporate value**
  Continuously provide unique and original value
  Cultivate sensitivity and individuality in employees
  Maintain and improve perception of reliability of the Group

3 Determining areas of materiality



4 Discussion/ approval

Commitment by the Board of Directors
- Discuss/approve non-financial KPIs
- Execute action plan
- Monitor progress/results
- Link to executive compensation
- Periodically review

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.

Board of Directors

Group CSR Committee (Board members of Group companies) — Role: Formulation and progress management of sustainability policies and strategies. Chairperson: Director in charge of CSR

Meeting of Group CSR Office Heads of Group Companies (Corporate planning departments of Group companies) — Role: Promotion of sustainability activities and progress management of important themes

CSR Office of Group Companies (CSR promotion officers) — Role: Formulation and implementation of sustainability action plans of Group companies

Five non-financial materiality categories and results/KPIs

Category	Item	Explanation	2024 actual numbers	Action plan for 2025	Target for 2029
1. QOL improvement through innovative technology services	1 Number of new businesses created	Develop new services and new fields to meet diversifying needs	19 (since 2021)	• New businesses grown from in-house seeds • Business capture through M&A • Creation of services and products through external collaboration	31 (from 2021 through 2026)
	2 Brand recognition and loyalty	Leverage each brand's characteristics to improve customer QOL	Researched by brand	Implement customer services that provide tangible awareness of brand concept	Set targets for each brand
	3 Number of research awards won at home and abroad (POLA CHEMICAL INDUSTRIES)	Develop seeds that grow into high-value-added products	17 (since 2018)	Take a positive approach to making presentations at academic conferences and submit papers in Japan and overseas	20 (from 2018 through 2029)
	4 Number of researchers in cutting-edge dermatology research (POLA CHEMICAL INDUSTRIES)	People to expand research beyond skin to whole body	80 (as of December 31, 2024)	Hire specialists in such areas as dermatology, formulation and data analysis	120
2. Regional revitalization	5 Number of stores engaged in regional revitalization activities (POLA)	Strengthen cooperation between shops and community (collaboration among industry, government and academia)	To start in 2025	Create mechanism to deepen ties with community	700
	6 Number of initiatives contributing to the local economy	Expand synergy through joint efforts in our key businesses that energize local economic activity	48 (as of December 31, 2024)	Joint events with local governments, NGOs, companies and schools, and community-oriented workshops	78
3. Culture Arts Design	7 Number of new brand experiences created that utilized art	Develop brand-based products and services with innovative, modern appeal	22 (2024 only)	Packaging and stores that foster worldview through art	20
	8 Number of participants in workshops on liberal arts topics	Cultivate aesthetic sense and personal tastes through such events as exhibitions and workshops and give back to society	304,330 (since 2018)	Provide stakeholders with opportunities to experience art	550,000
4. All-inclusive human resources	9 Job satisfaction and engagement score*1	Create an exciting, comfortable work environment in which employees, fueled by a desire to contribute to corporate success, are able to take the initiative	62.9%	Consider, implement and then monitor action plans designed to spur enthusiasm for work and create comfortable environment	75%
	Women's empowerment: 10 Percentage of female executives*2	• Promote diversity through management-level leadership • Promote diversity with focus on key executive positions • Create system/atmosphere to underpin career planning	17.9%	• Participation in 30% Club • Promote activities through the A-Person-Centered Management Committee • Encourage male employees to take child-care leave	30–50%
	Women's empowerment: 11 Percentage of female division managers (POLA ORBIS HOLDINGS, POLA and ORBIS)		31.1%		35% (through 2026)
	Women's empowerment: 12 Percentage of female managers*2		44.5%		50% or higher
	13 Percentage of candidates to become management executives	Establish/reinforce pipeline for people with management potential	144.1% (as of December 31, 2024)	Examine strategic personnel measures (Talent Development Committee)	200%
	14 Number of applicants for Sabbatical Program	Increase the desire for self-development and learning	15 (since 2022)	Information to employees at briefing sessions from users of previous year's program	21 (from 2024 through 2026)
5. Environment	15 CO_2 emissions: Scope 1 and 2	Aiming for net-zero emissions by 2050	Down 58.6% (from 2019)	Switch electricity contracts to CO_2 reduction menu and renewable energy menu	Down 42% (from 2019)
	15 CO_2 emissions: Scope 3		Down 52.0% (from 2019)	• Make containers and packaging materials thinner and lighter • Consider development of products and services that reduce environmental impacts	Down 30% (from 2019)
	16 Water consumption	Aiming to conserve water resources and reduce water risks and water stress	Down 17.4% (from 2019)	Improve monitoring of water usage at factories and invest in water-saving equipment	Down 26% (from 2019)
	17 Sustainable palm oil procurement	Aiming to gradually switch to sustainable cosmetics ingredients	37.5%	Promote shift to 60% sustainable palm oil procurement by 2026	100%
	18 Plastic cosmetics containers and packaging consumption	Aiming for resource recycling to conserve limited resources	52.9%	• Consider refills and other materials to address environmental concerns at product planning stage • Conduct research into recycling technology	100% sustainable design

*1 Set survey result of Great Place To Work® as indicator
*2 In principle, this applies to POLA ORBIS HOLDINGS and its subsidiaries.

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 2024

	Explanation	2024 results	Major activities in 2024
1 Number of new businesses created	Develop new services and new fields to meet diversifying needs	19 (since 2021)	Apply approaches such as internal venture program and collaboration with external parties to create businesses targeting different customer groups and using business models different from existing ones
2 Brand recognition and loyalty	Leverage each brand's characteristics to improve customer QOL	Researched by brand	Customer events and information dissemination by influencers to coincide with new product launches
3 Number of research awards won at home and abroad (POLA CHEMICAL INDUSTRIES)	Develop seeds that grow into high-value-added products	17 (since 2018)	POLA CHEMICAL INDUSTRIES Johann Wichers Poster Award, given to the best poster presentation at 34th International Federation of Societies of Cosmetic Chemists Congress; Audience Award at 29th Japanese Academy of Facial Studies Annual Conference; Research Encouragement Award at 17th Annual Academic Conference, Japan Society of IT Healthcare
4 Number of researchers in cutting-edge dermatology research (POLA CHEMICAL INDUSTRIES)	People to expand research beyond skin to whole body	80 (as of December 31, 2024)	POLA CHEMICAL INDUSTRIES Hired new graduates and midcareer specialists in such areas as dermatology, formulation and data analysis

POLA/Research

TOPICS

Launch of *WRINKLE SHOT SERUM DUO*, driven by new technology of Technical Development Center (TDC)

POLA launched *WRINKLE SHOT SERUM DUO*, a quasi-drug to improve wrinkles, on January 1, 2025. This product, from the pioneering *WRINKLE SHOT* wrinkle-improving series, is innovative in that it targets scattered wrinkles—the often less-noticeable wrinkles that exist across the face—and is sure to energize the wrinkle-improving cosmetics market. TDC-driven technology development contributed significantly to bringing *WRINKLE SHOT SERUM DUO* to market.

New production technology made possible by TDC

Conventional formulations did not have the right consistency for full-face application. By adopting a system whereby the user adds one component liquid to the other and shakes the bottle to blend the two liquids just before emulsification, TDC made it possible to deliver NEI-L1®*, the wrinkle-improving active ingredient in the *WRINKLE SHOT SERUM DUO*, to the entire face. Also of note, the blend-just-before-use method requires high-precision filling at the production stage to ensure the bottle contains the right amount of the active ingredient. TDC achieved this by applying manufacturing technology from a different industry.

*Sodium formylhippurate trifluoroacetylisobutyl dipeptide-42 amide

1. **Ultra-precise filling: Utilizing high-precision filling equipment found in semiconductor and electronic device manufacturing**
2. **Zero risk of discrepancies after filling: Eliminates risk of liquid dripping**
3. **Meticulous confirmation of filling volume: Guaranteed by using precision weighing equipment that ensures bottle is filled with right amount of active pharmaceutical ingredient**

TDC's greatest strength is a technology verification cycle that integrates research, development and production. State-of-the-art facilities on-site ensure a smooth process from prototyping to production for efficient operations that meet high-quality standards.


WRINKLE SHOT SERUM DUO


TDC: Technical Development Center

Medical

Non-financial KPI item 1

Aesthetic medicine from POLA Medical creating new value

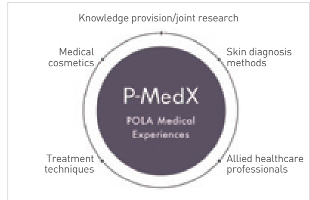
In line with the long-term management plan VISION 2029, the POLA ORBIS Group is promoting development of business pursuits in aesthetic medicine. In January 2024, POLA MEDICAL launched *Dive*®, a medical cosmetics series offered exclusively to dermatology clinics for aesthetic medicine, where the company is continuing to cultivate sales. The number of clinics handling *Dive*, along with sales, is moving in a favorable direction.

In October 2024, POLA MEDICAL put a spotlight on POLA Medical Experiences (P-MedX®), which fuses aesthetic medicine and skincare, by starting a new service called Club P-MedX to achieve this integration. The company aims to increase the value of P-MedX® by collaborating with partner clinics in five areas: knowledge provision/joint research, skin diagnosis methods, allied healthcare professionals, treatment techniques and medical cosmetics.

For Club P-MedX, POLA MEDICAL created a clinical community, using the online community platform Commune to provide a forum where key opinion leaders can share the latest information and exchange opinions on a wide range of topics, including dermatology, clinic management and mental health.

To date, POLA MEDICAL has released two products targeting dark spots and wrinkles. In 2025, a product targeting pores was added to the lineup. Medicine (treatment) and beauty (skincare) have a complementary relationship. By offering solutions that bring about a synergistic effect to address people's concerns, POLA MEDICAL will contribute to new value in aesthetic medicine.


Dive® medical cosmetics series offered exclusively to clinics



P-MedX®

POLA CHEMICAL INDUSTRIES

Non-financial KPI item 3

Seeking to create ultimate personalized cosmetics

POLA CHEMICAL INDUSTRIES pursues research in three categories: science, communication and life. In the science category, the emphasis is on unraveling the biological phenomena occurring within the skin and developing materials for cosmetics and quasi-drug products, as well as to create results in domains that go beyond the borders of conventional cosmetics.

One successful result of research won the Johann Wichers Poster Award, given to the best poster presentation at the 34th IFSCC Congress in October 2024. The theme of the winning paper was "*Mirror Skin*," generated from cells in one's own urine: A perfect skin replica for the ultimate personalized cosmetics. Researchers isolated induced pluripotent stem (iPS) cells from urine and then successfully created artificial skin, dubbed *Mirror Skin*, which replicates the individual's unique skin characteristics.

The technique enables POLA CHEMICAL INDUSTRIES to identify potential skin problems and find suitable active ingredients to address concerns unique to each customer, heralding greater personalization of cosmetics.

This research drew on expertise at the Yokohama R&D Center and Shonan Health Innovation Park, both in Kanagawa Prefecture, and NSG Bio Labs, in Singapore, under a three-site research structure that delivers faster practical use of results.


Tomoyuki Iwanaga, Dr., a researcher at POLA CHEMICAL INDUSTRIES, received the 2024 IFSCC Johann Wichers Poster Award.

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.

Five non-financial materiality categories

2

Regional Revitalization

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 19,000 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 2024

	Explanation	2024 results	Major activities in 2024
5 Number of stores engaged in regional revitalization activities (POLA)	Strengthen cooperation between shops and community (collaboration among industry, government and academia)	To start in 2025	—
6 Number of initiatives contributing to the local economy	Expand synergy through joint efforts in our key businesses that energize local economic activity	48 (as of December 31, 2024)	**POLA** • Signed eight more comprehensive partnership agreements • Launched "BLOOM OUR TOWN," community-based initiative **POLA CHEMICAL INDUSTRIES** Implemented clean-up activities and work-experience opportunities at the factory for junior high school students in the neighborhood **ACRO** Development of raw materials in cooperation with Kumamoto Prefecture, Saga Prefecture and other companies

THREE

Non-financial KPI item 6

Job creation through project to manufacture domestic essential oils in Kumamoto Prefecture

Essential oils are a core feature of THREE, a brand that focuses on customers' well-being. The brand's efforts are directed toward joint pursuits with local governments and local companies in each region to develop original, domestically produced essential oils. The goals are not only to produce high-quality essential oils in Japan but also to revitalize local industries through job creation and a more welcoming approach toward immigrants in the community.

In 2024, ACRO, the company behind THREE, launched THREE Births—a test agricultural field project that serves as a starting point for raw material development—in Minamiaso, Kumamoto Prefecture. THREE Births, previously a vast tract of unused land, was changed into ground for cultivating new plant varieties and exploring new avenues of plant-related R&D. The field is maintained by the employees themselves. An annual planting schedule to grow trees over the long term—50 or even 100 years—will yield crops that spotlight domestic production of essential oils and enhance the added value of products featuring these oils.

Beginning in 2025, ACRO aims to deliver the value of THREE as a holistic lifestyle brand from Japan to customers all over the world. ACRO will continue to leverage sustainable initiatives hinging on domestically produced essential oils and emphasize steps to improve THREE's brand value while contributing to the local community.

Harvesting herbs in Kumamoto Prefecture

Essential oil extraction at Holistic Research Center, THREE's research facility

POLA

TOPICS

Cocreation with region starts with thinking about customers nearby and wider local community

More than 2,500 POLA shops, mainly run by self-employed individuals, and about 19,000 Beauty Directors nationwide ensure that POLA is firmly rooted in each community and that business pursuits match local characteristics. Regional revitalization is an important issue for POLA, and the community-based "BLOOM OUR TOWN" initiative is one of the Company's responses to challenges that parallel regional revitalization. Through Beauty Directors, POLA works hand in hand with people in the community, including members of industry, government and academia, engaging in activities to create a future that benefits the company as well as customers, the region and society at large.

Specific activities center on five themes that align closely with POLA's business: community-building, encouraging women, supporting the next generation, diversity and the environment. In 2024, more than 400 shops across the country took part in various activities.

Community-building case study: Saitama Prefecture
Fun-inspiring, community-building projects unique to Shin-Shiraoka
(primO Shin-Shiraoka Shop)

This project seeks to bring joy to local residents and smiles to the faces of many people who happen to be in the area. The shop is implementing a community-building plan to revitalize the space in front of the Shin-Shiraoka train station in Saitama Prefecture and promote fun and enjoyment unique to this area. Activities include the Kirei Project, a community-driven effort to keep the area in front of the station neat and clean; the Choi Nomi Project, which addresses the lack of restaurants in front of the station and aims to turn the area into a place for relaxation; Local Marché, a place where children can experiment with makeup and mothers can enjoy a hand treatment; Beauty Marché, a weekday event that provides adults with time to relax and rejuvenate while creating a place where self-employed individuals can do business; and the Halloween Project, a holiday-themed opportunity to energize the area and encourage community interaction. primO Shin-Shiraoka contributes to area revitalization by collaborating with members of the community to create places for communication and connection from a local perspective.

Community-building activities in Saitama Prefecture

Encouraging women case study: Kanagawa Prefecture
Supporting vitality of local women's professional soccer
(POLA THE BEAUTY Namiki Shop)

Determined to see a society where everyone can shine, regardless of gender or age, Nojima Stella Kanagawa Sagamihara, a local women's professional soccer team, is guided by the vision to "provide brilliant team play and entertainment that make people proud to be citizens of Kanagawa Prefecture."

The Namiki shop subscribes to this sentiment as well and promotes various activities to support the team and its pursuits. The staff offers facial massages and help with makeup when the players are preparing for promotional poster photo shoots or video appearances. To help the team build a bigger fan base, the shop sets up a hand treatment booth for fans during games. Through the Namiki shop's efforts to support the women's soccer team, POLA shows it is committed to encouraging women to be active and to energizing local communities, beginning with Sagamihara.

Scene of support activities

Supporting the next-generation case study: Gifu Prefecture, Kagoshima Prefecture
Future Project: Local Job Discovery Team
(AQUALIE Co., Ltd./POLA THE BEAUTY Across Plaza Yojiro Shop)

When the representative of AQUALIE heard local high school girls lamenting that they would never realize their dreams in their hometown of Hida-Takayama, she decided to do something. Her idea was to create a bright future for the community and its young residents. In cooperation with local companies, AQUALIE runs events, including work experience for children and the distribution of promotional videos about career opportunities in the area. In 2024, a similar "job discovery team" program of events rolled out in Kagoshima Prefecture as well.

Diversity case study: Ibaraki Prefecture
Supporting concept "Always live your life your way"
(POLA THE BEAUTY BiVi Tsukuba Shop)

POLA certifies as a Friendly Shop (Coexistence with Cancer) shops where cancer patients and those who assist them can acquire basic support knowledge to "live more true to themselves and beautifully." BiVi Tsukuba is one such certified shop, working to raise awareness with a Friendly Shop certification plaque in the reception area and a self-check sheet in the treatment room.

POLA will expand community-based activities and raise brand value by addressing local issues while contributing to the realization of a sustainable society. With this approach, the company and the brand will build a win-win relationship with local communities while working steadily toward VISION 2029 and the achievement of growth strategies for the POLA ORBIS Group.

Five non-financial materiality categories

3 Culture, the Arts, Design

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 2024

	Explanation	2024 results	Major activities in 2024
7 Number of new brand experiences created that utilized art	Develop brand-based products and services with innovative, modern appeal	22 (2024 only)	**POLA** Cocreate with artists on *B.A* brand **ORBIS** Art collaboration at directly operated retail stores
8 Number of participants in workshops on liberal arts topics	Cultivate aesthetic sense and personal tastes through such events as exhibitions and workshops and give back to society	304,330 (since 2018)	**Group companies** Ran art workshops for employees at Group-wide training sessions **POLA ORBIS HOLDINGS** Art gallery operation **P.O. REAL ESTATE** Held events at POLA aoyama building and workshops for residents of rental condominiums

POLA

Non-financial KPI item 7

Providing opportunity to take on challenges of the future through artwork for *B.A*

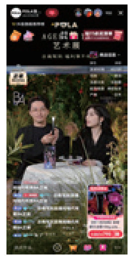
POLA's *B.A* series embodies the idea that everyone has "AGEBILITY"—a coined term to describe the ability to transform the experiences that come with age into future possibilities. We chose dahlias, defined as "prosperity" in the language of flowers, as the symbolic flower to convey the message that people inherently possess the inner strength to blossom at any age. The artwork by world-renowned flower artist Makoto Azuma uses the same X-ray technique as the *B.A* series to capture and reveal the essence and strength of the beauty in life that the naked eye cannot see.

In addition, as part of a project to promote the AGEBILITY message, POLA temporarily showcased participative flower installations in various locations in Japan. In 2023, the company collaborated with railway operators in Fukui and Shimane prefectures to install flower art in local trains and set up flower installations at POLA shops in Hyogo and Aichi prefectures. In 2024, POLA launched the "Monday Flower Shop" project in the city of Hirosaki, Aomori Prefecture, where the company already had a comprehensive partnership agreement. The project provided an opportunity for passers-by to reflect on the present and acknowledge the importance of each and every day, conveying the idea that daily efforts lead to new possibilities in life.

AGEBILITY activities were expanded to mainland China, where three-day events in Shanghai in two consecutive years since 2023 have allowed visitors to experience the splendor of flower installations. In 2024, complementing the event, POLA deployed in-store tools touching on AGEBILITY across mainland China and presented AGEBILITY artwork and ideas on the Tmall and Douyin e-commerce platforms.

AGEBILITY artwork

Participative event in front of Chuo-Hirosaki Station, Aomori Prefecture


e-commerce-linked activities in mainland China

Real Estate

TOPICS

POLA aoyama building connecting art, culture, people and community

Construction of the POLA aoyama building, managed by P.O. REAL ESTATE, was completed in March 2024. In addition to a state-of-the-art office environment, this mixed-use venue includes an incubation space for start-up companies, a multipurpose hall, a childcare area and a cultural research center. It also functions as a place that connects "art, culture, people and the community," offering cutting-edge advances to meet diverse needs.

Overlap—incubation facility

The incubation space to support start-up entrepreneurs is run by POLA ORBIS CAPITAL, POLA's corporate venture capital business, and extends support on management and other aspects related to starting a business.

POLA Research Institute of Beauty & Culture: Cosmetic Culture Gallery

Since its establishment in 1976, the POLA Research Institute of Beauty & Culture has been continuously engaged in collecting, preserving, researching and disseminating to the public aspects of cosmetics culture. The Cosmetic Culture Gallery offers a diverse range of programs, including access to exhibitions and published materials.

Tsuchiura Kameki House

Completed in 1935, the Tsuchiura Kameki House is a rare example of prewar modernist residential architecture. Designated a Tangible Cultural Property (building) by the Tokyo Metropolitan Government in 1995, it was also among the first 20 buildings selected in 1999 by DOCOMOMO Japan, a worldwide organization dedicated to preserving modern architecture. In 2024, the house was restored and then relocated to the grounds of the POLA aoyama building, where it is maintained and open for public viewing.

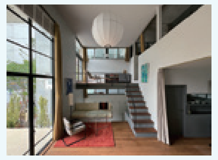
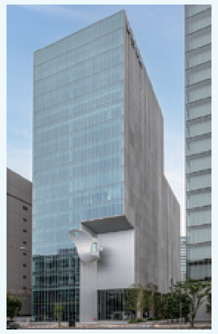


Photo: Tsuchiura Kameki archives

In addition, the building and the successful restoration and relocation of the Tsuchiura Kameki House were recognized by the Japan Association of Artists Craftsmen and Architects in December 2024 with the grand prize, the AACA Award. Artists were involved from the early stages of the design process, creating a spatial environment in which architecture, art and landscape resonate with one another and thus give shape to the concept "Sensuous Kaleidoscope—Encounter new discoveries and brilliance with every visit. Your world will expand, and your life will change." The POLA aoyama building is designed as a new type of office building that fuses art, culture and design.


POLA aoyama building art
Artwork© Enrico Isamu Oyama EIOS,
Photo© Tatsuya Noaki


Exterior of POLA aoyama building
Photo© Tatsuya Noaki

Culture

Non-financial KPI item 8

Stimulating sensibilities through art at POLA MUSEUM ANNEX

In October 2024, the POLA MUSEUM ANNEX celebrated the 15th anniversary of the Pola Ginza Building by holding the exhibition "Henri Matisse: Playing Music of Color," featuring works by Henri Matisse, one of the most representative painters of the 20th century, from the Pola Museum of Art's collection. This exhibition drew the highest number of visitors of any event in 2024. Within the Group, a priority is placed on creating opportunities for people to experience art, heighten their sensitivity and add color to their lives.

To appeal to a wider range of viewers, this exhibition offered various programs that enabled anyone and everyone to enjoy the masterpieces, such as viewing sessions geared toward families with babies to make the visit more comfortable and interactive viewing sessions for seniors, including those with dementia. Audio guides for young people were introduced, and a workshop for children from a nearby nursery school fostered good community interaction. All the programs brought out the visible enthusiasm of visitors, reminding us of the vital power of art and the vital role that the POLA MUSEUM ANNEX plays.


Workshop for children from nearby nursery school

Five non-financial materiality categories

4

All-Inclusive Human Resources

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 establish 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.

POLA ORBIS Group's approach to human resources

MISSION	Sensitize the world to beauty.
Human resources management policy	A person-centered management style Bring about organizational change and create new value, driven by intrinsic motivation of individuals and independent behavior
Our ideal	Realize individuality that allows people to play active roles To be an organization in which everyone has an important role to play and can demonstrate inherent individuality and potential to the greatest extent possible

Maximize individual abilities and motivation / secure and enhance human capital

Human resources strategy	To maintain growth and desire to embrace challenges	To support initiative and enthusiasm	To reward results and efforts to take on challenges	To attract diverse talent
	Skills development	Career development	Performance management	Recruitment

Shared foundation	
	Underlying source of blossoming individuality and sensitivity, and confidence in one's own potential to take on challenges
	Engagement
	DE&I / Health management / Diverse work styles

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

To advance, the Group must have people who can drive the growth of its diverse brands, see into the future and create new businesses. 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.

Subscribing to the Group's human resources management policy hinging on a person-centered management style, POLA ORBIS HOLDINGS promotes programs open to the entire Group aimed at developing next-generation leaders and also maintains a system that allows employees to transfer to the company or department of their choice within the Group if they are seeking new challenges in their work life. 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. We also believe diversity, inclusion and health management are important components of a shared foundation to actively engage human resources because a rewarding and comfortable workplace inevitably leads to higher job satisfaction.

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

Four 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

Priority human resources strategies

1	Systematically develop global and managerial human resources and strengthen on-the-spot employment
2	Establish mechanisms to incorporate human resources, ideas and businesses into the Group
3	Further expand and evolve the Group's management talent pipeline

Director's message

From a management perspective, our goal is to build an organization that is resilient and adaptable to change, based on a worldview that puts the individual at the center, with concentric circles extending outward to include family, friends, place of work, society and the earth.

Koji Ogawa
Director

POLA ORBIS Group's human resources management policy

A human resources management policy hinging on a person-centered management style is integral to the ideal we, as a company—and by extension, as a corporate group—wish to portray, and represents the idea of an individual-oriented organization where employees are able to express their individuality and thrive. For many people who become employees, the basis for their own way of thinking and the way they use their time evolve into those of the organization. While this was once considered normal in Japan, perceptions about work and organizations have changed over the years. In 2017, the POLA ORBIS Group indicated both inside and outside the Company that a person-centered management style would underpin its human resources management policy. The person-centered management concept puts the individual at the center, with concentric circles extending outward to include family, friends, place of work, society and the earth. Companies and organizations have to change in response to economic and market trends, but changing an organizational structure once it has been established is difficult, and there is no guarantee that rebuilding it from scratch will be successful. However, at the Group, we believe a flexible organization—one that develops through an extension of relationships built among individuals—can adapt with relative ease to changing times and values. We engage with employees about a person-centered management style as applied to our human resources management policy. Specifically, we tell them to think about the kind of person they aspired to be not as a member of a company but rather as an individual, to take a multi-layered view of what they feel good about, what they are unsure about, what they think should be changed in their daily lives and then actually implement those changes, accumulating experience in the process without fear of failure. Of course, a company has targets and rules, but we believe that pursuing actions based on intrinsic motivation, rather than simply following a set framework of targets and rules, promotes flexibility and growth for an organization.

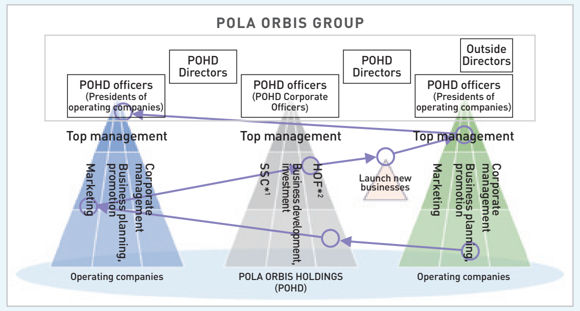
Person-centered talent and career development

Gaining experience in certain areas such as research, marketing and human resources will improve an individual's abilities, but this alone is not sufficient from the perspective of skills development. Therefore, for a shared foundation for skills development, we have expanded systems across the Group to support employees eager to pursue independent learning. The Sabbatical Program allows employees to take time off work for learning a theme not directly related to their work. Some employees have gone to Finland to study happiness, others have done research on the cosmetics market in South Korea and some are exploring AI. We also have a system in place that allows employees to attend classes while continuing to work, and every year our employees take on challenges in a variety of fields. Other programs, including the Group free-agent system, open-offer system and internal venture program, allow employees to experience a change in assignment while remaining within the Group. This flexibility enhances career development prospects. An example would be continuing with cosmetics-related work but focusing on cosmetics under a different brand in the Group's portfolio. We are also revamping human resources systems. Keen to eliminate seniority as an evaluation criterion, we are shifting our emphasis to evaluation and compensation based on expected roles, the difficulty of the job and the level of the contribution to business performance. As a result, the age range for management positions has expanded. By increasing opportunities for young employees to gain management experience early on, improve the quality of their work and enhance performance, we are seeing a higher number of young corporate officers in the ranks of senior management.

Developing the next generation of management by allowing employees to take on challenges and gain diverse experiences across the Group

One of the most important aspects of human resources management is ensuring that there is a sufficient number of candidates to fill management positions. We select candidates from across the Group who meet the requirements for key positions in managing Group operations and, after deciding issues related to aptitude, performance and training, we formulate plans to help candidates gain the necessary experience and monitor their progress. For example, we

Rotation (for illustrative purpose)



*1 Shared Service Center: Operational integration
*2 Head Office Functions: Planning and management of the Group's overall strategy and oversight of each company's strategy

maintain a system that allows employees to venture beyond their respective areas of expertise, enabling them to engage in work and management duties in different workplace cultures within the Group, acquire knowledge about multiple functions and gain experience in demanding roles where they might carry responsibility for achieving profitability or for formulating strategy. The percentage of our candidates to become management executives—a non-financial KPI—is 200% by 2029 and, as of 2024, we had reached 144.1%. We are making good progress but will press on to reach our target.

Encourage individuality and active participation by establishing the A Person-Centered Management Committee

In March 2025, we established the A Person-Centered Management Committee (AP-CM Committee) to maximize the Group's human resources capabilities and organizational vitality, and boost corporate value over the medium to long term. There was a predecessor structure—the Group Diversity Promotion Committee—but since the topics covered by that committee were limited, POLA ORBIS HOLDINGS established the AP-CM Committee with a much broader mandate that includes topics related to the foundation of human resources. The aims of the AP-CM Committee are to link the Board of Directors of POLA ORBIS HOLDINGS and the Board of Directors at each Group company, that is, management meetings, and to increase the effectiveness of overall Group pursuits that will lead to achieving key human resources-related themes and indicators from a Group-wide perspective.

Keeping employees healthy and highly motivated translates into corporate growth. The concept of "a person" includes all individuals regardless of their attributes. For example, in recruiting people with disabilities, we began exploring employment models that bring out the uniqueness of each person. As a corporate group espousing a person-centered approach, we want to create job satisfaction for all people.

Fostering a corporate culture that encourages individuals to embrace challenges and strive for success

People who can see into the future and apply their own unique perspective to create new value and drive brand growth are essential to the growth of the POLA ORBIS Group. That is why we are promoting a human resources strategy based on the concept of a person-centered management style. We have pursued every avenue to eliminate predictable systems and policies, and have introduced original methods to encourage employees to take the initiative and develop their skills. As a result, I feel employees at all companies under the Group umbrella are beginning to embrace challenges on their own terms.

Employees spend precious hours of their life at work. They are unlikely to stay motivated unless they feel that their work is worthwhile or they receive adequate compensation or gain a sense of personal growth for their efforts. A company where employees do not find the work interesting cannot expect to achieve sustainable growth. The POLA ORBIS Group seeks to maximize the value of human resources by enabling employees to thrive as individuals, an approach that leads to improved corporate value.

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 2024

		Explanation	2024 results	Major activities in 2024
9 Job satisfaction and engagement score*1		Create an exciting, comfortable work environment in which employees, fueled by a desire to contribute to corporate success, are able to take the initiative	62.9%	Considered, implemented and then monitored action plans designed to spur enthusiasm for work and create comfortable environment
Women's empowerment	10 Percentage of female executives*2	• Promote diversity through management-level leadership • Promote diversity with focus on key executive positions • Create system/atmosphere to underpin career planning	17.9%	• Selected and developed diverse candidates, including women, through the Talent Development Committee • Formulated action plans by the Diversity Promotion Committee
	11 Percentage of female division managers (POLA ORBIS HOLDINGS, POLA and ORBIS)		31.1%	
	12 Percentage of female managers*2		44.5%	
13 Percentage of candidates to become management executives		Establish/reinforce pipeline for people with management potential	144.1% (as of December 31, 2024)	Continued to promote next-generation leader skills development program
14 Number of applicants for Sabbatical Program		Increase the desire for self-development and learning	15 (since 2022)	Active Learning Program (School Learning and Free Choice)

*1 Set survey results of Great Place To Work® as indicator
*2 In principle, applies to POLA ORBIS HOLDINGS and its subsidiaries

Non-financial KPI item 13

Next-generation leader skills development programs

In 2024, POLA ORBIS HOLDINGS expanded its programs for next-generation leader skills development, adding Wonder Camp for employees who have been with the Company for three years or less to the existing Future Study Program and the Business Innovation Academy. The Future Study Program kicked off in 2005, since which time POLA ORBIS HOLDINGS has constantly enriched the curriculum. More than 300 people have completed these programs, many of whom have been promoted to executive positions.

1. Wonder Camp (Launched in 2024)

Welcoming about 30 people, this program is aimed at employees in their first-to-third years at POLA ORBIS HOLDINGS. It is intended to give participants an opportunity to understand the ideas and values important to the Group, acquire diverse points of view and recognize the need to elevate their sense of humanity and make it an ongoing effort. Wonder Camp condenses the distinctive curriculums and underlying themes of the Future Study Program and Business Innovation Academy into the essentials of skills development. The goal is to turn human resources with an inherent ability to act independently, based on intrinsic motivation, into potential next-generation leaders, broaden their horizons by building connections within the Group and enable participants to grasp the significance of their own job within the Group as a whole and apply this awareness to their work.

Participants at Wonder Camp

VOICE

Thought-provoking training that allows participants to grasp the underlying aspects of multifaceted perspectives

Through Wonder Camp, I gained a true sense of the importance of having a multifaceted perspective. Being exposed to each participant's diverse opinions about a single event or presentation was a valuable and intellectually stimulating experience. Animated exchanges of opinions allowed me to see issues I would not have noticed if the other person had not offered a different perspective. Wonder Camp reminded me that a multifaceted perspective is not just about expanding personal perspectives and ways of thinking but is also essential for digging deeper and refining one's own opinions. I will use what I learned in this program to become sharper, in an awareness sense.

Reina Honda
CRM/CS Team, FUJIMI Business Division
tricot, Inc.

2. Future Study Program

Designed for young employees in their 20s and 30s, the program is, in principle, open to anyone who wants to participate. 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.

Scene from Future Study Program

VOICE

First step toward independent value creation

Joining the Future Study Program was the first time I had any sense of creative confidence. Until then, I had no experience formulating plans on my own, and I felt a creative role was just not for me. But by participating in the Future Study Program, I learned that creativity is cultivated not with talent but through training. Going through the process of refining a rough idea gave me the confidence to say, "I can create something too." People can probably acquire business knowledge and develop a mind for business on their own, but the experience of actually coming up with a business idea and proposing it to management was my first step toward creativity in a business context.

Rio Naganuma
Frontier Research Center
POLA CHEMICAL INDUSTRIES, INC.

3. 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 18 times, and 79 people—excluding participants who have retired—have completed the curriculum. Of these participants, 24 have been appointed to executive positions at companies under the Group umbrella.


Scene from Business Innovation Academy

VOICE

I looked at myself. I had deep discussions with colleagues. This is what I learned.

The starting point for solving business issues is personal perspective. Toward this end, the Business Innovation Academy began with deep reflection on the theme "What kind of person am I?" and putting that image into words. The other participants, academy administration and members of management in attendance provided honest feedback that helped me consolidate my own values. In recommending solutions to management issues at my own company, I learned to take a step back to view situations from a broader perspective, see value in disharmony and erect walls but constantly strive to clear them. This helped me reset my own perspective and rigid way of thinking. I felt a strong sense of the endless possibilities for self-development as a transformational leader.

Yui Kato
Corporate Officer, ORBIS Inc.

Human resources development system

Junior — Middle — Management

	Talent Development			Succession Plan for Officer and Director
Career Development	**Assignment Change** "Different Job Role, Task" "Different Organization, Business" At least 2 different assignments before 30 years old		**Talent Development Committee** 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.	
Career Development	**Open Opportunities** [Group FA System] 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 [Open Offer] Recruit within the group position by application requirement [Business Start up] New business proposal opportunity by employees (individual or team)			
Talent Development	**Wonder Camp** **Content:** Action learning in which participants identify issues within the Group and work as a team to present solutions **Output:** Ideas for internal innovation to realize desired future **Members**: About 30 per year **Duration:** 3 months	**Future Study Program** **Content:** Action learning that allows next-generation leaders to gain broad insight into what future holds, think about what future should be, set themes based on intrinsic motivation, consider and explore them, and propose solutions **Output:** Innovative proposal to Group Management by teams **Members**: About 12 per year **Duration:** 7 months	**External Exchange** **Content:** Practice learning from Future Study Program through activities outside the company. **Example:** Support for studying in Business school, exchange training at other companies, etc.	**Business Innovation Academy** **Content:** 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 **Output:** Proposal and execution of business innovation to management by individuals **Members**: About 5-6 per year **Duration:** 9 months
Talent Development	**VISION 2029 Education (Design Thinking Training/AI Human Resources Development 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 Group-wide corporate value.

The POLA ORBIS Group has particularly high hopes for the Sabbatical Program (Free Choice), which enables employees to self-report experiences they have had away from work, in different fields or cultures, or incidents simply different from their everyday routines, with the expectation that the report will stimulate intrinsic motivation among employees. The number of applicants for this program is incorporated into the Group's non-financial KPIs, effective from the 2024–2026 medium-term management plan. To date, employees applying for the program have utilized its freedom to pursue themes such as "investigating the secrets of the happiest and most gender-equal country in the world," "learning about in-bound demand for experience-based beauty services in Thailand," "exploring BPM and organizing chaotic work flows" and "experiencing European culture through local living" to gain better exposure to values and cultures never experienced before, inspired by the thought "What do I want to be?"

VOICE

New value in beauty services experienced in Chiang Mai, Thailand

Taking advantage of the Sabbatical Program, I spent a month in Chiang Mai, Thailand, learning about inbound tourism for beauty services. I tried out local beauty services and used the online booking system to make appointments. This first-hand experience, from a tourist's perspective, reinforced my view about the importance of a customer-oriented approach to providing services and gave me an opportunity to contemplate ways to offer added value to inbound travelers to Japan. Through this month of learning, I gained valuable inspiration that will be useful in my future work, as well as deeper insight into the impact the integration of local culture and services has on business.

Fuyumi Nishida
Total Beauty Marketing Division, POLA INC.

Initiatives for a shared foundation for human resources development

Enhanced engagement

Knowing the importance of creating an environment in which all employees are able to express diverse ideas and fully demonstrate their abilities, POLA ORBIS HOLDINGS set increased job satisfaction and engagement as a key issue Groupwide.

In 2021, the POLA ORBIS Group introduced an engagement survey* to visualize job satisfaction and engagement internally, accurately identify issues and implement more effective measures to resolve these issues. The survey is distributed to all operating companies at home and abroad. The Group set job satisfaction and engagement as a non-financial KPI and is working toward a Group-wide score of 75% by 2029.

In addition, the Group sees job satisfaction and engagement hinging on two criteria—a comfortable place to work and work that motivates—and each Group company considers actions applicable to these criteria to create an environment and promote activities conducive to a high level of job satisfaction and engagement. To improve the feasibility of measures, manage targets and implement measures to achieve those targets, we regularly hold meetings for human resources personnel from each Group company and encourage Group companies to embrace best practices.

*Measured and calculated for the "Great Place to Work Survey" by the Great Place To Work® Institute Japan

DE&I

POLA ORBIS HOLDINGS formulated a DE&I policy for the Group that commits to becoming a corporate group that values sensitivity and individuality and believes in the potential of every employee to take on challenges. DE&I is embraced Groupwide, and initiatives are geared toward enabling employees to thrive as individuals.

For DE&I, gender diversity is in the spotlight, a topic for which the POLA ORBIS Group has laid out a roadmap and set KPIs to solidify its stance. In 2023, the Group discovered a difference in levels of job satisfaction and engagement according to gender. As a result, in 2024, the Group focused on gender bias management. Going forward, the Group will ascertain the actual state of bias internally and among individual managers, then create rules and mechanisms to eliminate it.

The Group also aims to enable employees with disabilities to fully demonstrate their individuality and capabilities and contribute to the Group's value creation process. In September 2024, the Group established a dedicated team to promote employment of people with disabilities internally and began organizing study sessions to encourage recruitment of people with disabilities Groupwide. This team also pinpoints issues that require attention, formulates solutions and supports Group companies in realizing those solutions to provide incentive to people with disabilities to actively participate in the workplace.

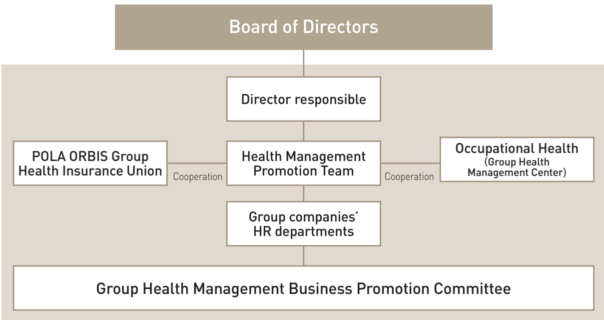

Training against unconscious bias

Health management

In 2017, the Group drafted the POLA ORBIS Group Health Management Declaration and made the physical and mental health of employees a management priority. Driven by coordinated efforts by companies, occupational health professionals and health insurance associations, POLA ORBIS HOLDINGS strives to ensure the well-being of Group employees and their families. For eight 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 and again in 2025, the Company was recognized as a White 500 company, a designation given to the top 500 corporations practicing excellent health management.

Our emphasis on health management is underpinned by the Health Management Promotion Team, under the supervision of the Board of Directors. The team was set up as a connection between Occupational Health (Group Health Management Center) and Health Insurance Union and the human resources departments of Group companies while it promoted 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.

POLA ORBIS HOLDINGS set "maximizing the capabilities and motivation of individuals and improving organizational productivity" and "securing and enriching human resources capital" as long-term themes for health management. The Company is promoting activities with an emphasis on initiatives under six priority themes (cultivating a positive corporate culture, health checks and measures to prevent worsening of existing health issues, preventing lifestyle-related diseases and improving productivity, mental health, approaches to gender-specific health issues and help to quit smoking and measures to address issue of secondhand smoke).



POLA ORBIS Group Health Management Declaration

Health within the POLA ORBIS Group is intricately connected to a history dating back to POLA's earliest days, reflecting enduring efforts to form a close connection to our customers and to think about products and services from the customer's perspective, and health is essentially a starting point for sensitizing the world to beauty and constantly creating new value for the future.
It is possible for each and every employee to lead a full and colorful life, showing thoughtful consideration of others while still keeping a be-true-to-yourself attitude, because of good health.
The Group's philosophy and the health of employees are so tightly intertwined that POLA ORBIS HOLDINGS has made the physical and emotional health of employees throughout the POLA ORBIS Group a management priority. Going forward, the Company will strive to create an environment that supports good health for employees as well as their families.

Diverse work styles

Amid increasingly fierce competition in Japan and overseas, the attributes and values of workers and the needs of customers are becoming more diverse. In response, the Group is leveraging a wider range of work-style options attuned to work-life balance, an initiative that enables employees to demonstrate their individuality and ultimately contribute to new value creation Groupwide.

Programs: Flexible working hours, paid leave in half-day or hourly units, remote work, refreshment (long-term) leave, satellite offices, shorter working hours to accommodate childcare responsibilities, childcare allowance, nursing care leave and shorter working hours to accommodate nursing care responsibilities

*While POLA ORBIS HOLDINGS complies with laws and regulations, some companies under the POLA ORBIS Group umbrella have yet to conform, and some programs have not been fully implemented due to employment conditions.

In each country where POLA ORBIS HOLDINGS and Group companies maintain offices, efforts are made to comply with local laws and regulations for working hours and to reduce long working hours. Toward a decrease in long working hours, the emphasis is on improving operational efficiency and enhancing the management skills of managers. In addition, to properly manage attendance even while remote work becomes more commonplace, human resources departments at Group companies monitor attendance clock-in times and PC operating hours.

Five non-financial materiality categories

Environment

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

The Group remains committed to prioritizing the global environment surrounding business activities, which nurture a sense of beauty and hone sensitivity. From a Group perspective, solid research, technological expertise and connections forged with customers through direct marketing will enable the Group to reduce the environmental impact across the entire value chain. Keeping both the planet and customers looking beautiful will help support sustainable business management and business models. The Group has positioned risks and opportunities associated with climate change, natural capital and biodiversity, which are particularly important environmental issues, as principal management themes in business strategy and promotes information disclosure and measures in line with TCFD and TNFD* recommendations. In addition, we are setting goals and pursuing initiatives that emphasize environmental protection in 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 parts.

*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 2024

		Explanation	2024 results	Major activities in 2024
15 CO$_2$ emissions	Scope 1 and 2	Aiming for net-zero emissions by 2050	Down 58.6% (from 2019)	• Completed construction of POLA aoyama building (powered by 100% renewable energy and granted CASBEE evaluation certification S rank (highest level of performance and sustainability) in two categories: Buildings (new construction) and Smart Wellness Office) • Started engagement with business partners to reduce CO$_2$ emissions
	Scope 3		Down 52.0% (from 2019)	
16 Water consumption		Aiming to conserve water resources and reduce water risks and water stress	Down 17.4% (from 2019)	At factories, conserved water, switched to environmentally friendly equipment, utilized rainwater and continued reforestation and thinning activities
17 Sustainable palm oil procurement		Aiming to gradually switch to sustainable cosmetics ingredients	37.5%	Established milestones for switchover to sustainable palm oil and addressed switchover for company-specific products
18 Plastic cosmetics containers and packaging consumption		Aiming for resource recycling to conserve limited resources	52.9%	Surveyed actual plastics consumption and addressed switchover for company-specific products to comply with 4R's

VOICE

Disclosure in line with TNFD recommendations

An environment-related highlight of 2024 is the analysis and disclosure based on TNFD recommendations. By conducting a more extensive analysis of previously identified environmental issues, we were able to gain a rough idea of our dependence on the raw materials required to produce cosmetics and their impact. We were also able to organize perspectives on aspects other than climate change, such as water and forests, into an integrated framework. Going forward, we will work with production, procurement and other departments to determine with greater accuracy the traceability of raw materials, etc., and also clarify the impact on the environment and society as well as the impact on management practices so that appropriate measures can be taken.

TNFD Forum Member

We are TNFD Adopters

Hiroshi Taniguchi
QCD Management Division, POLA ORBIS HOLDINGS

Climate change and nature-related risks and opportunities

The Group uses ingredients extracted from plants and water as raw materials for its cosmetics, operating its business by greatly benefitting from natural capital. At the same time, the business includes aspects that affect the environment in terms of CO_2, waste and wastewater associated with manufacturing and using cosmetics. Moreover, consumers, investors and the international community are becoming increasingly concerned about the environment, an issue that cannot be ignored in terms of product design, development and sales strategies. In response, the Group participates in the TCFD Consortium and the TNFD Forum, and as an adopter of TNFD, identifies climate change and nature-related risks and opportunities as a key management theme in its business strategy, while disclosing information comprehensively to accord with TCFD and TNFD recommendations. Risks and opportunities associated with climate change were analyzed on the basis of the TCFD framework, and nature-related risks and opportunities were analyzed in line with the LEAP approach after the scope of the analysis ("Scoping") based on the TNFD framework was considered. As that report focuses on the analysis process and results thereof, please visit our website for additional information.

WEB https://www.po-holdings.co.jp/en/csr/environmental/risk/

Analysis based on the TNFD framework

Scoping Setting the scope of the analysis

The scope of the analysis included the following components of the Group's main Beauty Care business: the flagship brands POLA and ORBIS as well as POLA CHEMICAL INDUSTRIES and Jurlique International, which have manufacturing bases. Moreover, since the Group uses many types of raw materials derived from petroleum, minerals, plants, etc., it also covered the scope of raw materials to analyze upstream processes in the value chain. Ultimately, from among plant-derived raw materials that are highly dependent on ecosystem services and are apt to have a high risk of price hikes, several items likely to significantly affect biodiversity were selected and included in the analysis.

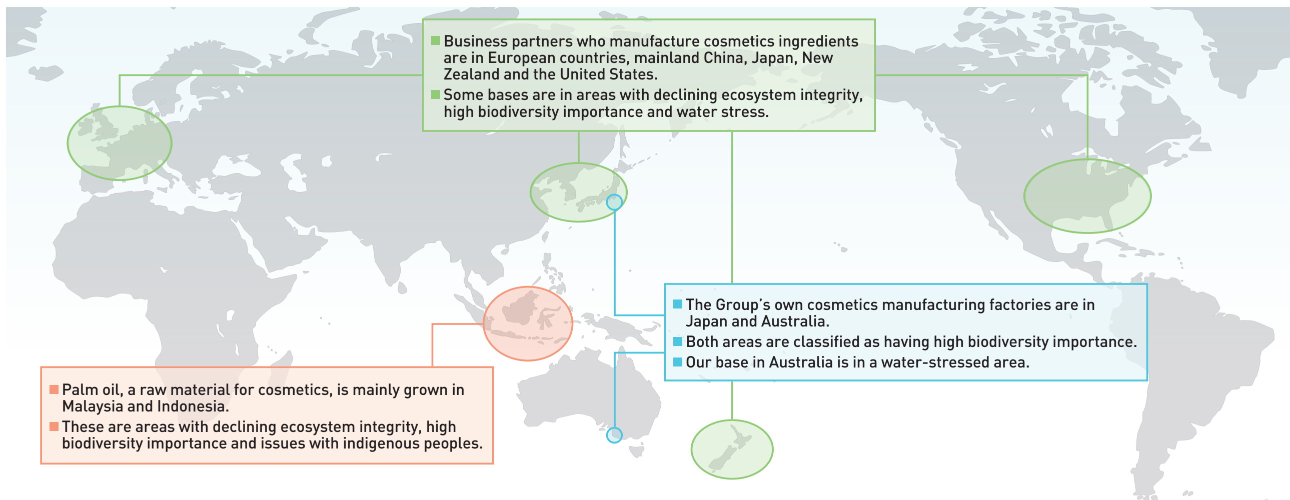
LEAP analysis

Locate Locate contact points with nature

POLA ORBIS Holdings has investigated every process of the Group's value chain and relevant locations, evaluating items indicated by the TNFD, such as "decline in ecosystem integrity," "high importance of biodiversity," "water stress," "high level of ecosystem integrity" and "importance of providing ecosystem services to indigenous peoples and local communities," as well as considering locations with dependencies, impacts, risks and opportunities important to the Group's business, thereby identifying priority areas for the Group. Moreover, if a specific location could not be identified, provisional settings were made as much as possible using public information, etc., thus allowing for more precise analysis of subsequent risks and opportunities. Logistics and downstream value chain are not subject to this location study as identifying locations there is difficult.

■ Summary of evaluation results for locations related to the business

*This is an excerpt and summary of some of the analysis results.

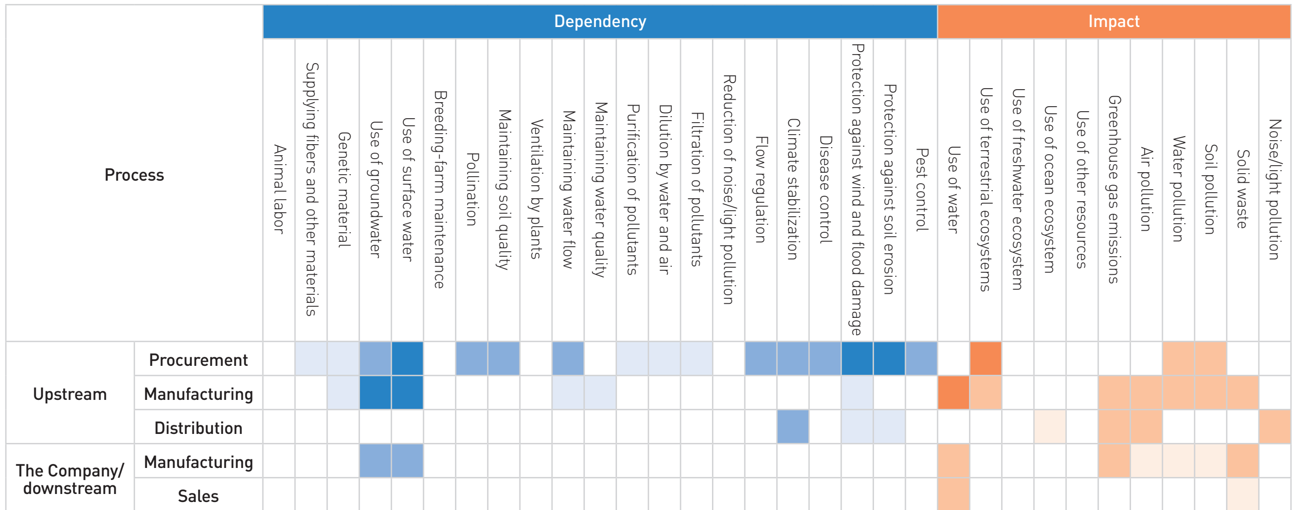


Evaluate Evaluate dependencies and impacts

POLA ORBIS Holdings identified and assessed dependencies on ecosystem services for every process of the value chain and their impacts on natural capital, compiling this into a heat map. Regarding the dependencies on ecosystem services, we found that many items involve the procurement of plant-derived raw materials. We also found that we depend on the use of water in various processes both upstream and downstream in the value chain. In terms of the impacts on natural capital, the Company found that impacts such as land alteration and pollution may exist throughout the Group's value chain. (Tools used: ENCORE, etc.)

■ Dependency and impact heat map

*Darkness of color indicates size of dependency and impact.



Assess Assess risks and opportunities

Using details of the dependencies and impacts found in "Evaluate," we identified risks and opportunities and assessed their impacts on the business (see next page). In the assessment, POLA ORBIS Holdings referred to the results of the analysis in "Locate" and considered the characteristics of the locations relevant to the risks and opportunities. The Company also set the scenarios on which the analysis is based. (Tools used: WWF Risk Filter Suite, Aqueduct Water Risk Atlas, etc.)

Prepare Prepare to respond and report

Using the results, we organized nature-related indicators and targets. Please refer to the list of non-financial KPIs on page 43 of this report for details of these indicators and targets. Moreover, for nature-related analysis and information disclosure, POLA ORBIS Holdings engaged in dialogue with external experts to confirm key points of the Group's initiatives.

Initiatives based on TCFD and TNFD analyses

The following 12 items have been set as initiatives on the basis of our analyses.

(1) Reduction of CO_2 emissions
(2) Water resource conservation
(3) Waste reduction and recycling
(4) Reducing and recycling plastics
(5) Management of chemical substances
(6) Sustainable procurement
(7) Biodiversity conservation
(8) Establishing policies and systems
(9) Initiatives through R&D
(10) Initiatives to raise environmental awareness in society
(11) Disaster responses
(12) Status of external ESG ratings

Going forward, POLA ORBIS Holdings will continue to monitor the Group's dependencies and impacts on natural capital in the value chain, and implement initiatives for both risk reduction and opportunity creation.

Please refer to the website for initiatives not provided in this report, analysis assumptions and core disclosure indicators, etc.

WEB https://www.po-holdings.co.jp/en/csr/environmental/risk/

1 **Reduction of CO_2 emissions:** Please refer to page 47 of this report.
2 **Water resource conservation:** Please refer to page 48 of this report.
3 **Reducing and recycling plastics:** Please refer to page 49 of this report.
4 **Sustainable procurement:** Please refer to page 51 of this report.

Evaluation based on the TCFD and TNFD recommendations

Evaluation of business impact

POLA ORBIS Holdings assessed the business impact of climate change and natural phenomena on the Group's operating income, including the impact of risks and opportunities. For both a "society focused on sustainability" and a "society that needs to adapt to environmental changes" scenarios, we anticipate that risks will negatively affect operating income but also that countermeasures can be taken through initiatives to reduce risks and seize opportunities.

Major risks and opportunities related to climate change and nature

*The impact periods are defined as short-term: 2024–2026, medium-term: 2029 and long-term: 2050.

Scenario and risk category	Details of risks	Degree of financial impact	Duration of impact
A society focused on sustainability Transition risks	Risk of increased procurement costs due to soaring raw material prices from tighter regulations on agriculture	Small	Medium and long
	Risk of increased procurement costs due to soaring paper prices from tighter regulations on forestry and timber harvesting	Small	Medium and long
	Risk of increased procurement costs due to soaring raw material prices from the tightening of environmental regulations at supplier factories and increased associated costs	Small	Medium and long
	Risk of increased procurement costs due to soaring raw material prices from the tightening of environmental regulations in the logistics industry and increased associated costs	Small	Medium and long
	Risk of increased costs due to tighter environmental regulations on our own factories (regarding greenhouse gases, plastics, water intake and wastewater, etc.)	Medium	Medium and long
	Risk of decreased sales due to an inability to develop products adapted to the shift in customer demand toward ecofriendly products	Medium	Medium and long
	Risk of increased procurement costs due to soaring prices of certain raw materials from increased demand for biomass fuels, etc.	Small	Medium and long
	Risk of damage to reputation and litigation as a result of a slow response to climate change and natural capital change or inadequate communication with society	Small	Short, medium and long
	Risk of damage to reputation and litigation as a result of a spillover of suppliers' adverse effects on natural capital	Small	Short, medium and long
A society that needs to adapt to environmental changes Physical risks	Risk of increased costs due to soaring prices of plant-derived raw materials as a result of a chronic decline in their yields owing to deteriorating pollination services, soil quality, climate change, etc.	Small	Medium and long
	Risk of increased costs due to soaring prices of plant-derived raw materials as a result of a sudden decline in their yields caused by intensification of wind and flood damage owing to climate change, droughts, rapid increase in pests, etc.	Medium	Short, medium and long
	Risk of increased procurement costs due to soaring paper prices from droughts and wildfires in wood-chip production areas	Small	Medium and long
	Risk of decreased sales due to disruption in product supply from droughts at supplier factories	Small	Medium and long
	Risk of decreased sales due to disruption in product supply from droughts at Group factories	Small	Medium and long
	Results from damage to supply chains (own factories, suppliers, logistics infrastructure, etc.) from worsening extreme weather events • Risk of decreased sales due to disruption in product supply • Risk of higher procurement costs and recovery costs	Medium	Medium and long

Scenario	Details of opportunities	Degree of financial impact	Duration of impact
A society focused on sustainability	Opportunities to improve resource efficiency at our own facilities and reduce manufacturing costs through low-carbon society and infrastructure development	Medium	Medium and long
	Opportunity for cost reductions by establishing a recycling-based model using direct marketing	Medium	Short, medium and long
	Opportunity for increased sales with a shift in customer demand toward ecofriendly products	Medium	Medium and long
	Opportunity for improving the Group's reputation through a shift to a society that places greater emphasis on ESG ratings	Small	Medium and long
A society that needs to adapt to environmental changes	Opportunity for increased sales from the development and sale of products to address growing skin concerns under the impact of climate change (growing demand for UV skincare and wrinkle-improving products associated with increased ultraviolet radiation and growing demand for products to combat aging caused by dryness and skin roughness)	Medium	Medium and long
	Opportunity for increased sales due to rising global demand (emerging markets and regions where relevance of our products grows due to climate change)	Medium	Medium and long

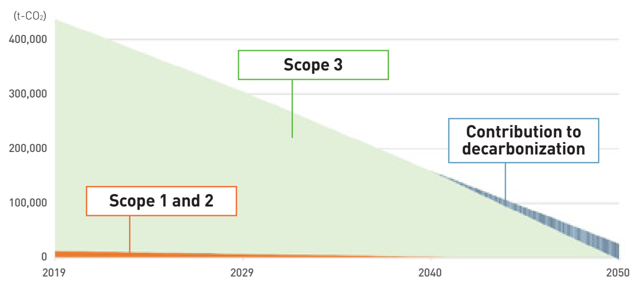
Non-financial KPI item 15

Addressing climate change challenges

The Group has formulated a Low Carbon Transition Plan to achieve net-zero CO_2 emissions by 2050. Specifically, the Group aims to reach net-zero CO_2 emissions (Scope 1 and 2) for those it owns or controls by 2040, and net-zero CO_2 emissions (Scope 3) from business activities throughout the product life cycle by 2050. To accomplish these goals, the POLA ORBIS Group has set a reduction target for 2029, which has been certified by SBTi* as a 1.5°C target. To achieve net-zero CO_2 emissions, the POLA ORBIS Group is considering and implementing the following initiatives.

*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)

Carbon Reduction Scenario



	Target year for achieving net-zero CO_2 emissions	Initiatives for achieving net-zero CO_2 emissions *including those under consideration
Scope 1 and 2	2040	• Install the latest equipment with low CO_2 emissions and convert from fuel to LNG with low CO_2 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*) *PPA: Power purchase agreement • 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 research and production facility) • Consider introducing internal carbon pricing
Scope 3	2050	• Reduce CO_2 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

Action to reduce CO_2 emissions

Scope 1 and 2 In-house direct emissions

The POLA ORBIS Group is moving forward with the switch to electricity derived from renewable energy sources Groupwide. The Group has completed this switchover at 31 business sites across Japan, including POLA CHEMICAL INDUSTRIES's Fukuroi Factory, the major production base. 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.

Scope 3 Emissions over the life cycle

For Scope 3 emissions, we have positioned emissions from business partners as the most important area for reduction. To this end, we are continuing efforts at procurement policy information meetings and other forums to explain the Group's policies to major business partners and ask them to cooperate with us in reducing emissions. We also analyze information disclosed by major business partners about their emission reduction policies, targets and performance, and have started engaging with them.

For products, ORBIS calculated the CO_2 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. ORBIS is also rolling out the refill initiative to other Group companies and will expand it in line with the brand strategies of each company. Furthermore, Group companies are working to reduce CO_2 emissions across the value chain through measures such as increasing the lineup of refillable products.

In logistics, the ORBIS East Japan Distribution Center is continuously improving energy efficiency through technology that uniquely automates everything from pickup to sorting by destination, by introducing automated conveyance robots and other equipment to its mail-order shipping lines. ORBIS also constantly seeks the optimal location for logistics centers and strive to enhance sorting functions to enable reassessment of optimal delivery routes, thus improving energy usage efficiency. Furthermore, to reduce CO_2 emissions during transportation, we are working to minimize packaging materials, reduce weight and utilize common Group shipping boxes. At POLA, the POLA Distribution Center, the Group's largest logistics base, conducts 100% of its business on electricity derived from renewable energy sources to reduce CO_2 emissions at its own base.

Non-financial KPI item 16

Addressing water resource challenges

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 (and even for customers using water with some of our products after production). To conserve water resources and prevent pollution, the Group strives to reduce the environmental impact of its water use and discharge, primarily at its production bases. The Fukuroi Factory of POLA CHEMICAL INDUSTRIES and Jurlique's factory in Adelaide take measures to comply with water-related laws and regulations, and utilize the environmental management system required by ISO 14001 and B Corporation certifications, thereby continuously working to reduce risks and the environmental impact.

POLA ORBIS Holdings uses the WWF Water Risk Filter in the analyses to identify the water risks faced by the Group. POLA CHEMICAL INDUSTRIES's Fukuroi Factory in the city of Fukuroi, Shizuoka Prefecture, Japan, is at risk of flooding, while Jurlique's factory in Adelaide, Australia, is at risk of water shortages. In such ways, risks vary depending on the region. Even so, the Group believes that reducing its water consumption is important and uses water resources efficiently and sustainably while growing the business. The POLA ORBIS Group has set reduction of water consumption as a non-financial KPI target linked to executive compensation (medium- to long-term incentive) to increase its ability to achieve the target by 2029. Additionally, the Fukuroi Factory is implementing BCP measures such as taking 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 feature, in addition to utilizing rainwater and storing it in factories and on farms in preparation for water shortages.


Water storage tanks

Management of chemical substances

Following its Basic Policy on Quality Assurance, the Group is working to ensure quality and safety throughout the life cycle of its products, from design and development to procurement, manufacturing, customer use and disposal, enabling customers to use them safely and without worry. In addition to complying with the cosmetics regulations of the countries in which they are to be sold, the POLA ORBIS Group continues to comply with the Stockholm Convention on Persistent Organic Pollutants (POPs), which is an international law (including the PFAS classifications PFOS, PFOA and PFHxS), the EU's REACH regulations, various laws and regulations in Japan, including the Act on the Evaluation of Chemical Substances and Regulation of their Manufacture, etc., and the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, along with voluntary industry standards.

The Group also thoroughly manages chemical substances in production activities. POLA CHEMICAL INDUSTRIES's Fukuroi Factory has obtained ISO 14001 certification, designates a person responsible for handling hazardous chemical substances and lays out procedures for storing, using and disposing of chemical substances, action to be taken in an emergency and employee training (provided every year, in principle) to ensure people's safety and protect the environment. In addition to complying with wastewater standards, we are working to continuously reduce the use of substances subject to the PRTR Act (Chemical Substances Management Promotion Act) and compost the sludge generated in wastewater treatment.

WEB https://www.po-holdings.co.jp/en/csr/environmental/safety/

TOPICS

Selected for A List, highest rating from CDP (for climate change, water security)

CDP, an international NGO, named POLA ORBIS HOLDINGS to its highest rating, the Climate Change A List, for the fourth consecutive year. In 2024, we were also newly selected as an A List company in the water-security category. Of the approximately 24,000 organizations around the world responding to the CDP questionnaire, few were selected for the A List for both the climate-change and water-security categories, a sign that the Group's leadership in the transparency and performance of our environmental initiatives has been recognized.

Climate Water CDP A List 2024

Non-financial KPI item 18

Addressing cosmetics plastic container challenges

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.

The POLA ORBIS Group is 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 52.9% of the Group's products to sustainable designs. The Group will continue advancing these initiatives to achieve the 2029 target and reduce the environmental impact.

Reduce **Reuse** Examples of Reduce and Reuse initiatives

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 the Group will continue to promote this approach.

By offering refills, we have made THREE's *Essential Scents Purifying Shampoo* a refillable product and also use bottles made of biomass PET. DECENCIA has rolled out refills for the *TSUTSUMU* series, which it has sold since its founding, with the aim of reducing the amount of petroleum-based plastics used.


THREE
Essential Scents Purifying Shampoo


DECENCIA
TSUTSUMU series

Replace Examples of Replace initiatives

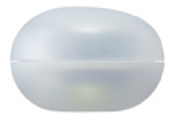
To replace certain materials, we have switched the plastic used for some of our products to biomass plastic or recycled plastic. For the first time, POLA is using PIR* ABS for the containers of *B.A 3D OASIS EYE COLOR* and *B.A 3D OASIS BLUSH*. ORBIS's *ESSENCE IN HAIR MASK* tube container is made from biomass PE and biomass EVOH. Biomass PET is also used for the container of POLA's *B.A GRANDLUXE O* and for the bottle of ORBIS's *AQUANIST*.

*Post-industrial recycled: Plastic that has been recycled from waste plastic collected from molding factories.


POLA
B.A 3D OASIS EYE COLOR


POLA
B.A 3D OASIS BLUSH


ORBIS
ESSENCE IN HAIR MASK


POLA
B.A GRANDLUXE O


ORBIS
AQUANIST LOTION LM

Recycle Examples of Recycle initiatives

POLA ORBIS HOLDINGS is collaborating with Shiseido Company, Limited on the "BeauRing" project to recycle plastic cosmetics containers. "BeauRing" is a project that collects used plastic containers, converts them into recyclable resources, then remakes them into new plastic containers, with the aim of eventually creating a complete platform for recycling processes, from collection to recycling.

Human Rights

Human Rights Policy

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, 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.

POLA ORBIS Group Human Rights Policy
WEB 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
Pinpoint human rights issues in the supply chain	Business partner employees and citizens of the community	• CSR questionnaire/audit of business partners • Sedex* membership and collaboration with other companies in the industry • Traceability survey initiated and issues identified • Identifying issues by visiting small-scale palm oil plantations	• Update CSR Procurement Guidelines and make them known • Purchase RSPO-certified palm oil • Obtain RSPO supply chain certification • Maintain Business Partner Hotline
Manage personal information	Customers	• Understand vulnerabilities in internal computer systems and cloud services • Identifying security level of e-commerce sites and training employees for targeted email attacks	• Information Security Committee • Reinforce security of internal computer systems and cloud services • Analyze and improve results of personal information checks and implement server vulnerability management
Cultivate suitable work environment	Employees	• Conduct compliance survey and fact-finding based on surveys	• Control working hours and optimize operations • Hold training on issue of harassment • Internal reporting system

*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.

Key human rights initiatives

Non-financial KPI item 17

Sustainable palm oil procurement

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, supported by the Group, POLA ORBIS HOLDINGS signed on to the Roundtable on Sustainable Palm Oil (RSPO), backed a policy of purchasing RSPO-certified palm oil and set the achievement of sustainable palm oil procurement of 60% by 2026 and 100% by 2029 as non-financial KPIs (linked to executive compensation) from a Group-wide perspective. POLA CHEMICAL INDUSTRIES's Fukuroi Factory, a key Group production base, maintains RSPO supply chain certification.

Guided by Group policy, the POLA ORBIS Group also promotes collaboration with stakeholders connected to sustainable palm oil procurement and places importance on investigating palm-growing areas for raw materials and on directly supporting small-scale farmers. To date, POLA ORBIS HOLDINGS has participated in stakeholder engagement programs sponsored by Caux Round Table Japan and RSPO, and promoted ongoing opportunities for dialogue with experts and small-scale farmers.

In 2024, POLA ORBIS HOLDINGS was involved in engagement forums sponsored by RSPO and non-government organizations (NGOs), visited palm plantations in Thailand to pinpoint issues requiring attention and participated in small-scale farm support projects undertaken by YAYASAN FORTASBI Indonesia, a local NGO.

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.

Visit to small-scale palm plantation in Thailand (November 2024)

With supply chain

The POLA ORBIS Group adheres to CSR Procurement Guidelines (revised in 2024), which set down practices to ensure lasting and sustainable development while maintaining fair and free transactions with business partners based on Basic Group Purchasing Policies. These guidelines underpin efforts to reduce risk in the supply chain.

Primary suppliers, at the starting point of the supply chain, are asked for their understanding and cooperation regarding the POLA ORBIS Group CSR Procurement Guidelines and given a CSR self-assessment questionnaire to complete. In addition, on-site factory audits are conducted at particularly important suppliers. These audits check for risks related to the environment, including CO_2, water, waste and biodiversity, and human rights, such as forced labor, child labor and work safety issues. Where issues are found, suppliers are requested to make improvements to reduce risk.

Also, the POLA ORBIS Group is a member of Sedex—the world's largest information platform—for enhancing supply chain risk assessment and management and boosting efficiency, and has joined the Cosmetics & Personal Care Products Industry Buyer Members Sedex Working Team, which was launched in Japan in October 2023. This working team seeks to promote initiatives to address human rights issues in the supply chain through common use and standardization of Sedex within the industry, organize information meetings and other opportunities to acquaint suppliers with Sedex and encourage them to become members of the platform.

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.

Stakeholder	Key dialogue opportunities	Outcome from dialogue
Customers	■ Comments from customers by phone and website ■ Customer satisfaction surveys ■ Sales data analysis	Establish a framework for quickly sharing customer comments all the way up management to realize improvements. POLA and ORBIS received the highest rating of three stars in the "Customer Service" and "Support Portal" categories in 2024 HDI Benchmark, an evaluation survey conducted by HDI-Japan, the Japanese branch of HDI, the world's largest membership organization in the support services industry.
Business partners (Suppliers)	■ Procurement policy information meetings ■ Quality evaluation ■ CSR procurement questionnaire/audit ■ Establishment of whistle-blowing hotline for business partners	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. Also established a whistle-blowing hotline for business partners to receive complaints and for us to have consultations with them. After an investigation of the facts, corrective action, if necessary, will be promptly taken.
Business partners (POLA Beauty Directors)	■ Training tailored to knowledge, techniques and career path ■ Award ceremonies	POLA closely exchanges opinions with Beauty Directors to help them realize their vision and ideal lifestyle. Also carries out initiatives to revitalize local communities in cooperation with Beauty Directors, who have strong roots in various regions of Japan and close ties to society.
Employees	■ Employee satisfaction survey ■ Group-wide training programs ■ Employee forums and training at each company ■ Intranet	Considering people our most important assets, promote the realization of an environment in which every individual can demonstrate his or her own abilities to the maximum. Promote diversity through a Group-wide structure and develop human resources through various training programs, the Group FA system and the internal venture program, where new business proposals are solicited from employees.
Shareholders/investors	■ General meetings of shareholders ■ Conference presentations ■ Institutional investors' meetings ■ Small meetings attended by the president ■ Integrated Reports ■ Facility tours for shareholders	For sustainable growth and medium- to long-term increases in corporate value, engage in proactive dialogue with shareholders and investors and appropriately reflect their opinions obtained from such dialogue in management. Also make timely and appropriate disclosure based on the principles of transparency, fairness and continuity, and actively give shareholders or investors information deemed useful.
Local communities/NGO/NPO	■ Joint activities/cooperation with local governments ■ NGO/NPO dialogues ■ Participation in and collaboration with local communities ■ Social contribution activities	Collaborating with local governments, NGOs and NPOs to solve social issues.

TOPICS

Stakeholder engagement example

Stakeholder Dialogue

(held on January 27, 2025)

To confirm that the corporate activities of the POLA ORBIS Group meet the expectations and demands of society, POLA ORBIS HOLDINGS ("POHD") has created opportunities since 2011 for management to engage stakeholders in constructive dialogue. The dialogue theme for 2025 was "how companies that provide products to customers should promote sustainability."

Participants

Hiroko Kuno
Executive Managing Officer, General Manager of Sustainability Division, Morinaga Milk Industry Co., Ltd. (position at the time of dialogue)

Shinya Chiba
Corporate Officer in charge of Group QCD Management, Intellectual Property, Regulatory Affairs and Sustainability, POLA ORBIS HOLDINGS INC.

Content of conversation (excerpts)

Sustainability promotion structure and recent changes

- Morinaga Milk Industry has established a Sustainability Committee, chaired by the president. We are implementing sustainability management throughout the Group, including companywide advancement of the Sustainability Medium- to Long-Term Plan 2030, formulated in fiscal 2022, and the promotion of activities that utilize the strengths of each business site. We are also continuously reviewing and implementing our KPIs to achieve our vision, in response to changes in the environment and opinions from our stakeholders. (Morinaga Milk Industry)
- POHD transferred part of its sustainability promotion function to the QCD Management Division, the Group's oversight structure for manufacturing, to accelerate concrete progress on sustainability issues, especially in the areas of the environment and the supply chain, thereby ramping up Group-wide initiatives. (POHD)

Adhering to the Sustainability Standards Board of Japan (SSBJ) and other sustainability disclosure standards

- The timing of applications in the draft of the SSBJ Standards varies depending on market capitalization. Morinaga Milk Industry (and POHD) expects to be subject to mandatory application from 2030 onward. Measures, including DX, to quickly compile an extremely wide range of information are being considered. (Morinaga Milk Industry)
- POHD has identified compliance with the SSBJ Standards as a Group-wide corporate risk and is considering formulating a roadmap in 2025. Preparations such as refining materiality and KPIs to date are also underway across the Group. (POHD)

Key points of sustainability in addressing social issues

- Amid calls for solving social sustainability issues while achieving sustainable growth, examples of department-led initiatives such as "MO-Lagoon for Dairy," a manure-processing system for dairy farm sites (GHG reduction and response to labor shortages), are being devised. Regarding containers and packages, society as a whole once started switching to paper, but there have also been cases where the functions of plastics are being reconsidered. As such, we need to provide comprehensive optimal solutions that account for various perspectives, such as the value we provide to society and customers at any given time. I am curious to know how much POHD, as a cosmetics company, knows about customers' concerns about sustainability. (Morinaga Milk Industry)
- Independent management that utilizes the unique characteristics of each brand serves as the basis of POHD's operations. Regarding sustainability, in addition to common issues that must be addressed Groupwide, such as reducing CO_2 emissions, each brand gains insight into various areas of interest including sustainability, through dialogue with customers, specifically at sales locations and through customer surveys and research activities. These efforts led to the creation of *Kaokara*, an AI camera for heat countermeasures that utilizes research technology and knowledge accumulated thus far, as well as new POLA and THREE brand products using unique domestic raw materials that have led to revitalizing local industries. Going forward, we will continue to leverage our strengths and collaborate with various external stakeholders to provide products and services that help solve social issues. (POHD)

Examples of comments applied to business

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_2 emissions achieved when customers purchase refills appeared in the 2023 issue of *ORBIS Magazine*.

Implemented in 2023—"Addressing natural capital-related risks and discovering unique opportunities"

→ Analyzed dependencies and impacts on natural capital, and identified initiatives related to natural raw materials of each brand as risks and opportunities. Also linked the percentage of reductions in water consumption and sustainable palm oil procurement to executive compensation as part of risk response measures.

Basic Stance on Corporate Governance

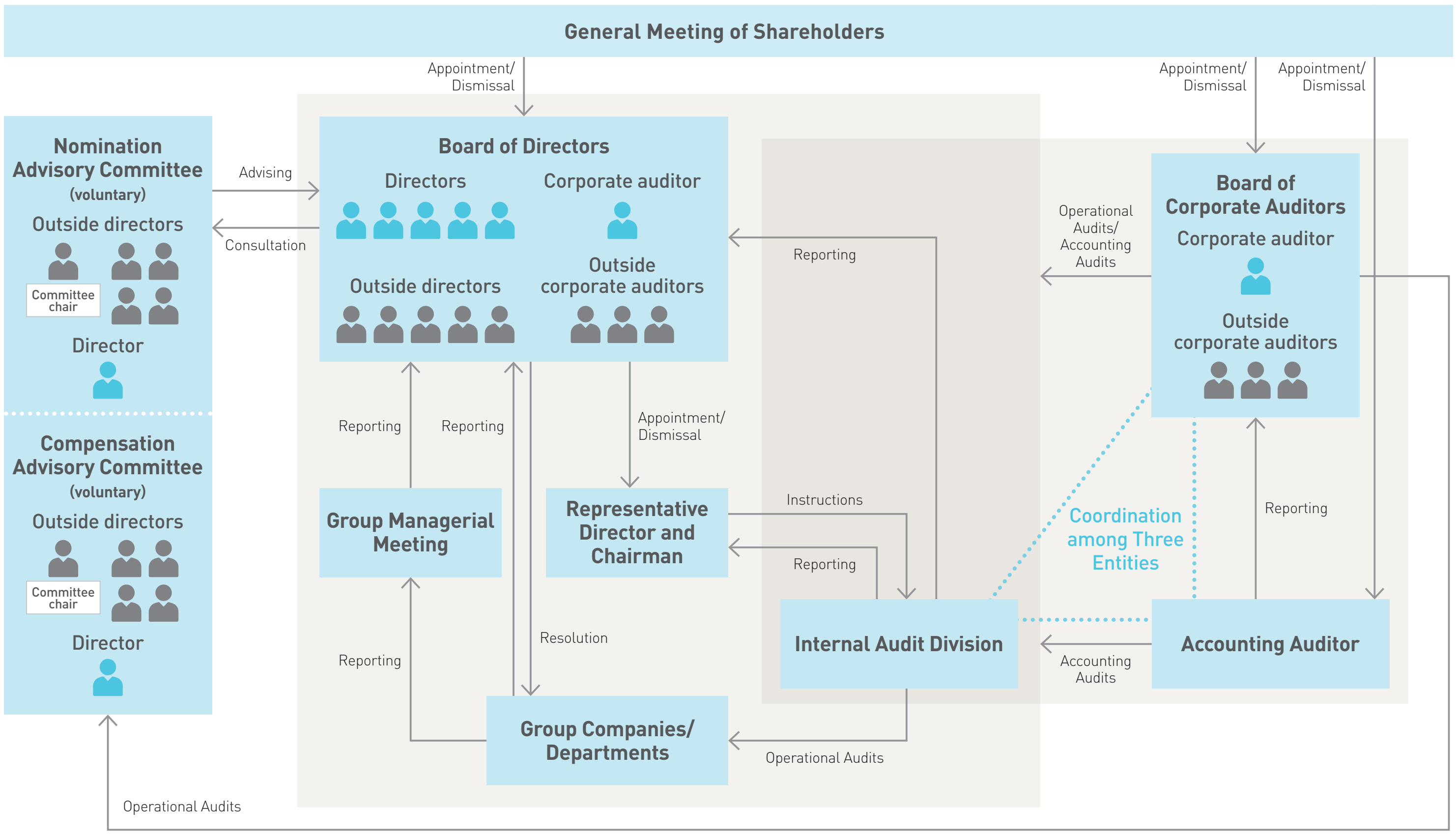
Board of Directors

Number of meetings held in 2024
19

The Board of Directors bears responsibility for the achievement of Group business and is authorized to supervise subsidiaries and make decisions about important matters for the Group. The board makes resolutions and reports on significant issues related to management, such as the results of an analysis of differences between budgeted figures and actual figures for the month, in addition to topics prescribed in laws, regulations and the Articles of Association. As of 2025, to further strengthen corporate governance and ensure transparency, two outside directors have been added, meaning the board is composed of 10 directors (five of whom are independent outside directors). The board meets at least once a month. In 2024, it met 19 times, with an average attendance rate of 99.3% for directors.

The Board of Directors comprises directors who think flexibly, apply diverse perspectives and have extensive experience and expertise regarding the Company's corporate management activities. In addition, the Company believes evaluations by the Director Competency Model show that maintaining a proper balance of knowledge, experience, capabilities and diversity among the directors is a priority. The Company appoints as outside directors those who have independence, those who have the ability to take an overview of the management of the Group as a whole, ascertain essential issues and risks, and proactively express opinions and appropriately explain matters to directors and core management, and those with high levels of knowledge and abundant experience in corporate management, business reforms, customer service, logistics, legal and regulatory compliance, risk management and internal control. In fiscal 2024, topics discussed included evaluation of the effectiveness of the Board of Directors and action plans, as well as corporate risks and investor relations activity reports (sharing feedback from investors).

Corporate governance structure (as of March 27, 2025)



Structural overview (as of March 27, 2025)

Functional Structure	Company with a Board of Corporate Auditors
Number of directors/Term of office	10 directors/2 years
Number of outside directors	5 directors
Number of corporate auditors/Term of office	4 corporate auditors/4 years
Number of outside corporate auditors	3 outside corporate auditors
Number of outside directors and outside corporate auditors designated as independent outside officers	8 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
2019	Established Nomination Advisory Committee (voluntary) and Compensation Advisory Committee (voluntary)
2022	Transitioned to the Prime Market of the Tokyo Stock Exchange

Nomination Advisory Committee (voluntary)

Number of meetings held in 2024
4

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.

Compensation Advisory Committee (voluntary)

Number of meetings held in 2024
8

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.

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, deportment and other properties as the Group's chief executive officer.

Board of Corporate Auditors

Number of meetings held in 2024
17

The Company is a company with a Board of Corporate Auditors. The corporate auditors attend general meetings of shareholders, Board of Directors' meetings, management 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 three outside corporate auditors, is held at least once a month. The Company appoints outside corporate auditors with a high level of insight and extensive experience in various areas, including accounting, law and internal control.

Group Managerial Meeting

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.

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.
(2)	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.
(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 by giving them 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 2023, these issues were brought to management's attention and recognized as requiring action. Steps taken in 2024 to address these issues are described below.

Item	Steps taken
1 Review medium-term management plan from perspective more conscious of cash allocation	Reviewing the plan, the Board of Directors discussed unprofitable businesses and Group-wide investment plans. However, the board was often compelled to focus on changes in the business environment at home and abroad, precluding in-depth discussion from a medium- to long-term perspective, which is an issue requiring attention. The board will create an action plan to address this issue and continuously implement applicable measures to mitigate a recurrence.
2 Enhance diversity of management board over medium to long term and utilize knowledge of outside executives	The Board of Directors organized meetings for independent outside executives and off-site discussion opportunities to promote dialogue from multiple perspectives, aiming at improving corporate value. In addition, regarding decision-making for the new Group structure, committees with an outside executive majority contributed to the appropriateness of decisions made by the Board of Directors.
3 Encourage management board to demonstrate greater leadership	The Board of Directors set priority issues for the Group, and structural reforms and strategies were discussed at off-site meetings. These discussions helped board meetings run more efficiently. The board will create an action plan to maintain this discussion process.

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. In fiscal 2024, directors were interviewed, 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.

All evaluation results were compiled into a report for 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. A medium- to long-term perspective guided discussion of management issues common throughout the Group, with steps taken to implement measures to address these issues.
2. The effectiveness of Nomination Advisory Committee and Compensation Advisory Committee improved with core participation by outside directors.

Points 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. Address priority issues for the Group through ongoing leadership team activities spearheaded by the management board
2. Constantly draw on outside executives' knowledge
3. Pursue discussions from multiple perspectives to improve corporate value

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
Kazuyoshi Komiya Attendance at meetings of the Board of Directors 95% 18 of 19 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 and development plans.
Naomi Ushio Attendance at meetings of the Board of Directors 100% 19 of 19 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.
Hikaru Yamamoto Attendance at meetings of the Board of Directors 100% 19 of 19 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.

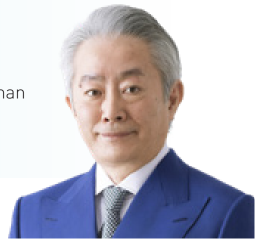
Independent outside executives' meeting (held on February 25, 2025)

POLA ORBIS HOLDINGS regularly holds meetings exclusively for independent outside executives. At the meeting on February 25, 2025, participants exchanged opinions on the POLA ORBIS Group's ability to realize growth into the future, given the situation in fiscal 2024 and personnel changes at operating companies effective January 1, 2025.

- A change at the top is an opportunity for a company to really transform. We believe that many changes are necessary for the Group to return to a growth track. We look forward to seeing reforms undertaken with the future in mind.
- The first thing that needs to happen is management must identify all the issues that require changing. Then, instead of just improving moves already in play, management must boldly stop and start some measures to achieve drastic reforms.
- Even if the organizational structure changes, there should be no delay in rolling out DE&I measures. By promoting the creation of an environment where diverse talented people can thrive, POLA ORBIS HOLDINGS and, collectively, all the companies under the Group umbrella will form a structure capable of generating still greater value.
- Management must take a moment to reflect and check to see if businesses are chasing numbers rather than results, for such things as the desired outcome of our products and services being used. It is such results that are of value to customers. If each brand creates and provides products and services appreciated by customers, the numbers—indicators of fiscal performance—will follow naturally.
- Even when profit margins are tight, management must move very carefully when thinking about cutting costs related to brand recognition. A lack of brand recognition will definitely restrict future growth potential.

Management Structure (As of March 27, 2025)

Satoshi Suzuki
Representative Director and Chairman



Yoshikazu Yokote
Representative Director and President

Naoki Kume
Director and Vice President

Koji Ogawa
Director

Takuma Kobayashi
Director (Part-time)

Kazuyoshi Komiya
Outside Director
Outside | Independent

Naomi Ushio
Outside Director
Outside | Independent

Hikaru Yamamoto
Outside Director
Outside | Independent

Kayoko Tanaka
Outside Director
Outside | Independent

Hiroki Taniguchi
Outside Director
Outside | Independent

Akira Toyoda
Corporate Auditor

Akio Sato
Outside Corporate Auditor
Outside | Independent

Motohiko Nakamura
Outside Corporate Auditor
Outside | Independent

Emiko Suzuki
Outside Corporate Auditor
Outside | Independent

Hiroe Yamaguchi
Senior Corporate Officer (Part-time)

Takayuki Katagiri
Senior Corporate Officer (Part-time)

Takahiro Tabata
Corporate Officer

Shinya Chiba
Corporate Officer

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/ accounting	Legal affairs	HR
Representative Director and Chairman	—	Satoshi Suzuki	◎	◎	◎	●		●	●	●		●			
Representative Director and President	—	Yoshikazu Yokote	●	●	◎	●	●		●						
Director and Vice President	Finance, legal affairs, administration, IR	Naoki Kume	●	●	●		●	●				●	●	●	●
Director	Management planning, IT, HR, business development	Koji Ogawa	●		●			●			●	●			●
Director	(Representative Director and President, POLA INC.)	Takuma Kobayashi	●	●	◎	●	●		●		●				
Outside Director	—	Kazuyoshi Komiya	–	–	–	●							●		
Outside Director	—	Naomi Ushio	–	–	–							●			●
Outside Director	—	Hikaru Yamamoto	–	–	–				●		●				
Outside Director	—	Kayoko Tanaka	–	–	–	●		●							●
Outside Director	—	Hiroki Taniguchi	–	–	–			●			●				
Corporate Auditor	—	Akira Toyoda	–	–	–			●		●					
Outside Corporate Auditor	—	Akio Sato	–	–	–							●		●	
Outside Corporate Auditor	—	Motohiko Nakamura	–	–	–						●	●	●		
Outside Corporate Auditor	—	Emiko Suzuki	–	–	–						●		●		

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 ◎.

Directors and Corporate Auditors of Major Group Companies (as of March 27, 2025)

POLA INC.


Takuma Kobayashi
Representative Director and President


Kazuhiro Nishikata
Director and Corporate Officer


Akira Gogo
Director and Corporate Officer


Koji Ogawa
Director (Part-time)


Kazuhiko Segaki
Corporate Auditor


Tamotsu Sato
Corporate Officer


Shimpei Yasuno
Corporate Officer


Akiko Tamura
Corporate Officer


Naotaka Hashi
Corporate Officer

ORBIS Inc.


Hiroe Yamaguchi
Representative Director and President


Hiroyuki Nakamata
Director (Part-time)


Naoki Kume
Director (Part-time)


Seiichi Takaya
Corporate Auditor

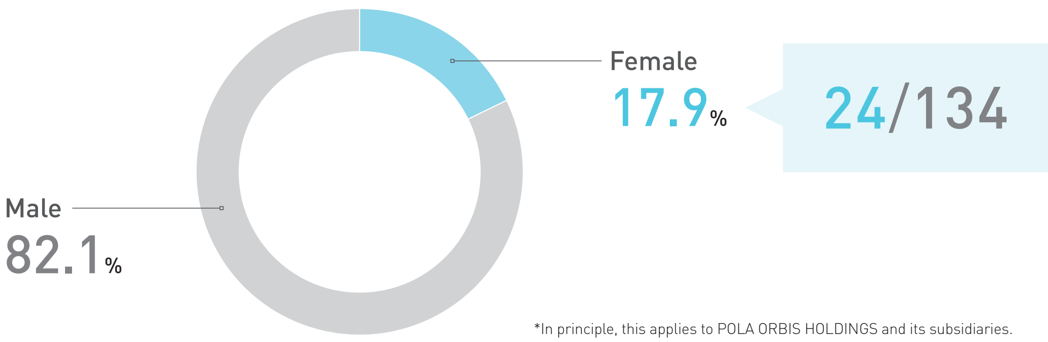

Masaki Motoki
Corporate Officer


Ryosuke Imai
Corporate Officer


Naoshi Higuchi
Corporate Officer


Yui Kato
Corporate Officer

Percentage of female POLA ORBIS Group executives* (as of December 31, 2024)



*In principle, this applies to POLA ORBIS HOLDINGS and its subsidiaries.

POLA CHEMICAL INDUSTRIES, INC.


Takayuki Katagiri
Representative Director and President


Hiroki Tsuruoka
Director


Tadahito Seto
Director and Corporate Officer


Naoki Kume
Director (Part-time)


Naoki Mikami
Corporate Auditor


Tomomasa Shimanuki
Corporate Officer


Noboru Sugimura
Corporate Officer


Koji Yokoyama
Corporate Officer


Naoko Ota
Corporate Officer


Fumie Habu
Corporate Officer


Koji Arai
Corporate Officer

Jurlique International Pty. Ltd.


Loic Rethore
CEO

ACRO INC.


Toshiaki Miyazaki
Representative Director and President

DECENCIA INC.


Emi Nishino
Representative Director and President

tricot, Inc.


Kana Hanafusa
Representative Director and President

POLA MEDICAL INC.


Tsuyoshi Matsumoto
Representative Director and President

POLA ORBIS Travel Retail Limited


Takahiro Tabata
Director and CEO (Part-time)

P.O. REAL ESTATE INC.


Yasuhiro Fukuda
Representative Director and President

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.

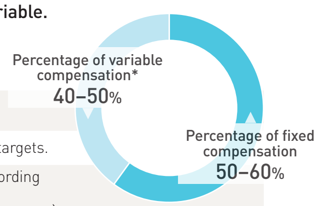
2. Compensation standard

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	• Basic compensation reflects rank set according to duties of position and role in management for each individual.
Performance-linked compensation		Payment between 0% and 200% of base amount for each rank, according to level of success in reaching performance targets.
	Annual bonus*	• Compensation paid as an incentive to achieve performance targets each fiscal year, according to level of success in reaching Group's performance targets within a single year. • Performance indicators determined from financial benchmarks (sales, income, cash flows, etc.) and non-financial benchmarks for each fiscal year and each individual's performance targets.
	Medium- to long-term incentive (performance-linked, share-based compensation)	• Compensation paid as incentive to achieve performance targets and boost corporate value over medium to long term, according to level of success in reaching performance targets stated in Group's medium-term management plan. Company shares granted with aim of fostering greater sense of common interest between directors, corporate officers and shareholders. • Performance indicators determined from the Group's consolidated financial benchmarks (sales, income and ROE) and non-financial benchmarks in each medium-term management plan.

* 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	• Basic compensation based on position.
	Medium- to long-term incentive (non-performance-linked, share-based compensation)	• 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 2024)

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)	225	121	61	42	5
Outside directors	31	31	—	—	3
Corporate auditors (excluding outside corporate auditors)	22	22	—	—	1
Outside corporate auditors	16	16	—	—	2

Notes: 1. Fixed compensation for outside directors includes ¥5 million in non-performance-linked, share-based compensation.
2. A portion of the medium- to long-term performance-linked compensation (share-based compensation) is paid as non-monetary compensation.

Internal control system initiatives

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. The POLA ORBIS Group asks all executives and employees to submit a written pledge confirming that they will abide by the stated Code of Conduct, and carries 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, the POLA ORBIS Group 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, the Group has 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. The results of the evaluation are reported to the Board of Directors of POLA ORBIS HOLDINGS. 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, reporting to the committee chair of the Group CSR Committee.

Eliminating anti-social forces

The Group has established a policy in its Code of Conduct to completely avoid any contact with anti-social forces. The Group also cooperates with local police and has joined the national federation on countering organized crime syndicates and local associations counteracting organized crime syndicates, as well as collecting information from external sources as part of efforts to completely avoid any contact with anti-social forces. The Group also has prepared a manual on responding to anti-social forces that it is publicizing among employees and others, and promoting its thorough implementation.

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 to ensure that informants are not subject to any unfavorable treatment. 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.

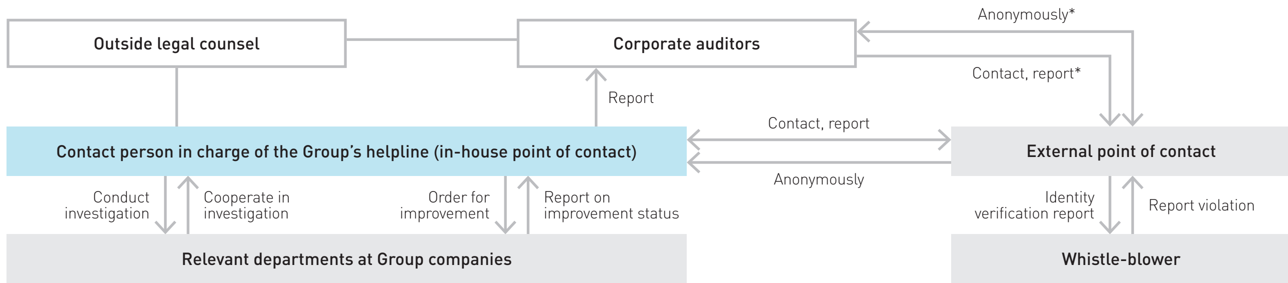
In addition, the status of the use of the helplines is reported monthly to the corporate auditors and regularly to the Board of Directors.

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.

Nine reports were made to the helplines in 2024. All cases to be addressed for correction have been completed.

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

Structure of internal reporting system (helpline)



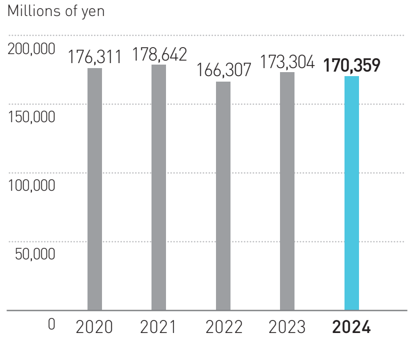
*If a director or a contact person in charge of the Group's helpline has possibly violated compliance rules, the office of the external point of contact will notify the corporate auditors at POLA ORBIS HOLDINGS.

Financial and Non-Financial Highlights

Financial Capital

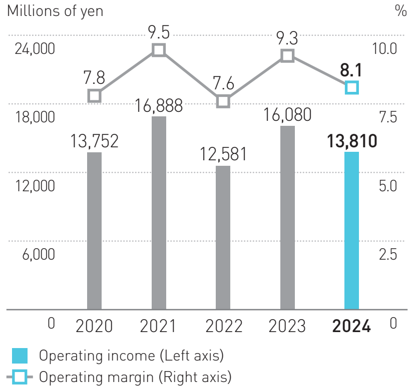
Net sales

¥170,359 million



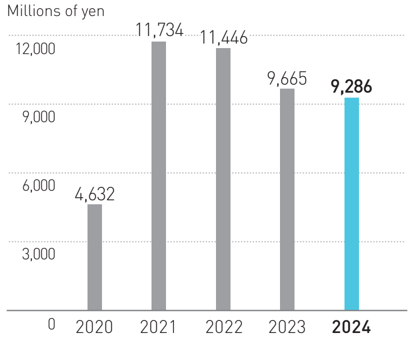
Operating income/Operating margin

¥13,810 million/ 8.1 %



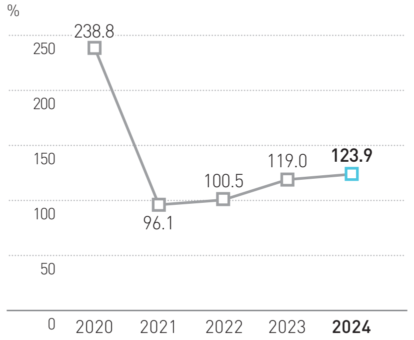
Profit attributable to owners of parent

¥9,286 million



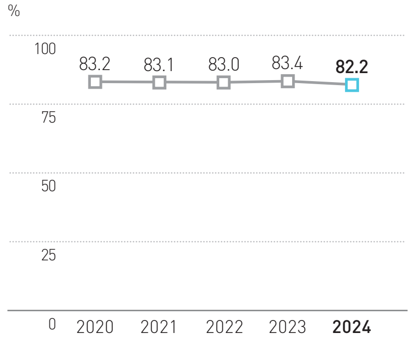
Payout ratio

123.9 %



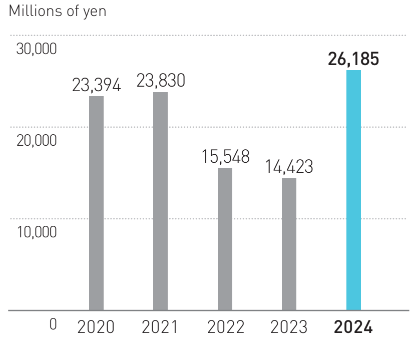
Equity ratio

82.2%



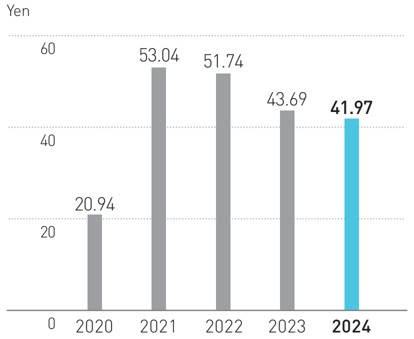
Cash flows from operating activities

¥26,185 million



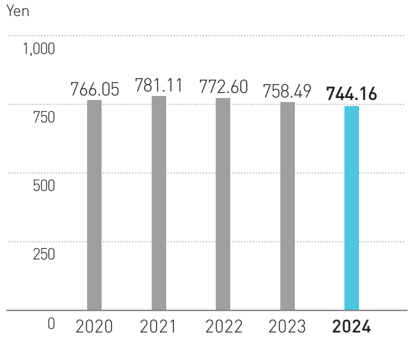
Net income per share

¥41.97



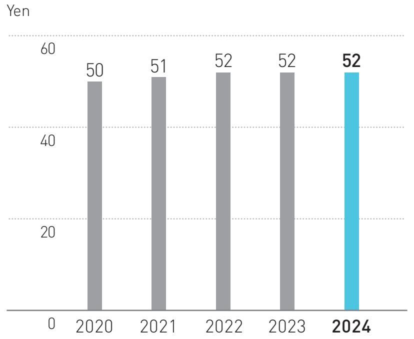
Net assets per share

¥744.16



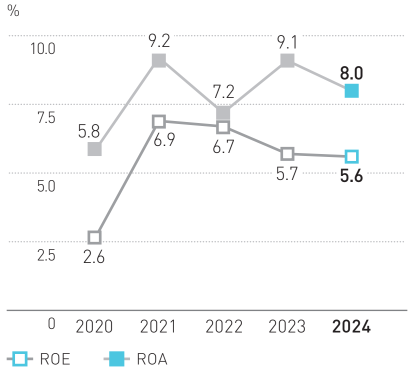
Cash dividends per share

¥52



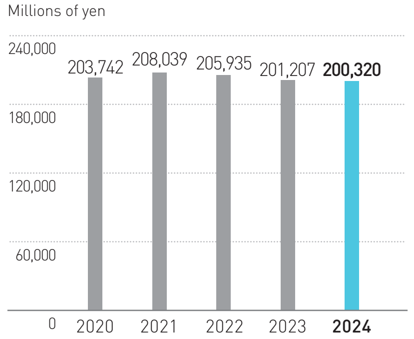
Return on equity/Return on assets

5.6 %/ 8.0 %



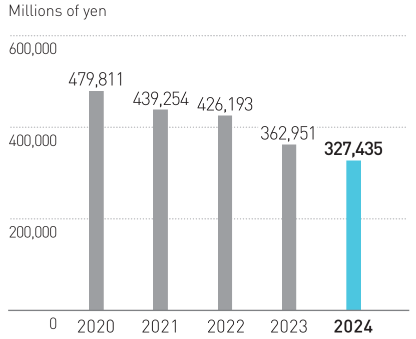
Total assets

¥200,320 million



Total market value

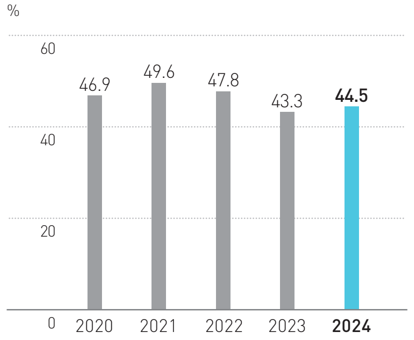
¥327,435 million



Non-Financial Capital

Percentage of female managers

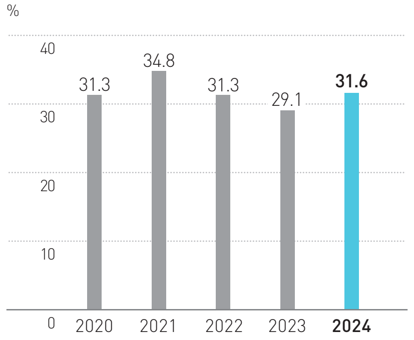
44.5* %



*In principle, this applies to POLA ORBIS HOLDINGS and its subsidiaries for 2024

Percentage of executives completing Business Innovation Academy compared to total number of Group executives

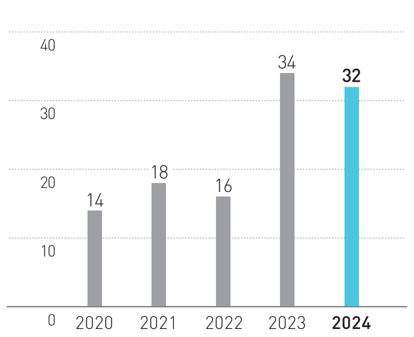
31.6 %



Note: Excludes part-time directors and outside executives

Number of papers presented at scientific conferences by POLA CHEMICAL INDUSTRIES

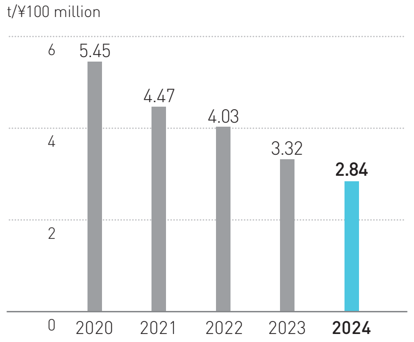
32



Note: Number in 2020 impacted by COVID-19 pandemic as conferences were postponed or canceled

CO_2 emissions (Scope 1 and 2)

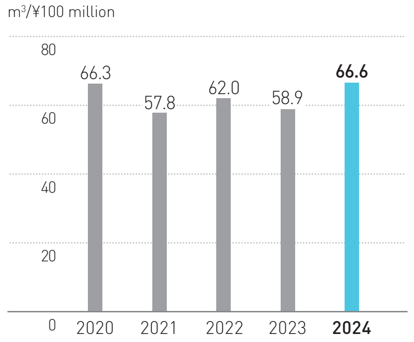
2.84 t/¥100 million



Note: On a per unit of sales basis

Water consumption

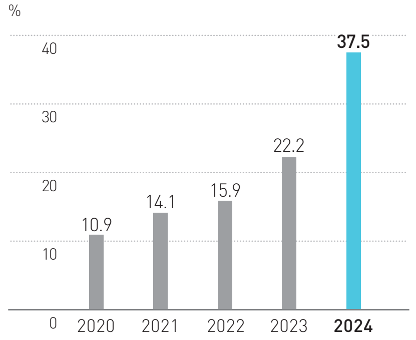
66.6 m³/¥100 million



Notes: 1. On a per unit of sales basis
2. Actual values from 2020 onward have been changed due to expansion of calculation boundary, effective from 2023

Sustainable palm oil procurement

37.5 %



Note: Counted on basis of certified palm oil use, including in-house procurement and subcontracted cosmetics production

Ten-Year Summary of Selected Financial Data

Years ended December 31	2015	2016[*4]	2017	2018	2019	2020	2021	2022	2023	2024	2024
	Millions of yen (Except per share data)										Thousands of U.S. dollars[*1] (Except per share data)
Operating Results											
Net sales[*2]	¥214,788	¥218,482	¥244,335	¥248,574	¥219,920	¥176,311	¥178,642	¥166,307	¥173,304	¥170,359	$1,077,000
Beauty Care	200,570	202,446	227,133	231,207	214,886	171,658	174,150	161,654	168,477	165,060	1,043,497
POLA	109,352	116,126	144,012	150,183	135,502	102,888	105,168	96,371	98,499	92,798	586,664
ORBIS	56,354	55,857	53,066	51,051	50,726	45,415	43,389	38,417	42,874	48,190	304,657
Overseas Brands	22,334	15,665	15,075	12,428	9,235	7,166	8,954	9,972	9,735	8,763	55,402
Brands under Development	12,529	14,796	14,978	17,544	19,421	16,186	16,637	16,892	17,368	15,307	96,772
Real Estate	2,951	3,043	2,694	2,707	2,619	2,291	2,112	2,083	2,078	2,214	13,997
Others	11,266	12,992	14,507	14,659	2,415	2,361	2,379	2,569	2,748	3,085	19,506
Operating income	22,511	26,839	38,881	39,496	31,137	13,752	16,888	12,581	16,080	13,810	87,311
Beauty Care	21,290	25,904	38,121	38,294	30,193	12,965	17,060	13,793	16,354	14,926	94,366
POLA	12,302	16,993	28,584	32,574	25,529	10,927	16,374	12,495	11,555	9,933	62,796
ORBIS	11,197	11,279	9,080	9,340	9,252	7,329	5,925	4,850	6,340	8,306	52,515
Overseas Brands	(2,194)	(3,210)	(823)	(4,316)	(3,794)	(3,214)	(2,338)	(1,446)	(1,243)	(2,461)	(15,563)
Brands under Development	(15)	841	1,278	695	(794)	(2,076)	(2,901)	(2,105)	(298)	(851)	(5,381)
Real Estate	1,265	1,395	1,082	1,001	1,021	710	488	491	440	76	486
Others	293	(133)	(314)	796	130	128	70	96	149	231	1,463
Operating margin (%)	10.5	12.3	15.9	15.9	14.2	7.8	9.5	7.6	9.3	8.1	
Profit attributable to owners of parent	14,095	16,328	27,137	8,388	19,694	4,632	11,734	11,446	9,665	9,286	58,706
Financial Position											
Net assets	180,635	183,282	198,845	188,797	191,069	169,854	173,267	171,459	168,398	164,916	1,042,584
Total assets	235,734	228,845	252,567	244,596	227,256	203,742	208,039	205,935	201,207	200,320	1,266,409
Cash Flows											
Cash flows from operating activities	28,379	23,561	35,333	30,283	21,127	23,394	23,830	15,548	14,423	26,185	165,542
Cash flows from investing activities	(7,331)	16,379	(22,065)	(9,125)	(12,514)	(3,342)	(2,174)	(12,370)	(18,734)	(12,104)	(76,523)
Cash flows from financing activities	(13,896)	(10,030)	(12,945)	(20,127)	(19,336)	(27,133)	(9,100)	(12,668)	(12,375)	(13,376)	(84,564)
Cash and cash equivalents at end of year	45,843	75,458	75,944	76,462	65,789	58,844	71,693	62,562	46,376	47,305	299,061
Depreciation and amortization	6,528	6,787	6,551	7,075	7,377	7,255	7,110	8,482	7,712	8,352	52,806
Capital expenditure	12,074	8,127	8,885	10,514	10,091	8,464	8,945	12,532	17,478	14,518	91,787
Financial Indicators											
Equity ratio (%)	76.5	79.9	78.6	77.0	83.9	83.2	83.1	83.0	83.4	82.2	
Return on equity (%)	7.8	9.0	14.2	4.3	10.4	2.6	6.9	6.7	5.7	5.6	
Return on assets (%)	9.7	11.7	16.3	15.7	13.0	5.8	9.2	7.2	9.1	8.0	
Price-earnings ratio (times)	31.5	32.7	32.2	78.3	29.4	100.0	36.1	35.9	36.3	34.0	
Per Share Data[*3]											
Net income per share (¥/$)	63.74	73.83	122.70	37.93	89.04	20.94	53.04	51.74	43.69	41.97	0.27
Net assets per share (¥/$)	815.00	826.65	897.26	851.78	862.00	766.05	781.11	772.60	758.49	744.16	4.70
Cash dividends per share (¥/$)	37.5	50	70	80	116	50	51	52	52	52	0.33

*1 Dollar amounts are shown for convenience only and are calculated based on the prevailing exchange rate of U.S.$1 = ¥158.18 as of December 31, 2024.
*2 Net sales do not include consumption taxes.
*3 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 2015.
*4 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 2024, personal consumption in the domestic cosmetics market has improved thanks to the moderate economic recovery. Moreover, inbound demand has continued to grow due to the continued trend of a weaker yen. In the Chinese market, although supply has increased as policy measures take hold, the economy has remained stagnant. Within this market environment, as part of its medium-term management plan (from 2024 through 2026) that started in 2024, the POLA ORBIS Group (the "Group") implemented four business growth strategies, 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," and "enhance the brand portfolio and expand business domains." At the same time, in an effort to sustainably strengthen the management foundations that will support these strategies, the Group has worked to "strengthen R&D capabilities for new value creation" and "strengthen sustainability combining the resolution of social issues with uniqueness."

Overall, POLA ORBIS HOLDINGS posted a drop in sales, mainly due to a decrease in sales of the POLA brand, and a fall in income due to a decrease in gross profit from lower net sales.

Analysis of operating results: Comparison of fiscal 2024 and fiscal 2023

Net sales

Net sales for fiscal 2024 were ¥170,359 million (down 1.7% year on year). This was mainly due to a decrease in sales of the flagship brand POLA. However, when the impact of brands terminated in the previous fiscal year is excluded, net sales were on par with those of the previous fiscal year.

Cost of sales
Selling, general and administrative expenses

Cost of sales increased 2.0% year on year, to ¥31,846 million. The cost of sales ratio—the cost of sales as a percentage of net sales—increased 0.7 percentage point, to 18.7%.

Selling, general and administrative expenses decreased ¥1,293 million, or 1.0%, from those of the previous fiscal year, to ¥124,702 million. Due to the decrease in net sales, variable expenses such as sales-related expenses fell, but the ratio to net sales was higher than that in the previous fiscal year due to an increase in selling and administrative expenses for the overseas brand.

Operating income

Operating income decreased ¥2,269 million from that of the previous fiscal year, to ¥13,810 million (down 14.1% year on year). This was due to lower gross profit that paralleled the aforementioned decrease in net sales. The operating margin decreased 1.2 percentage points, to 8.1%.

Income before income taxes

Income before income taxes decreased ¥711 million, or 4.6%, from that of the previous fiscal year, to ¥14,649 million. Despite the impact of lower ordinary income, income before income taxes was generally on par with that of the previous fiscal year due to the impact of reduced extraordinary losses.

Profit attributable to owners of parent

Profit attributable to owners of parent decreased ¥379 million, or 3.9%, from that of the previous fiscal year, to ¥9,286 million. Net income per share decreased to ¥41.97, from ¥43.69 in fiscal 2023. ROE decreased to 5.6%, from 5.7% 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 DECENCIA, THREE 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 field of anti-aging and skin-brightening. In the domestic business, we are working to establish brand experience (the One POLA model) to promote the transition from new customer acquisition to high lifetime value. Elsewhere, expansion of the POLA Premium Pass, a membership program launched in 2023 covering all sales channels, has seen customers start to move between sales channels. Through activities to enhance customer experience value, such as boosting our consulting services and aesthetic treatment centered on new products, and launching a new skin analysis service, sales increased at stores on a growth track in the consignment sales channel, while the department store channel continued to witness sales growth. However, overall performance in the domestic business fell below that of the previous year, impacted by the reduction in customer contact points caused by a decrease in the number of stores in the consignment sales channel, and other factors. In the overseas business, we are working to drive business recovery in the post-pandemic world and to establish a brand presence in mainland China, our top priority market, by expanding contact points with wealthy customer groups and strengthening CRM. However, due to the continued impact of the economic slowdown in some areas of Asia, particularly in mainland China, the overall performance of the overseas business fell below that of the previous year. As a result, POLA net sales and operating income decreased year on year.

ORBIS is striving to regrow into a highly profitable business by enhancing its presence through creation of brand differentiation, improving customer loyalty, and increasing users of skincare products, with a focus on the *ORBIS U* series, the anti-aging skincare for improving wrinkles and brightening skin. In the domestic business, we are working to achieve steady growth in our skincare-centered direct selling channel, build a robust profit base, and increase net sales in new fields by entering untapped markets. In the direct selling channel, where we are building an increasingly stable customer base, the number of customers continued to grow, and the continued strong sales of highly functional, higher-priced products also contributed to raising the customer unit price. As a result, sales increased significantly. In the external channels, which we have positioned as a new growth driver and are proactively developing, we expanded our product lineup and sales channels, enabling sales growth to remain brisk. In the overseas business, the overall performance of overseas business fell below that of the previous year due to the continued economic slowdown in mainland China. As a result of the above, ORBIS net sales and operating income exceeded those of the previous year.

Jurlique continues to work toward business growth in Australia and the markets of Asia, chiefly in mainland China. In Australia, the home country of the brand, sales continued to increase thanks to strong sales of new products launched in March and solid sales in the department store, directly operated retail store, and e-commerce channels. On the other hand, in mainland China, the effects of the economic slowdown continued, hampering sales in both the department store and e-commerce channels, especially from April onward, leading to weaker performance than that of the previous year. As a result of the above, Jurlique net sales fell below those of the previous year, and operating losses expanded mainly due to the impact of higher selling and administrative expenses.

For brands under development, DECENCIA increased sales year on year thanks to the building of a stable customer base through strengthening sales strategies tailored to customer attributes. Efforts are underway to regenerate THREE. While we have been working to revitalize in-store engagement with products highlighting essential oils that are the brand's differentiation, new customer acquisition did not reach the previous year's level and results fell below those of the previous year. FUJIMI achieved profitability with higher results than those of the previous year by improving customer experience value. In addition to the above, the withdrawal of two brands in the previous year meant that overall net sales for brands under development decreased year on year. Moreover, operating loss expanded mainly due to the impact of investments in new businesses.

As a result of the factors noted above, net sales—sales to external customers—were ¥165,060 million, down 2.0% year on year, and operating income was ¥14,926 million, down 8.7% year on year.

Key financial indicators

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cost of sales ratio	19.5%	18.7%	17.0%	16.7%	16.3%	17.0%	16.1%	18.7%	18.0%	18.7%
Gross margin ratio	80.5%	81.3%	83.0%	83.3%	83.7%	83.0%	83.9%	81.3%	82.0%	81.3%
SG&A ratio	70.1%	68.9%	67.0%	67.4%	69.5%	75.2%	74.5%	73.8%	72.7%	73.2%
Personnel expenses	14.3%	13.2%	12.2%	12.4%	13.0%	15.6%	16.1%	17.5%	17.0%	17.7%
Sales commissions	22.7%	21.3%	22.0%	22.4%	22.0%	20.4%	19.0%	21.0%	20.2%	19.3%
Sales-related expenses	20.1%	21.1%	20.7%	19.3%	19.8%	21.9%	21.0%	17.1%	17.3%	17.2%
Administrative and other expenses	13.0%	13.3%	12.2%	13.3%	14.7%	17.3%	18.3%	18.2%	18.2%	18.9%
Operating margin	10.5%	12.3%	15.9%	15.9%	14.2%	7.8%	9.5%	7.6%	9.3%	8.1%

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. This business highlights condominiums perfect for families with young children. During fiscal 2024, although net sales increased year on year, operating income fell below that of the previous year mainly due to expenses incurred in conjunction with the completion of the "POLA aoyama building" and the withdrawal of some tenants.

As a result of the above, net sales—sales to external customers—totaled ¥2,214 million, up 6.5% year on year, and operating income was ¥76 million, down 82.5% year on year.

Others

The Others segment is the building maintenance business.

The building maintenance business is mainly engaged in the operation and management of buildings. During fiscal 2024, both net sales and operating income increased year on year thanks to an increase in the number of contracts.

As a result of the above, net sales—sales to external customers—totaled ¥3,085 million, up 12.3% year on year, and operating income was ¥231 million, up 54.7% year on year.

Analysis of financial position

Assets, liabilities and net assets

Assets

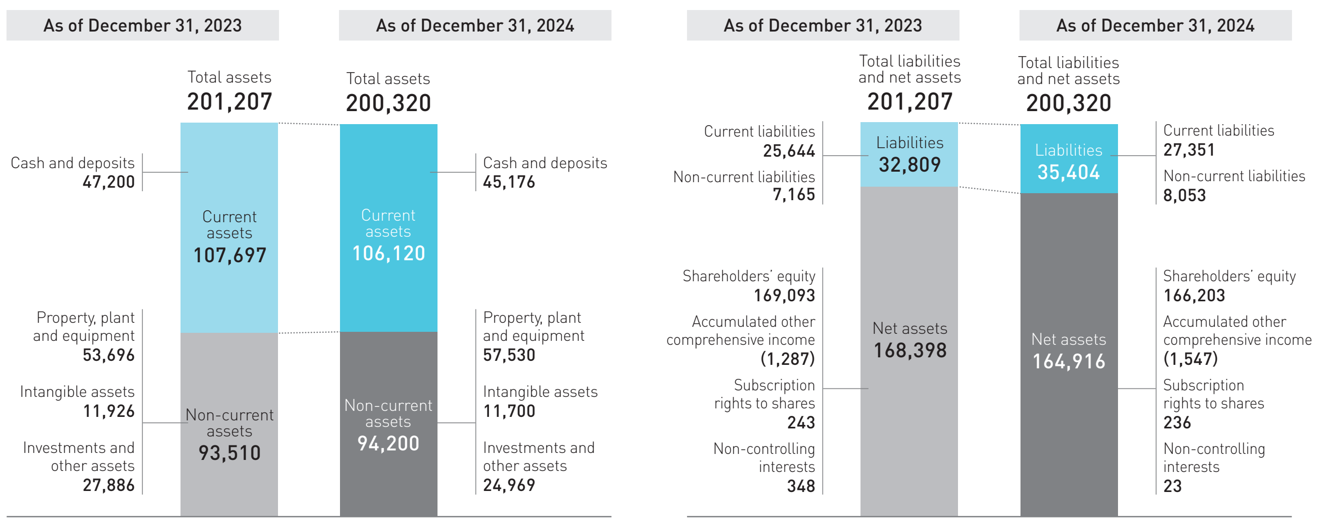
As of December 31, 2024, total assets stood at ¥200,320 million, down 0.4%, or ¥887 million, from December 31, 2023. Factors related to this change included increases of ¥3,833 million in property, plant and equipment and ¥963 million in short-term investments in securities, as well as decreases of ¥2,024 million in cash and deposits, ¥1,954 million in investments in securities, ¥1,043 million in deferred tax assets, ¥355 million in notes and accounts receivable – trade, and ¥340 million in "Other" under current assets.

Liabilities

Total liabilities amounted to ¥35,404 million, up 7.9%, or ¥2,595 million, from December 31, 2023. Factors related to this change included an increase of ¥3,331 million in income taxes payable, as well as a decrease of ¥1,060 million in accounts payable – other.

Overview of consolidated balance sheets

Millions of yen



Net assets

Net assets amounted to ¥164,916 million, down 2.1%, or ¥3,482 million, from December 31, 2023. Factors related to this change included a recording of ¥9,286 million in profit attributable to owners of parent, as well as ¥11,519 million in dividends from retained earnings and decreases of ¥574 million in capital surplus and ¥334 million in foreign currency translation adjustments.

Cash flows

The balance of cash and cash equivalents as of December 31, 2024 was ¥47,305 million, up ¥928 million from the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities increased 81.5% from a year ago, to ¥26,185 million. The primary components contributing to an increase in net cash were ¥14,649 million in profit before income taxes, ¥8,352 million in depreciation and amortization, ¥696 million in impairment loss, and ¥3,836 million in income taxes refund. Major components leading to a decrease in net cash were ¥1,378 million of foreign exchange gain, and ¥708 million of decrease in notes and accounts payable – trade.

Cash flows from investing activities

Net cash used in investing activities decreased 35.4% from a year ago, to ¥12,104 million. The main factors were an increase in net cash resulting from ¥12,000 million in proceeds from sales and redemption of short-term investments in securities, and a decrease in net cash resulting from outflows of ¥2,000 million in purchase of short-term investments in securities, ¥8,172 million in purchase of property, plant and equipment, ¥3,983 million in purchase of intangible assets, ¥9,310 million in purchase of investments in securities.

Cash flows from financing activities

Net cash used in financing activities increased 8.1% from a year ago, to ¥13,376 million. This was primarily attributable to the application of ¥800 million in repayments of lease obligations, ¥1,008 million in payments for acquisition of shares of subsidiaries not resulting in change in scope of consolidation and ¥11,554 million in cash dividends paid.

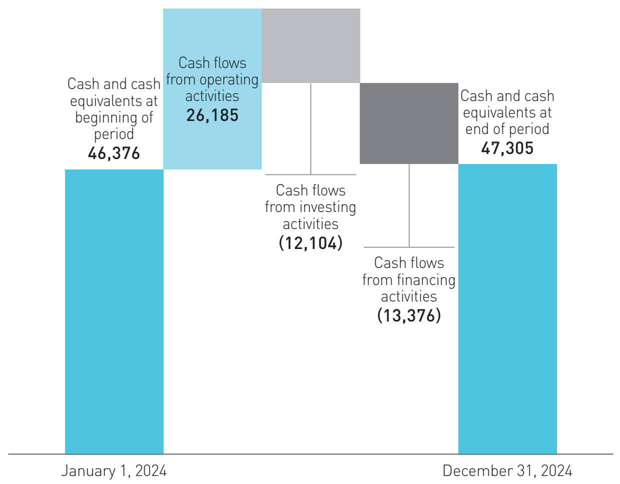
Sources of funds and policy on fund liquidity

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 ¥45,176 million as of December 31, 2024, down ¥2,024 million from that of 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.

Fiscal 2025 forecast

As the second stage toward achieving our long-term management plan, VISION 2029, the Group started its new medium-term management plan in 2024. As key strategies, the Group continues to implement four business growth strategies, 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," and "enhance the brand portfolio and expand business domains," with the aim of accelerating business growth. At the same time, in an effort to sustainably strengthen the management foundations that will support these strategies, the Group also continues to "strengthen R&D capabilities for new value creation" and "strengthen sustainability combining the resolution of social issues with uniqueness."

For the fiscal year ending December 31, 2025, the Group forecasts net sales of ¥174,000 million, up 2.1% year on year, operating income of ¥14,500 million, up 5.0%, ordinary income of ¥14,700 million, down 8.6%, and profit attributable to owners of parent of ¥8,500 million, down 8.5%, 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.

Fiscal 2025 forecast

Millions of yen	Fiscal 2025 full year	YoY change: Amount	YoY change: Percentage
Net sales	**174,000**	**3,640**	**2.1**
Beauty Care	168,200	3,139	1.9
Real Estate	2,900	685	31.0
Others	2,900	(185)	(6.0)
Operating income	**14,500**	**689**	**5.0**
Beauty Care	15,450	523	3.5
Real Estate	300	223	289.7
Others	150	(81)	(35.2)
Reconciliations	(1,400)	24	—
Profit attributable to owners of parent	**8,500**	**(786)**	**(8.5)**

Corporate Information (As of December 31, 2024)

Company name	POLA ORBIS HOLDINGS INC.
Foundation	September 29, 2006
Capital	¥10 billion
Number of employees	4,021 (for the Group) 314 (for the Company) Full-time employees (Excluding those on loan to other companies, including those on loan from other companies)
Fiscal year-end	December 31
General meeting of shareholders	March
Business description	Business management of the entire Group
Head office	2-2-3 Nishigotanda, Shinagawa-ku, Tokyo, Japan
Stock listing	Tokyo Stock Exchange, Prime Market
TSE code	4927
Share register	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.
- ACRO INC.
- DECENCIA INC.
- tricot, Inc.
- POLA MEDICAL INC.
- POLA ORBIS Travel Retail Limited

■ Real Estate business
- P.O. REAL ESTATE INC.

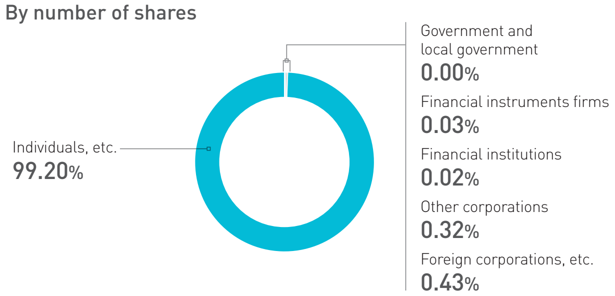
■ Other businesses
- P.O. TECHNO SERVICE INC.

Stock Information (As of December 31, 2024)

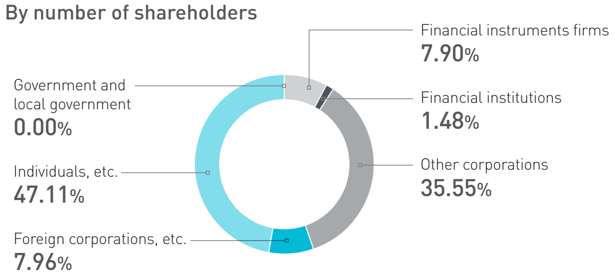
Total number of authorized shares	800,000,000
Total number of issued shares	229,136,156
Number of shareholders	126,355

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	48,824	22.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,277	5.1
Naoko Nakamura	4,770	2.2
THE BANK OF NEW YORK MELLON 140051	4,244	1.9
Custody Bank of Japan, Ltd. (Trust Account)	2,948	1.3
Hiromi Suzuki	2,732	1.2
THE BANK OF NEW YORK 133612	1,902	0.9
JPMorgan Securities Japan Co., Ltd.	1,862	0.8
The POLA Foundation of Japanese Culture	1,800	0.8

Notes: 1. In addition to the above, the Company holds 7,525 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.

POLA ORBIS HOLDINGS

FINANCIAL INFORMATION REPORT 2024

For the Fiscal Year Ended December 31, 2024

Contents

Financial Information

1. Consolidated Financial Statements Preparation Methods

The Company’s consolidated financial statements are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976).

2. Audit Certification

The Company’s consolidated financial statements for the consolidated fiscal year (January 1 through December 31, 2024) and financial statements for the fiscal year (January 1 through December 31, 2024) have been audited by Ernst & Young ShinNihon LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

The “Independent Auditor’s Report and Internal Control Audit Report” is an English translation of the relevant portions of the Annual Securities Report.

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company takes special measures to ensure the appropriateness of its consolidated financial statements, etc. Specifically, to properly understand the content of accounting standards and conduct appropriate disclosure, the Company has joined the Financial Accounting Standards Foundation and participates in seminars and other events organized by the foundation, auditing firms and other organizations.

Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Assets			
Current assets			
Cash and deposits	**¥ 45,176**	¥ 47,200	**$ 285,599**
Notes and accounts receivable – trade	**17,465**	17,820	**110,414**
Short-term investments in securities	**18,907**	17,944	**119,531**
Merchandise and finished goods	**12,094**	12,198	**76,458**
Work in process	**904**	683	**5,719**
Raw materials and supplies	**3,621**	3,534	**22,898**
Other	**8,047**	8,388	**50,877**
Allowance for doubtful accounts	**(96)**	(72)	**(611)**
Total current assets	**106,120**	107,697	**670,885**
Property, plant and equipment			
Buildings and structures	**69,373**	53,186	**438,573**
Accumulated depreciation	**(37,952)**	(36,657)	**(239,934)**
Buildings and structures, net	**31,420**	16,528	**198,639**
Machinery, equipment and vehicles	**11,758**	9,938	**74,338**
Accumulated depreciation	**(8,125)**	(8,084)	**(51,369)**
Machinery, equipment and vehicles, net	**3,633**	1,853	**22,969**
Land	**14,252**	14,247	**90,100**
Leased assets	**6,754**	6,844	**42,701**
Accumulated depreciation	**(6,058)**	(6,176)	**(38,304)**
Leased assets, net	**695**	668	**4,396**
Construction in progress	**246**	14,450	**1,561**
Other	**20,089**	18,865	**127,001**
Accumulated depreciation	**(12,806)**	(12,917)	**(80,964)**
Other, net	**7,282**	5,948	**46,037**
Net property, plant and equipment	**57,530**	53,696	**363,702**
Intangible assets			
Right of trademark	**19**	21	**122**
Software	**11,590**	11,813	**73,273**
Other intangible assets	**90**	91	**572**
Net intangible assets	**11,700**	11,926	**73,967**
Investments and other assets			
Investments in securities	*1 **15,407**	*1 17,361	**97,404**
Long-term loans receivable	**251**	163	**1,592**
Deferred tax assets	**5,220**	6,264	**33,004**
Other	**4,530**	4,419	**28,639**
Allowance for doubtful accounts	**(440)**	(321)	**(2,783)**
Total investments and other assets	**24,969**	27,886	**157,856**
Total non-current assets	**94,200**	93,510	**595,525**
Total assets	**¥ 200,320**	¥ 201,207	**$ 1,266,410**

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Liabilities			
Current liabilities			
Notes and accounts payable – trade	**¥ 2,264**	¥ 2,751	**$ 14,313**
Current portion of long-term borrowings	**6**	12	**43**
Lease obligations	**774**	674	**4,898**
Accounts payable – other	**10,171**	11,231	**64,302**
Income taxes payable	**4,206**	875	**26,595**
Contract liabilities	**4,795**	5,226	**30,319**
Provision for bonuses	**1,578**	1,807	**9,979**
Provision for directors' bonuses	**177**	161	**1,119**
Other provisions	**8**	54	**51**
Other	**3,368**	2,848	**21,293**
Total current liabilities	**27,351**	25,644	**172,912**
Non-current liabilities			
Long-term borrowings	**40**	46	**253**
Lease obligations	**1,295**	962	**8,189**
Net defined benefit liability	**229**	811	**1,450**
Provision for share benefits for directors	**99**	123	**627**
Provision for environmental measures	**7**	52	**47**
Asset retirement obligations	**3,885**	3,534	**24,563**
Other	**2,496**	1,634	**15,784**
Total non-current liabilities	**8,053**	7,165	**50,913**
Total liabilities	**35,404**	32,809	**223,825**
Net assets			
Shareholders' equity			
Common stock	**10,000**	10,000	**63,219**
Capital surplus	**80,451**	81,025	**508,608**
Retained earnings	**78,674**	80,907	**497,372**
Treasury stock, at cost	**(2,922)**	(2,839)	**(18,477)**
Total shareholders' equity	**166,203**	169,093	**1,050,722**
Accumulated other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	**75**	229	**479**
Foreign currency translation adjustments	**(2,106)**	(1,772)	**(13,318)**
Remeasurements of defined benefit plans	**483**	255	**3,058**
Total accumulated other comprehensive income	**(1,547)**	(1,287)	**(9,781)**
Subscription rights to shares	**236**	243	**1,493**
Non-controlling interests	**23**	348	**150**
Total net assets	**164,916**	168,398	**1,042,585**
Total liabilities and net assets	**¥200,320**	¥201,207	**$1,266,410**

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Net sales	¥ *1 **170,359**	¥ *1 173,304	$ **1,077,001**
Cost of sales	*2 **31,846**	*2 31,227	**201,332**
Gross profit	**138,513**	142,076	**875,668**
Selling, general and administrative expenses			
Sales commission	**32,941**	34,976	**208,255**
Promotion expenses	**11,221**	11,032	**70,938**
Packing and transportation expenses	**5,823**	5,709	**36,814**
Advertising expenses	**11,469**	12,556	**72,510**
Salaries, allowances and bonuses	**22,167**	21,732	**140,142**
Welfare expenses	**4,551**	4,432	**28,773**
Retirement benefit expenses	**762**	692	**4,823**
Provision for bonuses	**1,521**	1,644	**9,617**
Depreciation and amortization	**6,274**	6,311	**39,666**
Other	**27,969**	26,908	**176,819**
Total selling, general and administrative expenses	*2 **124,702**	*2 125,996	**788,357**
Operating income	**13,810**	16,080	**87,312**
Non-operating income			
Interest income	**261**	237	**1,653**
Foreign exchange gains	**1,749**	2,122	**11,060**
Other	**518**	330	**3,279**
Total non-operating income	**2,529**	2,691	**15,992**
Non-operating expenses			
Interest expense	**113**	103	**715**
Commission expenses	**74**	127	**471**
Other	**69**	70	**440**
Total non-operating expenses	**257**	302	**1,626**
Ordinary income	¥ **16,083**	¥ 18,469	$ **101,678**

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Extraordinary income			
Compensation income	¥ —	¥ 376	$ —
Foreign currency translation adjustments	—	297	—
Total extraordinary income	—	674	—
Extraordinary losses			
Loss on disposal of non-current assets	*3 **330**	*3 697	**2,092**
Impairment loss	*4 **696**	*4 1,813	**4,401**
Loss on valuation of investment securities	**300**	361	**1,897**
Other	**107**	911	**678**
Total extraordinary losses	**1,434**	3,783	**9,068**
Income before income taxes	**14,649**	15,360	**92,610**
Income taxes – current	**4,306**	1,300	**27,227**
Income taxes – deferred	**1,034**	4,327	**6,539**
Total income taxes	**5,341**	5,627	**33,766**
Net income	**9,307**	9,732	**58,844**
Profit attributable to non-controlling interests	**21**	67	**138**
Profit attributable to owners of parent	¥ **9,286**	¥ 9,665	$ **58,706**

[Consolidated Statements of Comprehensive Income]

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Net income	**¥ 9,307**	¥ 9,732	**$ 58,844**
Other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	**(153)**	109	**(973)**
Foreign currency translation adjustments	**(371)**	(1,455)	**(2,346)**
Remeasurements of defined benefit plans	**228**	72	**1,445**
Total other comprehensive income	*1 **(296)**	*1 (1,273)	**(1,874)**
Comprehensive income	**¥ 9,011**	¥ 8,459	**$ 56,970**
Comprehensive income attributable to:			
Owners of parent	**¥ 9,026**	¥ 8,378	**$ 57,062**
Non-controlling interests	**¥ (14)**	¥ 80	**$ (92)**

3) Consolidated Statements of Changes in Net Assets

	Millions of yen								
	Common shares (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	**Total net assets**
Balance at January 1, 2023	229,136	¥ 10,000	¥ 81,025	¥ 82,759	¥ (2,860)	¥ (0)	¥ 243	¥ 291	¥ 171,459
Dividends from retained earnings				(11,516)					(11,516)
Net income attributable to owners of parent				9,665					9,665
Disposal of treasury stock					20				20
Change in unrealized gain (loss) on available-for-sale securities						109			109
Foreign currency translation adjustments						(1,468)			(1,468)
Remeasurements of defined benefit plans						72			72
Subscription rights to shares							—		—
Non-controlling interests								57	57
Balance at January 1, 2024	**229,136**	**10,000**	**81,025**	**80,907**	**(2,839)**	**(1,287)**	**243**	**348**	**168,398**
Dividends from retained earnings				**(11,519)**					**(11,519)**
Net income attributable to owners of parent				**9,286**					**9,286**
Acquisition of treasury stock					**(195)**				**(195)**
Disposal of treasury stock			**159**		**112**				**271**
Changes in ownership interest due to acquisition of subsidiary stock			**(733)**						**(733)**
Change in unrealized gain (loss) on available-for-sale securities						**(153)**			**(153)**
Foreign currency translation adjustments						**(334)**			**(334)**
Remeasurements of defined benefit plans						**228**			**228**
Subscription rights to shares							**(7)**		**(7)**
Non-controlling interests								**(324)**	**(324)**
Balance at December 31, 2024	**229,136**	**¥ 10,000**	**¥ 80,451**	**¥ 78,674**	**¥ (2,922)**	**¥ (1,547)**	**¥ 236**	**¥ 23**	**¥ 164,916**

	Thousands of U.S. dollars							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	**Total net assets**
Balance at January 1, 2024	**$ 63,219**	**$ 512,237**	**$ 511,491**	**$ (17,952)**	**$ (8,137)**	**$ 1,538**	**$ 2,203**	**$ 1,064,599**
Dividends from retained earnings			**(72,815)**					**(72,815)**
Net income attributable to owners of parent			**58,706**					**58,706**
Acquisition of treasury stock				**(1,236)**				**(1,236)**
Disposal of treasury stock		**1,007**		**712**				**1,719**
Changes in ownership interest due to acquisition of subsidiary stock		**(4,636)**						**(4,636)**
Change in unrealized gain (loss) on available-for-sale securities					**(973)**			**(973)**
Foreign currency translation adjustments					**(2,116)**			**(2,116)**
Remeasurements of defined benefit plans					**1,445**			**1,445**
Subscription rights to shares						**(45)**		**(45)**
Non-controlling interests							**(2,053)**	**(2,053)**
Balance at December 31, 2024	**$ 63,219**	**$ 508,608**	**$ 497,372**	**$ (18,477)**	**$ (9,781)**	**$ 1,493**	**$ 150**	**$ 1,042,585**

4) Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Cash flows from operating activities			
Income before income taxes	**¥ 14,649**	¥ 15,360	**$ 92,610**
Adjustments to reconcile income before income taxes to net cash flows from operating activities:			
Depreciation and amortization	**8,352**	7,712	**52,806**
Impairment loss	**696**	1,813	**4,401**
Increase (decrease) in allowance for doubtful accounts	**145**	159	**922**
Increase (decrease) in provision for bonus	**(248)**	31	**(1,572)**
Increase (decrease) in other provisions	**(64)**	13	**(406)**
Increase (decrease) in net defined benefit liability	**(258)**	(971)	**(1,637)**
Interest and dividend income	**(261)**	(237)	**(1,653)**
Interest expenses	**113**	103	**715**
Foreign exchange loss (gain)	**(1,378)**	(2,176)	**(8,714)**
Loss (gain) on valuation of investment securities	**300**	361	**1,897**
Loss on disposal of non-current assets	**330**	697	**2,092**
Foreign currency translation adjustments	—	(297)	—
Loss on liquidation of business	—	770	—
Compensation income	—	(376)	—
Decrease (increase) in notes and accounts receivable – trade	**495**	175	**3,131**
Decrease (increase) in inventories	**(17)**	(1,464)	**(113)**
Increase (decrease) in notes and accounts payable – trade	**(708)**	(135)	**(4,476)**
Increase (decrease) in contract liabilities	**(460)**	(244)	**(2,914)**
Decrease (increase) in other assets	**259**	(317)	**1,639**
Increase (decrease) in other liabilities	**514**	(249)	**3,255**
Other	**(229)**	83	**(1,448)**
Subtotal	**22,229**	20,810	**140,535**
Interest and dividends received	**273**	232	**1,729**
Interest paid	**(115)**	(104)	**(730)**
Payment for liquidation of business	**(38)**	(305)	**(245)**
Compensation income received	—	376	—
Income taxes paid	**3,836**	(6,586)	**24,254**
Net cash provided by operating activities	**¥ 26,185**	¥ 14,423	**$ 165,543**

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Cash flows from investing activities			
Payments into time deposits	¥ **(278)**	¥ (286)	$ **(1,760)**
Proceeds from withdrawal of time deposits	**281**	245	**1,777**
Purchase of short-term investments in securities	**(2,000)**	(1,000)	**(12,644)**
Proceeds from sales and redemption of short-term investments in securities	**12,000**	11,100	**75,863**
Purchase of property, plant and equipment	**(8,172)**	(12,146)	**(51,663)**
Proceeds from sales of property, plant and equipment	**4**	0	**28**
Purchase of intangible assets	**(3,983)**	(4,088)	**(25,182)**
Payments for disposal of non-current assets	**(29)**	(215)	**(188)**
Purchase of investments in securities	**(9,310)**	(11,403)	**(58,857)**
Proceeds from sales and redemptions of investment securities	**43**	—	**273**
Payments for asset retirement obligations	**(338)**	(345)	**(2,139)**
Purchase of long-term prepaid expenses	**(346)**	(254)	**(2,194)**
Payments for lease and guarantee deposits	**(192)**	(144)	**(1,217)**
Proceeds from collection of lease and guarantee deposits	**288**	416	**1,823**
Other	**(70)**	(612)	**(445)**
Net cash used in investing activities	**(12,104)**	(18,734)	**(76,524)**
Cash flows from financing activities			
Repayments of borrowings	**(12)**	(12)	**(78)**
Repayments of lease obligations	**(800)**	(815)	**(5,064)**
Cash dividends paid	**(11,554)**	(11,547)	**(73,049)**
Purchase of treasury shares	**(195)**	(20)	**(1,236)**
Payments for acquisition of shares of subsidiaries not resulting in change in scope of consolidation	**(1,008)**	—	**(6,373)**
Proceeds from sales of treasury shares	**195**	20	**1,235**
Net cash used in financing activities	**(13,376)**	(12,375)	**(84,564)**
Effect of exchange rate changes on cash and cash equivalents	**224**	501	**1,418**
Net increase (decrease) in cash and cash equivalents	**928**	(16,185)	**5,872**
Cash and cash equivalents at beginning of year	**46,376**	62,562	**293,190**
Cash and cash equivalents at end of year	¥ *1 **47,305**	¥ *1 46,376	$ **299,062**

[Notes]

■ (Basis for Preparation of Consolidated Financial Statements)

1. The scope of consolidation

(1) Number of consolidated subsidiaries: 34

Names of major consolidated subsidiaries

POLA INC.

ORBIS Inc.

POLA CHEMICAL INDUSTRIES INC.

P.O. REAL ESTATE INC.

and 30 other companies

(Three new companies)

In the current fiscal year, Jurlique Taiwan Inc., PO GLOBAL INC. and POLA ORBIS (Shanghai) Enterprise Management CO., LTD. were newly established and are included in the scope of consolidation.

(2) Number of non-consolidated subsidiaries: 1

Name of major non-consolidated subsidiaries

encyclo.INC

Reason for exclusion from scope of consolidation

Total assets, net sales, net income or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) all have a negligible effect on the consolidated financial statements.

2. Application of the equity method

(1) Number of affiliated companies to which the equity method is applied

None

(2) Names of non-consolidated subsidiaries to which the equity method is not applied and the reason

One non-consolidated subsidiary (encyclo.INC) and 18 affiliated companies (Kohaku Co., Ltd., AGG Co., Ltd., SOULA Inc., lealea Co., Ltd., Lance Co., Ltd., AQUALIE Co., Ltd., Some FaB Co., Ltd., Viva Trail Co., Ltd., PraCheer Co., Ltd., REVER Flor Co., Ltd., WELLHAPI, Inc., PO-ZE Co., Ltd., ei. Co., Ltd., Pribbon Co., Ltd., O2 Co., Ltd., An Co., Ltd., R style Beauty Co., Ltd. and P. Co., Ltd.) are excluded from the scope of application of the equity method because their net income or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) have a negligible effect on the consolidated financial statements and are not significant as a whole.

3. Fiscal year, etc., at consolidated subsidiaries

The last day of the fiscal year at all consolidated subsidiaries is the same as the consolidated closing date.

4. Accounting policies

(1) Valuation standards and method for material assets

1) Securities

Available-for-sale securities

Items other than shares, etc., without a market price

Market value method (in which valuation differences are processed by all being included directly in net assets, and the cost of securities sold is calculated by the moving average method)

Shares, etc., without a market price

Cost method according to the moving-average method

The Company's contribution to investment limited partnerships, which is defined as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan, is recorded at net equity based on the most recently available financial statements according to the reporting dates specified in the partnership agreement.

2) Inventories

The cost of merchandise, finished goods, work in process and raw materials is determined using the cost method according to the monthly moving-average method (in which balance sheet values are calculated by writing down the carrying amount based on a decline in profitability), and the cost of supplies is principally determined using the last purchase cost method.

(2) Depreciation and amortization method for significant depreciable and amortizable assets

1) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries:

Declining balance method

The primary useful lives are as follows:

Buildings and structures………………………..8‐50 years

Machinery, equipment and vehicles……………7‐15 years

The straight-line method over three years is used for small depreciable assets with an acquisition cost greater than or equal to ¥100,000 and less than ¥200,000.

Overseas consolidated subsidiaries:

Straight-line method based on local accounting standards

2) Intangible assets (excluding leased assets)

Straight-line method

Right of trademark……………………………10 years

Software for internal use………………………5 years (estimated useful life at the Company)

3) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership:

The straight-line method is used when the lease term is deemed the useful life of the asset and the residual value is zero.

Subsidiaries that had prepared their financial statements in accordance with IFRS adopted IFRS 16 Leases ("IFRS 16"). Under IFRS 16, a lessee of a lease is required to book all leases as assets and liabilities in principle, and the depreciation method of right-of-use assets booked in assets is the straight-line method.

(3) Basis for recording significant allowances and provisions

1) Allowance for doubtful accounts

To prepare for possible bad debt losses on notes and accounts receivable and loans receivable, etc., the Company and its domestic consolidated subsidiaries record estimated uncollectible amounts based on the historical bad debt ratio for general receivables and based on an individual assessment of the collectability of specific doubtful accounts receivable. Overseas consolidated subsidiaries mainly record estimated uncollectible amounts for specific receivables.

2) Provision for bonuses

To provide for the payment of bonuses to employees, a provision is recorded based on the estimated amount of the bonuses.

3) Provision for directors' bonuses

To provide for the payment of bonuses to directors, a provision is recorded based on the estimated amount of the bonuses.

4) Provision for directors' share benefits

To provide share benefits to the Company's directors, etc., in accordance with the Company's rules on the issuing of shares to directors, etc., a provision is recorded based on the estimated amount of the share benefit obligation at the end of the current fiscal year.

5) Provision for environmental measures

To provide for the disposal of polychlorinated biphenyl (PCB) waste, the estimated cost of disposal is recorded.

(4) Accounting method for retirement benefits

1) Periodic allocation method for estimated retirement benefits

The retirement benefit obligation is calculated by allocating the estimated retirement benefits to the period up to the end of the current fiscal year using the benefit formula basis.

2) Amortization of actuarial gains or losses and past service cost

Past service cost is amortized on a straight-line basis over a certain number of years (10 years) within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year. Actuarial gains or losses are amortized on a straight-line basis over a certain number of years (10-14 years) within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year, and the amount is amortized from the following consolidated fiscal year.

(5) Basis for recording significant revenues and expenses

The Group manufactures and markets cosmetics and related products, and for the marketing of such products, the Group's performance obligation is primarily to deliver finished products based on sales contracts with customers. Upon delivery of a product, the customer acquires control of the product, and the performance obligation is deemed satisfied and revenue is recognized. However, for sales of products in Japan, revenue is recognized at the time of shipment because the period from the time of shipment to the time when control of the products is transferred to the customer is a normal period of time.

The Group has introduced a point program that awards points for purchases of products and other items, and when points awarded under a contract with a customer provide the customer with significant rights, the points expected to be exercised by the customer in the future are recorded as a performance obligation under contract liabilities in the consolidated balance sheets. Transaction prices are allocated based on the ratio of the stand-alone selling price to the performance obligation related to these points and the performance obligation related to the products for which the points are granted. Transaction prices allocated to performance obligations for points that are recorded under contract liabilities are recognized as revenue in accordance with the use of the points.

For transactions in which a sales incentive or other consideration is paid to the sales agent or others who are customers of a product sales transaction, if the consideration paid is not in exchange for goods or services separate from the sale of the product, the transaction is considered a revenue reduction.

Consideration in product sales contracts is collected primarily within one year from the time when control of the goods is transferred to the customer and does not include a significant financial component.

(6) Basis for translating significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the consolidated account closing date, and differences arising from the translations are recognized as gains or losses.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rate on the account closing date, while revenue and expenses are translated into Japanese yen at the average exchange rate for the year, and differences are included in the foreign currency translation adjustments and non-controlling interests under net assets.

(7) Scope of cash and cash equivalents on consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, bank deposits that can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased that can easily be converted to cash and are subject to little risk of value fluctuation.

(8) Other important matters related to the preparation of the consolidated financial statements

Application of group tax sharing system

The group tax sharing system is applied.

■ (Significant Accounting Estimates)

Items for which an accounting estimate has been recorded in the consolidated financial statements for the current fiscal year that may have a significant impact on the consolidated financial statements in the following fiscal year are as follows:

1. Impairment loss on non-current assets related to individual stores

(1) Amount recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)

	FY2023 December 31, 2023	FY2024 December 31, 2024
Non-current assets related to individual stores	2,619	2,361
Impairment loss	538	609

(2) Information on the nature of significant accounting estimates for identified items

1) Method of calculating the amount recorded in the consolidated financial statements for the current fiscal year

In assessing whether there is any indication that individual stores may be impaired, the Group considers each store the smallest unit that generates independent cash flows and assesses whether an impairment loss should be recognized for stores for which there is an indication of impairment. If the total undiscounted future cash flows of any store are less than the carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized. Estimates of future cash flows are based on the medium-term management plan approved by the Board of Directors.

2) Key assumptions

A main assumption in formulating the medium-term management plan is the sales plan by customer base. The sales plan by customer base is estimated from changes in sales performance over the past years.

3) Effect on consolidated financial statements for the following fiscal year

Any changes to the assumptions used in the estimates for the current fiscal year due to future changes in the market environment or other factors could have a significant impact on the valuation of non-current assets related to individual stores in the following fiscal year.

■ (New Accounting Standards Not Yet Applied)

(Accounting Standard for Leases, etc.)

- “Accounting Standard for Leases” (ASBJ Statement No. 34, issued on September 13, 2024 by Accounting Standards Board of Japan (ASBJ))
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, issued on September 13, 2024 by ASBJ), etc.

1. Overview

As part of initiatives to align Japanese accounting standards with international accounting standards, the Accounting Standards Board of Japan (ASBJ) conducted deliberations based on the international accounting standards with the aim of developing a new accounting standard for leases, in which a lessee recognizes assets and liabilities for all leases. Employing the basic policy of adopting not all stipulations but only key stipulations of IFRS 16 while using the single lessee accounting model of IFRS 16 as its basis, the ASBJ released the accounting standard for leases, etc., that is simple and highly convenient, and that also aims to basically eliminate the need for restatements when the stipulations of IFRS 16 are applied to non-consolidated financial statements.

With regard to accounting treatment for a lessee, the single lessee accounting model is applied to the cost allocation for leases of a lessee, under which, as in IFRS 16, a lessee is required to record depreciation and amortization of right-of-use assets and the amount equivalent to interest for lease liabilities for all leases, whether they are a finance lease transaction or an operating lease transaction.

2. Planned date of application

The accounting standard, etc., will be applied from the beginning of the fiscal year ending December 31, 2028.

3. Impact of the application of the accounting standard, etc.

The impact of the application of the Accounting Standard for Leases, etc., on the consolidated financial statements is currently being assessed.

■ (Changes in Presentation)

(Consolidated Statements of Income)

“Loss on liquidation of business” under “Extraordinary losses,” which was separately presented in the previous fiscal year, is included in “Other” from the current fiscal year due to a lack of materiality. As a result, ¥770 million of “Loss on liquidation of business” presented under “Extraordinary losses” in the consolidated statements of income for the previous fiscal year is reclassified into “Other.”

(Consolidated Statements of Cash Flows)

"Increase (decrease) in consumption taxes payable" under "Cash flows from operating activities," which was separately presented in the previous fiscal year, is included in "Other" from the current fiscal year due to a lack of materiality. As a result, ¥193 million of "Increase (decrease) in consumption taxes payable" presented under "Cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year is reclassified into "Other."

■ (Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates)

(Change in Depreciation Method for Tangible Fixed Assets)

The Company and its domestic consolidated subsidiaries have shifted from using the declining balance method, which was primarily used for the depreciation of tangible fixed assets (except for leased assets), to the straight-line method from the beginning of the current consolidated accounting period.

The establishment of the Technical Development Center (TDC) in 2024 and the launch of the medium-term management plan in the same year have led to the anticipation of stable and consistent production and sales in the future. Consequently, the straight-line method, which evenly distributes costs over the useful life, has been deemed a more suitable approach for conducting periodic profit and loss calculations.

As a result of this change, operating income have increased by ¥673 million, ordinary income, and income before income taxes for the current consolidated accounting period have increased by ¥683 million respectively compared with using the previous method.

■ (Consolidated Balance Sheets)

*1. The following are related to non-consolidated subsidiaries and affiliates.

(Millions of yen)

FY2023 December 31, 2023		FY2024 December 31, 2024	
Investment securities	52	Investment securities	57

■ (Consolidated Statements of Income)

*1. Revenue from contracts with customers

Net sales are not separately presented as revenue from contracts with customers and other revenues. The amount of revenue from contracts with customers is presented in "Notes, (Revenue Recognition), 1. Information analyzing revenue from contracts with customers" of the consolidated financial statements.

*2. Research and development costs included in general and administrative expenses and the current fiscal year's manufacturing costs consist of the following:

(Millions of yen)

FY2023 (January 1, 2023–December 31, 2023)	FY2024 (January 1, 2024–December 31, 2024)
4,625	5,103

*3. Details of loss on disposal of non-current assets are as follows:

(Millions of yen)

	FY2023 (January 1, 2023–December 31, 2023)	FY2024 (January 1, 2024–December 31, 2024)
Buildings and structures	91	170
Machinery, equipment and vehicles	1	18
Leased assets	5	6
Removal and demolition costs	219	94
Software	358	23
Other	20	16
Total	697	330

*4. Impairment loss

The Group recognized impairment losses on the following assets or asset groups.

FY2023 (January 1, 2023–December 31, 2023)

(1) Asset groups and amounts of impairment losses recognized

Location	Usage	Type	Amount (millions of yen)
Japan	Stores and offices	Buildings and structures, Property, plant and equipment (Other), Software, Investments and other assets	385
Asia	Stores	Buildings and structures, Property, plant and equipment (Other), Software	331
Oceania	Stores	Buildings and structures, Property, plant and equipment (Other)	92
Japan	Assets for lease	Buildings and structures	76
Japan	Business assets	Right of trademark, Buildings and structures, Property, plant and equipment (Other), Software, Intangible assets (Other)	928
Total			1,813

(2) Background leading to the recognition of impairment losses

With regard to stores and offices, the Group wrote down to the recoverable amount the carrying amount of asset groups that continuously recorded operating losses and whose total cash flow estimates fell below their carrying amount, and recorded the difference as an impairment loss.

With regard to assets for lease, the Group wrote down the carrying amount of the asset group relating to the subject property to the recoverable amount due to a decrease in profitability following a resolution to rebuild the subject property and recorded the difference as an impairment loss.

The Group wrote down the carrying amount of business assets to the recoverable amount and recorded the difference as an impairment loss due to operating losses in the previous and current fiscal years, a significant discrepancy between the reasonable business plan and actual results and the total amount of undiscounted future cash flows being less than the carrying amount.

(3) Asset grouping method

Stores and offices and assets for lease are mostly grouped by individual store and office and asset for lease, on the basis of business divisions whose revenues and expenses are regularly monitored. Business assets are grouped by company.

(4) Calculation method for recoverable amounts

The recoverable amount is measured by value in use. Value in use is assessed as a zero recoverable amount if expected future cash flows are negative.

FY2024 (January 1, 2024–December 31, 2024)

(1) Asset groups and amounts of impairment losses recognized

Location	Usage	Type	Amount (millions of yen)
Japan	Stores	Buildings and structures, Property, plant and equipment (Other), Investments and other assets	187
Asia	Stores	Buildings and structures, Property, plant and equipment (Other)	331
Oceania	Stores	Buildings and structures	90
Japan	Business assets	Buildings and structures, Property, plant and equipment (Other), Software, Intangible assets (Other)	86
Total			696

(2) Background leading to the recognition of impairment losses

With regard to stores and offices, the Group wrote down to the recoverable amount the carrying amount of asset groups that continuously recorded operating losses and whose total cash flow estimates fell below their carrying amount, and recorded the difference as an impairment loss.

The Group wrote down the carrying amount of business assets to the recoverable amount and recorded the difference as an impairment loss due to operating losses in the previous and current fiscal years, a significant discrepancy between the reasonable business plan and actual results and the total amount of undiscounted future cash flows being less than the carrying amount.

(3) Asset grouping method

Stores are mostly grouped by individual store, on the basis of business divisions whose revenues and expenses are regularly monitored. Business assets are grouped by company.

(4) Calculation method for recoverable amounts

The recoverable amount is measured by value in use. Value in use is assessed as a zero recoverable amount if expected future cash flows are negative.

■ (Consolidated Statements of Comprehensive Income)

*1. Reclassification adjustments and tax effects for each component of other comprehensive income

(Millions of yen)

	FY2023 (January 1, 2023– December 31, 2023)	FY2024 (January 1, 2024– December 31, 2024)
Valuation difference on available-for-sale securities		
Amount arising during the period	40	(294)
Reclassification adjustment	108	74
Amount before tax effect	148	(220)
Tax effect	(39)	66
Valuation difference on available-for-sale securities	109	(153)
Foreign currency translation adjustments		
Amount arising during the period	(1,324)	(371)
Reclassification adjustment	(297)	—
Amount before tax effect	(1,621)	(371)
Tax effect	165	—
Foreign currency translation adjustments	(1,455)	(371)
Remeasurements of defined benefit plans		
Amount arising during the period	63	287
Reclassification adjustment	42	38
Amount before tax effect	105	326
Tax effect	(32)	(98)
Remeasurements of defined benefit plans	72	228
Total other comprehensive income	(1,273)	(296)

■ (Consolidated Statements of Changes in Net Assets)

FY2023 (January 1, 2023–December 31, 2023)

1. Shares issued and outstanding

Type of shares	At the beginning of the period	Increase	Decrease	At the end of the period
Common stock (shares)	229,136,156	—	—	229,136,156

2. Treasury stock

Type of shares	At the beginning of the period	Increase	Decrease	At the end of the period
Common stock (shares)	7,904,513	—	6,550	7,897,963

Notes: 1. The number of shares of common stock held in treasury stock includes the Company's shares (242,460 shares at the beginning of the period and 235,910 shares at the end of the period) held by the officer compensation Board Incentive Plan (BIP) trust.

2. (Summary of reasons for changes)

The reduction in the number of shares of treasury stock was due to a decrease of 6,550 shares delivered to directors under the stock delivery trust for directors.

3. Subscription rights to shares, etc.

Company name	Breakdown of subscription rights	Type of shares to be offered for subscription	Number of shares to be offered (shares)				Balance at the end of the period (millions of yen)
			At the beginning of the period	Increase	Decrease	At the end of the period	
POLA ORBIS HOLDINGS INC.	Subscription rights as stock options	—	—	—	—	—	243
Total			—	—	—	—	243

4. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual Shareholders' Meeting held on March 28, 2023	Common stock	6,865	31.00	December 31, 2022	March 29, 2023
Board of Directors' Meeting held on July 31, 2023	Common stock	4,650	21.00	June 30, 2023	September 8, 2023

Note: Total dividends resolved at the Annual Shareholders' Meeting held on March 28, 2023 include dividends of ¥7 million on the Company's shares held by the officer compensation BIP trust.

Total dividends resolved at the Board of Directors' Meeting held on July 31, 2023 include dividends of ¥4 million on the

Company's shares held by the officer compensation BIP trust.

(2) Dividends with a record date in the current fiscal year and an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual Shareholders' Meeting held on March 28, 2024	Common stock	Retained earnings	6,865	31.00	December 31, 2023	March 29, 2024

Note: Total dividends include dividends of ¥7 million on the Company's shares held by the officer compensation BIP trust.

FY2024 (January 1, 2024–December 31, 2024)

1. Shares issued and outstanding

Type of shares	At the beginning of the period	Increase	Decrease	At the end of the period
Common stock (shares)	229,136,156	—	—	229,136,156

2. Treasury stock

Type of shares	At the beginning of the period	Increase	Decrease	At the end of the period
Common stock (shares)	7,897,963	133,275	160,512	7,870,726

Notes: 1. The number of shares of common stock held in treasury stock includes the Company's shares (235,910 shares at the beginning of the period and 344,998 shares at the end of the period) held by the officer compensation Board Incentive Plan (BIP) trust.

2. (Summary of reasons for change)

The increase in the number of shares of treasury stock was due to an increase of 133,200 shares acquired in accordance with the trust contract of the officer compensation Board Incentive Plan (BIP) trust and an increase of 75 shares acquired in the buyback of fractional shares.

The reduction in the number of shares of treasury stock was due to a decrease of 133,200 shares resulting from the disposal of treasury stock, a decrease of 12,412 shares sold for the cash payment to directors under the stock delivery trust for directors, a decrease of 11,700 shares delivered to directors under the stock delivery trust for directors and a decrease of 3,200 shares exercised as stock options.

3. Subscription rights to shares, etc.

Company name	Breakdown of subscription rights	Type of shares to be offered for subscription	Number of shares to be offered (shares)				Balance at the end of the period (millions of yen)
			At the beginning of the period	Increase	Decrease	At the end of the period	
POLA ORBIS HOLDINGS INC.	Subscription rights as stock options	—	—	—	—	—	236
Total			—	—	—	—	236

4. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual Shareholders' Meeting held on March 28, 2024	Common stock	6,865	31.00	December 31, 2023	March 29, 2024
Board of Directors' Meeting held on August 5, 2024	Common stock	4,653	21.00	June 30, 2024	September 6, 2024

Note: Total dividends resolved at the Annual Shareholders' Meeting held on March 28, 2024 include dividends of ¥7 million on the Company's shares held by the officer compensation BIP trust.

Total dividends resolved at the Board of Directors' Meeting held on August 5, 2024 include dividends of ¥7 million on the Company's shares held by the officer compensation BIP trust.

(2) Dividends with a record date in the current fiscal year and an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual Shareholders' Meeting held on March 27, 2025	Common stock	Retained earnings	6,869	31.00	December 31, 2024	March 28, 2025

Note: Total dividends include dividends of ¥10 million on the Company's shares held by the officer compensation BIP trust.

■ (Consolidated Statements of Cash Flows)

*1. Reconciliation of cash and cash equivalents at the end of the period and accounting items reported in the consolidated balance sheets consists of the following:

(Millions of yen)

	FY2023 (January 1, 2023– December 31, 2023)	FY2024 (January 1, 2024– December 31, 2024)
Cash and deposits	47,200	45,176
Short-term investments in securities	17,944	18,907
Other current assets	—	3,000
Total	65,145	67,083
Time deposits with deposit periods of more than three months	(824)	(870)
Stocks and bonds, etc., with maturities of more than three months	(17,944)	(18,907)
Cash and cash equivalents	46,376	47,305

2. Significant non-cash transactions

(Millions of yen)

	FY2023 (January 1, 2023– December 31, 2023)	FY2024 (January 1, 2024– December 31, 2024)
Assets and liabilities related to finance leases	698	1,287
Significant asset retirement obligations	57	567

Note: Subsidiaries that had prepared their financial statements in accordance with IFRS adopted IFRS 16, and lease transactions entered into by such companies are included in amounts of assets and liabilities related to finance leases above.

■ (Leases)

1. Finance leases

(As a lessee)

(1) Finance leases that do not transfer ownership

1) Description of leased assets

Property, plant and equipment: Primarily consist of interior furniture, fixtures and warehouse equipment (“buildings and structures” and “other property, plants and equipment”)

2) Depreciation method for leased assets

The straight-line method is used where the lease term is deemed the useful life of the asset and the residual value is zero.

Subsidiaries that had prepared their financial statements in accordance with IFRS adopted IFRS 16, and the right-of-use assets included in assets and the depreciation method are included in the above description.

■ (Financial Instruments)

1. Overview of financial instruments

(1) Policies on financial instruments

The Group utilizes only low-risk, short- to medium-term financial instruments for cash management, and it raises funds by borrowing from banks and by issuing corporate bonds in the capital market.

(2) Description of financial instruments, risks and risk management systems

Trade receivables such as notes and accounts receivable – trade are exposed to customers' credit risk. To handle such risk, the Group manages payment dates and outstanding balances by individual customer and regularly reviews major customers' credit status in accordance with the Group's credit management policy.

Investments in securities mainly consist of financial instruments with low risk such as held-to-maturity debt securities, but they are exposed to the risk of fluctuations in market price. The Group has a management system in place to quarterly monitor market value and other information in order to manage such risk.

Trade payables such as notes and accounts payable – trade and accounts payable – other are due within one year.

Furthermore, trade payables and interest-bearing liabilities are exposed to liquidity risk, but the Group manages such risk by, for example, preparing cash management schedules monthly.

(3) Supplementary information on the fair value of financial instruments

The fair value of financial instruments is based on the quoted price in an active market. A reasonable valuation technique is used if a quoted price is not available. The values may change under different assumptions as such calculation incorporates variable factors.

2. Fair value of financial instruments

FY2023 (December 31, 2023)

(Millions of yen)

	Carrying amount on the consolidated balance sheets	Fair value	Difference
Investments in securities (*2)			
Available-for-sale securities	29,878	29,878	—

(*1) "Cash and deposits," "Notes and accounts receivable – trade," "Notes and accounts payable – trade" and "Accounts payable – other" are settled in the short term, their fair value approximates their carrying amount and therefore they are not stated.

(*2) Shares, etc., without a market price are not included in "Investments in securities." The carrying amounts on the consolidated balance sheets for such financial instruments are as follows:

(Millions of yen)

Classification	FY2023
Unlisted stock	1,172
Capital contribution to investment in a limited partnership	4,254
Total	5,427

FY2024 (December 31, 2024)

(Millions of yen)

	Carrying amount on the consolidated balance sheets	Fair value	Difference
Investments in securities (*2)			
Available-for-sale securities	27,773	27,773	—

(*1) "Cash and deposits," "Notes and accounts receivable – trade," "Notes and accounts payable – trade" and "Accounts payable – other" are settled in the short term, their fair value approximates their carrying amount and therefore they are not stated.

(*2) Shares, etc., without a market price are not included in "Investments in securities." The carrying amounts on the consolidated balance sheets for such financial instruments are as follows:

(Millions of yen)

Classification	FY2024
Unlisted stock	1,487
Capital contribution to investment in a limited partnership	5,053
Total	6,540

(Note 1) Redemption schedules of monetary receivables and investments in securities with maturities after the consolidated closing date

FY2023 (December 31, 2023)

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	47,200	—	—	—
Notes and accounts receivable – trade	17,747	—	—	—
Investments in securities				
Held-to-maturity debt securities (corporate bonds)	—	—	—	—
Held-to-maturity debt securities (other)	—	—	—	—
Available-for-sale securities with maturities (corporate bonds)	30	1,001	—	—
Available-for-sale securities with maturities (other)	17,944	10,930	3,738	488
Total	82,922	11,931	3,738	488

FY2024 (December 31, 2024)

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	45,176	—	—	—
Notes and accounts receivable – trade	17,368	—	—	—
Investments in securities				
Held-to-maturity debt securities (corporate bonds)	—	—	—	—
Held-to-maturity debt securities (other)	—	—	—	—
Available-for-sale securities with maturities (corporate bonds)	—	992	—	—
Available-for-sale securities with maturities (other)	18,907	7,900	3,934	1,091
Total	81,452	8,892	3,934	1,091

(Note 2) Repayment schedules for long-term borrowings and other interest-bearing liabilities after the consolidated closing date

FY2023 (December 31, 2023)

(Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term borrowings	12	8	7	7	7	14

FY2024 (December 31, 2024)

(Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term borrowings	6	7	7	7	7	8

3. Breakdown of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels based on the observability and significance of inputs used for valuation.

Level 1: Of the observable inputs for fair value measurement, fair value is measured using quoted prices for assets or liabilities subject to fair value measurements that are formed in active markets.

Level 2: Of the observable inputs for fair value measurement, fair value is measured using inputs other than Level 1 inputs.

Level 3: Fair value is measured using unobservable inputs.

If multiple inputs that have a significant impact on fair value measurement are used, of the levels to which each input belongs, the fair value is classified into the lowest priority level in the fair value measurement.

(1) Financial instruments recorded at fair value on the consolidated balance sheets

FY2023 (December 31, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Available-for-sale securities				
Corporate bonds	—	1,031	—	1,031
Other	—	28,846	—	28,846
Total assets	—	29,878	—	29,878

FY2024 (December 31, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Available-for-sale securities				
Corporate bonds	—	992	—	992
Other	—	26,781	—	26,781
Total assets	—	27,773	—	27,773

Note: Explanation of valuation techniques used to measure fair value and inputs related to the measurement of fair value

Available-for-sale securities

The Company's holdings of bonds and other securities are classified as Level 2 fair value as they are infrequently traded in the market and their fair values cannot be considered as market prices in active markets.

■ (Securities)

1. Available-for-sale securities

FY2023 (December 31, 2023)

(Millions of yen)

Classification	Type	Carrying amounts on the consolidated balance sheets	Acquisition cost	Difference
Securities whose carrying amount on the consolidated balance sheets exceeds acquisition cost	(1) Government and municipal bonds	—	—	—
	(2) Corporate bonds	1,001	1,000	1
	(3) Other	9,023	9,000	23
	Subtotal	10,025	10,000	25
Securities whose carrying amount on the consolidated balance sheets does not exceed acquisition cost	(1) Government and municipal bonds	—	—	—
	(2) Corporate bonds	30	30	—
	(3) Other	19,823	20,000	(176)
	Subtotal	19,853	20,030	(176)
Total		29,878	30,030	(151)

FY2024 (December 31, 2024)

(Millions of yen)

Classification	Type	Carrying amounts on the consolidated balance sheets	Acquisition cost	Difference
Securities whose carrying amount on the consolidated balance sheets exceeds acquisition cost	(1) Government and municipal bonds	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Other	3,001	3,000	1
	Subtotal	3,001	3,000	1
Securities whose carrying amount on the consolidated balance sheets does not exceed acquisition cost	(1) Government and municipal bonds	—	—	—
	(2) Corporate bonds	992	1,000	(8)
	(3) Other	23,780	24,000	(219)
	Subtotal	24,772	25,000	(227)
Total		27,773	28,000	(226)

2. Held-to-maturity debt securities sold during the fiscal year

FY2023 (January 1, 2023–December 31, 2023)

None

FY2024 (January 1, 2024–December 31, 2024)

None

3. Available-for-sale securities sold during the fiscal year

FY2023 (January 1, 2023–December 31, 2023)

(Millions of yen)

Type	Amount of sale	Total gain on sales	Total loss on sales
Stocks	0	0	—

FY2024 (January 1, 2024–December 31, 2024)

None

4. Securities for which the holding purpose was changed

FY2023 (January 1, 2023–December 31, 2023)

None

FY2024 (January 1, 2024–December 31, 2024)

None

5. Securities for which an impairment loss was recognized

FY2023 (January 1, 2023–December 31, 2023)

In fiscal 2023, loss on valuation of investment securities was recognized in the amount of ¥361 million.

FY2024 (January 1, 2024–December 31, 2024)

In fiscal 2024, loss on valuation of investment securities was recognized in the amount of ¥300 million.

■ (Retirement Benefits)

1. Summary of retirement benefit plans adopted

The Company and its domestic consolidated subsidiaries have defined benefit pension plans (cash balance plans) and lump-sum retirement payment plans. Certain foreign consolidated subsidiaries have lump-sum retirement payment plans.

When employees retire, premium retirement payments, etc., which are treated as retirement benefit expenses at the time of payment, may be paid.

Certain consolidated subsidiaries use the simplified accounting method to calculate retirement benefit obligations.

2. Defined benefit plans (including plans applying the simplified accounting method)

(1) Movement in retirement benefit obligations

(Millions of yen)

	FY2023 (January 1, 2023– December 31, 2023)	FY2024 (January 1, 2024– December 31, 2024)
Balance at the beginning of the period	8,991	8,927
Service cost	669	787
Interest cost	69	70
Actuarial loss (gain)	(134)	(284)
Benefits paid	(672)	(756)
Other	3	3
Balance at the end of the period	8,927	8,748

(2) Movement in pension assets

(Millions of yen)

	FY2023 (January 1, 2023– December 31, 2023)	FY2024 (January 1, 2024– December 31, 2024)
Balance at the beginning of the period	7,087	8,115
Expected return on pension assets	106	121
Actuarial gain (loss)	(70)	3
Contribution paid by the employer	1,518	911
Benefits paid	(526)	(633)
Balance at the end of the period	8,115	8,518

(3) Reconciliation of balance at the end of the period of retirement benefit obligations and pension assets to net defined benefit liability recognized on the consolidated balance sheets

(Millions of yen)

	FY2023 December 31, 2023	FY2024 December 31, 2024
Funded retirement benefit obligations	7,957	7,595
Pension assets	(8,115)	(8,518)
	(158)	(923)
Unfunded retirement benefit obligations	969	1,152
Net liabilities and assets recognized on the consolidated balance sheets	811	229
Net defined benefit liability	811	229
Net liabilities and assets recognized on the consolidated balance sheets	811	229

(4) Amount of retirement benefit expenses and breakdown of items

(Millions of yen)

	FY2023 (January 1, 2023–December 31, 2023)	FY2024 (January 1, 2024–December 31, 2024)
Service cost	669	787
Interest cost	69	70
Expected return on pension assets	(106)	(121)
Amortization of actuarial loss	42	38
Other	65	23
Retirement benefit expenses related to defined benefit plans	740	799

Notes: 1. Retirement benefit expenses for consolidated subsidiaries that use the simplified accounting method were included in "Service cost."

2. Premium retirement payments paid on a one-off basis were recorded under "Other" and amounted to ¥74 million in fiscal 2023 and ¥35 million in fiscal 2024.

(5) Remeasurements of defined benefit plans

The details of remeasurements of defined benefit plans (before tax effect) are as follows:

(Millions of yen)

	FY2023 (January 1, 2023–December 31, 2023)	FY2024 (January 1, 2024–December 31, 2024)
Actuarial loss	105	326
Total	105	326

(6) Accumulated remeasurements of defined benefit plans

The details of accumulated remeasurements of defined benefit plans (before tax effect) are as follows:

(Millions of yen)

	FY2023 December 31, 2023	FY2024 December 31, 2024
Unrecognized actuarial loss (gain)	(354)	(681)
Total	(354)	(681)

(7) Particulars for pension assets

1) Major components of pension assets

The percentages for major classifications to total pension assets are as follows:

	FY2023 December 31, 2023	FY2024 December 31, 2024
Life insurance general accounts	59.5 %	54.6 %
Life insurance special accounts	28.5 %	32.4 %
Other	12.0 %	13.0 %
Total	100.0 %	100.0 %

2) Method of setting the long-term expected rate of return on pension assets

The long-term expected rate of return on pension assets is determined by considering current and anticipated allocations and current and anticipated long-term rates of return from the portfolio of pension assets.

(8) Particulars for actuarial calculation assumptions

Principal actuarial assumptions (represented as a weighted average)

	FY2023 (January 1, 2023– December 31, 2023)	FY2024 (January 1, 2024– December 31, 2024)
Discount rate	1.4 %	1.3 %
Long-term expected rate of return	1.5 %	1.5 %

The expected rate of salary increase is calculated by using the salary increase index by age as of December 31, 2024.

3. Defined contribution pension plans

Consolidated subsidiaries' required contributions to defined contribution pension plans were ¥2 million in fiscal 2023 and ¥— million in fiscal 2024.

■ (Stock Options)

1. Details of, number of and changes to stock options

(1) Details of stock options

	Subscription rights to shares issued in fiscal 2012	Subscription rights to shares issued in fiscal 2013	Subscription rights to shares issued in fiscal 2014
Date of approval	March 30, 2012	March 29, 2013	March 28, 2014
Classification and number of grantees	7 directors of the Company and 7 directors of subsidiaries	7 directors of the Company and 6 directors of subsidiaries	7 directors of the Company and 7 directors of subsidiaries
Type and number of shares granted (shares)	Common stock: 118,800	Common stock: 78,800	Common stock: 62,680
Grant date	April 16, 2012	April 15, 2013	April 14, 2014
Preconditions to exercising rights	Resignation of the positions as directors in both the Company and the subsidiaries	Resignation of the positions as directors in both the Company and the subsidiaries	Resignation of the positions as directors in both the Company and the subsidiaries
Service period required	Not specified	Not specified	Not specified
Exercisable period	From April 17, 2012 through April 16, 2042	From April 16, 2013 through April 15, 2043	From April 15, 2014 through April 14, 2044

	Subscription rights to shares issued in fiscal 2015	Subscription rights to shares issued in fiscal 2016	Subscription rights to shares issued in fiscal 2017
Date of approval	March 27, 2015	March 31, 2016	April 3, 2017
Classification and number of grantees	6 directors of the Company and 7 directors of subsidiaries	6 directors of the Company and 5 directors of subsidiaries	6 directors of the Company and 7 directors of subsidiaries
Type and number of shares granted (shares)	Common stock: 38,560	Common stock: 25,000	Common stock: 23,920
Grant date	April 13, 2015	April 15, 2016	April 18, 2017
Preconditions to exercising rights	Resignation of the positions as directors in both the Company and the subsidiaries	Resignation of the positions as directors in both the Company and the subsidiaries	Resignation of the positions as directors in both the Company and the subsidiaries
Service period required	Not specified	Not specified	Not specified
Exercisable period	From April 14, 2015 through April 13, 2045	From April 16, 2016 through April 15, 2046	From April 19, 2017 through April 18, 2047

	Subscription rights to shares issued in fiscal 2018
Date of approval	March 28, 2018
Classification and number of grantees	4 directors of the Company and 7 directors of subsidiaries
Type and number of shares granted (shares)	Common stock: 10,960
Grant date	April 12, 2018
Preconditions to exercising rights	Resignation of the positions as directors in both the Company and the subsidiaries
Service period required	Not specified
Exercisable period	From April 13, 2018 through April 12, 2048

Note: The Company carried out a four-for-one stock split of its common stock effective on April 1, 2017. Shares granted were recalculated based on the shares post stock split.

(2) Information on number of and changes to stock options

The number of existing stock options translated into shares at the end of fiscal 2024 (December 31, 2024) is presented below.

1) Number of stock options

	Subscription rights to shares issued in fiscal 2012	Subscription rights to shares issued in fiscal 2013	Subscription rights to shares issued in fiscal 2014
Date of approval	March 30, 2012	March 29, 2013	March 28, 2014
Non-vested (shares)			
Outstanding at beginning of period	46,200	37,840	32,400
Granted	—	—	—
Forfeited	—	—	—
Vested	7,560	5,240	7,760
Balance of non-vested (shares)	38,640	32,600	24,640
Vested (shares)			
Outstanding at beginning of period	19,280	13,400	9,840
Vested	7,560	5,240	7,760
Exercised	3,200	—	—
Forfeited	—	—	—
Balance of non-exercised (shares)	23,640	18,640	17,600

	Subscription rights to shares issued in fiscal 2015	Subscription rights to shares issued in fiscal 2016	Subscription rights to shares issued in fiscal 2017
Date of approval	March 27, 2015	March 31, 2016	April 3, 2017
Non-vested (shares)			
Outstanding at beginning of period	21,120	18,640	17,320
Granted	—	—	—
Forfeited	—	—	—
Vested	4,760	3,480	2,840
Balance of non-vested (shares)	16,360	15,160	14,480
Vested (shares)			
Outstanding at beginning of period	6,760	1,680	2,880
Vested	4,760	3,480	2,840
Exercised	—	—	—
Forfeited	—	—	1,560
Balance of non-exercised (shares)	11,520	5,160	4,160

	Subscription rights to shares issued in fiscal 2018
Date of approval	March 28, 2018
Non-vested (shares)	
Outstanding at beginning of period	7,120
Granted	—
Forfeited	—
Vested	1,280
Balance of non-vested (shares)	5,840
Vested (shares)	
Outstanding at beginning of period	1,280
Vested	1,280
Exercised	—
Forfeited	680
Balance of non-exercised (shares)	1,880

Note: The Company carried out a four-for-one stock split of its common stock effective on April 1, 2017. The number of stock options was recalculated based on the shares post stock split.

2) Price information

	Subscription rights to shares issued in fiscal 2012	Subscription rights to shares issued in fiscal 2013	Subscription rights to shares issued in fiscal 2014
Date of approval	March 30, 2012	March 29, 2013	March 28, 2014
Exercise price (yen)	1	1	1
Average stock price at the time of exercise (yen)	1,441	—	—
Fair value of stock options on the grant date (yen)	458	641	750

	Subscription rights to shares issued in fiscal 2015	Subscription rights to shares issued in fiscal 2016	Subscription rights to shares issued in fiscal 2017
Date of approval	March 27, 2015	March 31, 2016	April 3, 2017
Exercise price (yen)	1	1	1
Average stock price at the time of exercise (yen)	—	—	—
Fair value of stock options on the grant date (yen)	1,462	1,831	1,909

	Subscription rights to shares issued in fiscal 2018
Date of approval	March 28, 2018
Exercise price (yen)	1
Average stock price at the time of exercise (yen)	—
Fair value of stock options on the grant date (yen)	3,838

Note: The Company carried out a four-for-one stock split of its common stock effective on April 1, 2017. Price information was recalculated based on the prices post stock split.

2. Method for estimating the fair value of stock options vested during the current fiscal year

None

3. Method for estimating the number of stock options vested

As making a reasonable estimation for future forfeited shares is difficult, the Company adopted the method of reflecting the actual number of forfeited shares only.

■ (Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	FY2023 December 31, 2023	FY2024 December 31, 2024
Deferred tax assets		
Provision for bonuses	467	405
Net defined benefit liability	258	193
Loss on valuation of inventories	522	516
Impairment loss	898	986
Contract liabilities	471	421
Unrealized inter-company profit	1,615	1,454
Tax loss carry-forwards (Note)	11,339	11,865
Enterprise tax payable	156	204
Asset retirement obligations	1,170	1,242
Other	2,066	2,269
Subtotal deferred tax assets	18,967	19,559
Valuation allowance for tax loss carry-forwards (Note)	(10,349)	(11,624)
Valuation allowance for total deductible temporary differences	(1,898)	(2,084)
Subtotal valuation allowance	(12,247)	(13,709)
Total deferred tax assets	6,719	5,849
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(160)	(123)
Translation differences of long-term foreign currency-denominated receivables and payables	(33)	(116)
Restoration cost for asset retirement obligations	(261)	(286)
Other	0	(102)
Total deferred tax liabilities	(455)	(629)
Deferred tax assets, net	6,264	5,220

Note: Tax loss carry-forwards and the corresponding deferred tax assets for each carry-forward period

FY2023 (December 31, 2023)

(Millions of yen)

	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carry-forwards (a)	160	923	229	556	1,225	8,244	11,339
Valuation allowance	(160)	(839)	(229)	(556)	(1,150)	(7,412)	(10,349)
Deferred tax assets (b)	—	83	—	—	74	831	990

(a) Tax loss carry-forwards are amounts that were multiplied by the statutory income tax rate.

(b) Deferred tax assets for tax loss carry-forwards are determined to be recoverable after the estimated taxable income based on the future earnings power of each company with tax loss carry-forwards is taken into account.

FY2024 (December 31, 2024)

(Millions of yen)

	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carry-forwards (a)	931	237	578	1,248	796	8,072	11,865
Valuation allowance	(867)	(237)	(578)	(1,167)	(743)	(8,030)	(11,624)
Deferred tax assets (b)	64	—	—	81	52	42	240

(a) Tax loss carry-forwards are amounts that were multiplied by the statutory income tax rate.

(b) Deferred tax assets for tax loss carry-forwards are determined to be recoverable after the estimated taxable income based on the future earnings power of each company with tax loss carry-forwards is taken into account.

2. Reconciliation between the statutory tax rate and the effective income tax rate after the application of tax effect accounting

(%)

	FY2023 December 31, 2023	FY2024 December 31, 2024
Statutory income tax rate	30.6	30.6
(Convocation)		
Expenditure not allowable for income tax purposes (entertainment expense, etc.)	0.7	0.8
Per capita inhabitants' tax	0.2	0.4
Increase (decrease) in valuation allowance	4.7	8.0
Tax credits for research and development costs	—	(2.8)
Other	0.4	(0.5)
Effective income tax rate after application of tax effect accounting	36.6	36.5

3. Accounting for corporate and local income taxes or tax effect accounting related thereto

The Company and some of its domestic consolidated subsidiaries adopted the group tax sharing system. In addition, accounting for and disclosure of corporate and local income taxes or tax effect accounting related thereto are performed in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

■ (Asset Retirement Obligations)

Asset retirement obligations recorded on the consolidated balance sheets

(1) Summary of asset retirement obligations

These include restoration costs associated with lease contracts for stores, etc., and asbestos removal costs incurred during dismantling of buildings.

(2) Calculation method of asset retirement obligations

The expected usage period is estimated as the contract period of the real estate lease contract and the useful life of the building, and the discount rate is determined using the yield of the government bond corresponding to the period to calculate the amount of asset retirement obligations.

(3) Increase/decrease in total amount

(Millions of yen)

	FY2023 (January 1, 2023– December 31, 2023)	FY2024 (January 1, 2024– December 31, 2024)
Balance at the beginning of the period	3,768	3,563
Increase due to acquisition of property, plant and equipment	57	567
Adjustment amount over time	15	14
Decrease due to fulfillment of asset retirement obligations	(284)	(241)
Other increase (decrease)	6	4
Balance at the end of the period	3,563	3,908

■ (Investment and Rental Property)

The Group owns office buildings and residential properties for lease in Tokyo and other areas.

In fiscal 2023, net rental income from investment and rental properties was ¥686 million (in which rental income is recorded under net sales and non-operating income, while rental expenses are recorded under cost of sales, selling, general and administrative expenses, and non-operating expenses).

In fiscal 2024, net rental income from investment and rental properties is ¥365 million (in which rental income is recorded under net sales and non-operating income, while rental expenses are recorded under cost of sales, selling, general and administrative expenses, and non-operating expenses).

The carrying amounts on the consolidated balance sheets, net change during fiscal 2023 and fiscal 2024 and the fair value of those properties are stated below.

(Millions of yen)

		FY2023 (January 1, 2023– December 31, 2023)	FY2024 (January 1, 2024– December 31, 2024)
Carrying amounts on the consolidated balance sheets	Balance at the beginning of the period	19,450	22,563
	Change	3,112	3,372
	Balance at the end of the period	22,563	25,935
Fair value at the end of the period		75,193	77,580

Notes: 1. The carrying amounts present acquisition cost less accumulated depreciation and accumulated impairment loss.

2. Main change

(Fiscal 2023)

Increase: Refurbishment of office buildings for lease: ¥3,295 million

Decrease: Depreciation on office buildings and residential properties and other properties for lease: ¥463 million

(Fiscal 2024)

Increase: Refurbishment of office buildings for lease: ¥4,154 million

Decrease: Depreciation on office buildings and residential properties and other properties for lease: ¥656 million

3. Method for calculating fair values

The fair values of major properties are determined at the amounts using appraisal certificates provided by outside real estate assessors. For other properties, however, the fair value of land is determined at the amount adjusted using the indices that are considered to properly reflect market price. The fair values of depreciable assets such as buildings are determined at the carrying amounts on the consolidated balance sheets.

■ (Revenue Recognition)

1. Information analyzing revenue from contracts with customers

FY2023 (January 1, 2023–December 31, 2023)

(Millions of yen)

	Japan	Asia	Other areas	Total
Beauty Care	140,045	24,638	3,793	168,447
Real Estate	0	—	—	0
Others	2,748	—	—	2,748
Revenue from contracts with customers	142,793	24,638	3,793	171,226
Other revenue	2,077	—	—	2,077
Segment sales to external customers	144,871	24,638	3,793	173,304

Note: "Others" comprises business operations that are not categorized as reportable segments and includes the building maintenance business.

FY2024 (January 1, 2024–December 31, 2024)

(Millions of yen)

	Japan	Asia	Other areas	Total
Beauty Care	140,586	21,431	3,043	165,060
Real Estate	0	—	—	0
Others	3,085	—	—	3,085
Revenue from contracts with customers	143,671	21,431	3,043	168,146
Other revenue	2,213	—	—	2,213
Segment sales to external customers	145,885	21,431	3,043	170,359

Note: "Others" comprises business operations that are not categorized as reportable segments and includes the building maintenance business.

2. Information forming the basis for understanding revenue from contracts with customers

It is as stated in "Basis for Preparation of Consolidated Financial Statements, 4. Particulars for accounting policies, (5) Basis for recording significant revenues and expenses."

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue from contracts with customers that existed at the end of the current fiscal year that is expected to be recognized in subsequent fiscal years

(1) Outstanding contract liabilities

(Millions of yen)

	FY2023	FY2024
Contract liabilities (balance at the beginning of the period)	5,437	5,226
Contract liabilities (balance at the end of the period)	5,226	4,795

Contract liabilities were mainly due to the point programs and related to advance payments received from customers for aesthetic treatments. Points expected to be exercised by customers in the future are recorded under contract liabilities as performance obligations when the points provide customers with significant rights, and are recognized as revenue when the points are used.

The residual performance obligation for aesthetic treatments provided in stores is recognized as revenue based on the number of times that customers are provided treatments.

The amount of revenue recognized in fiscal 2023 that was included in the contract liability balance at the beginning of the period was ¥5,437 million.

The amount of revenue recognized in fiscal 2024 that was included in the contract liability balance at the beginning of the period was ¥5,226 million.

(2) Transaction price allocated to remaining performance obligations

Since there are no significant contracts with an initial expected contract period exceeding one year, the practical expedient is applied and information on remaining performance obligations is omitted.

■ (Segment Information, etc.)

[Segment information]

1. General information about reportable segments

A reportable segment is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group primarily develops, manufactures and markets cosmetics products and related products. It promotes a multi-brand strategy of holding a range of brands and winning market shares for each of its high-profile brands in order to satisfy the diversifying needs of its customers on the basis of their values. Comprehensive strategies are planned and products are marketed by each brand name in Japan and overseas. In addition to its cosmetics business, the Group pursues various businesses to contribute to its profits.

Therefore, reportable segments consist of the Beauty Care business, the Group's core business, and the Real Estate business, which indirectly supports the Group's core business.

The Beauty Care business manufactures and distributes cosmetics and health foods and sells fashion items under the following brand names: *POLA, ORBIS, Jurlique, DECENCIA, THREE* and *FUJIMI*. The Real Estate business is engaged in the leasing of office buildings and residential properties.

2. Calculation method for net sales, profit (loss), assets, liabilities and other items by reportable segment

The accounting method for the Group's reportable business segments is generally the same as described in "Basis for Preparation of Consolidated Financial Statements."

Segment income is based on operating income. The amounts of intersegment unrealized profits and transfers are calculated based on prevailing market prices.

■ (Change in Depreciation Method for Tangible Fixed Assets)

As stated in "Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates," the Company and its domestic consolidated subsidiaries have shifted from using the declining balance method, which was primarily used for the depreciation of tangible fixed assets (except for leased assets), to the straight-line method from the beginning of the current consolidated fiscal year.

As a result of this change, segment profits for the current consolidated accounting period have increased by ¥629 million in Beauty Care, ¥43 million in Real Estate, and ¥0 million in Others respectively compared with using the previous method. Reconciliations to segment profit has decreased by ¥0 million.

3. Information about net sales, profit (loss), assets and other items by reportable segment

FY2023 (January 1, 2023–December 31, 2023)

(Millions of yen)

	Reportable segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount shown on the consolidated financial statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net sales							
Sales to external customers	168,477	2,078	170,555	2,748	173,304	—	173,304
Intersegment sales or transfers	109	444	553	2,301	2,855	(2,855)	—
Total	168,586	2,522	171,109	5,050	176,159	(2,855)	173,304
Segment income	16,354	440	16,794	149	16,944	(863)	16,080
Segment assets	160,573	28,071	188,645	3,083	191,728	9,479	201,207
Other items							
Depreciation and amortization	6,686	424	7,110	12	7,123	589	7,712
Increase in property, plant and equipment and intangible assets	14,042	3,347	17,389	3	17,393	85	17,478

Notes: 1. "Others" comprises business operations that are not categorized as reportable segments and includes the building maintenance business.

2. Reconciliations consist of the following:

(1) The segment income reconciliation of ¥(863) million includes intersegment transaction eliminations of ¥8,796 million and corporate expenses of ¥(9,659) million not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

(2) The segment assets reconciliation of ¥9,479 million includes intersegment eliminations of ¥(64,754) million and corporate assets of ¥74,234 million not allocated to each segment. Corporate assets are primarily the Company's financial assets and assets in the administrative division not allocated to reportable segments.

(3) Reconciliations of depreciation and amortization, and increases in property, plant and equipment and intangible assets are those related to corporate assets and intersegment eliminations.

3. Segment income is adjusted for operating income reported on the consolidated statements of income.

4. Amortization and increase in long-term prepaid expenses are included in depreciation and amortization, and increases in property, plant and equipment and intangible assets, respectively.

FY2024 (January 1, 2024–December 31, 2024)

(Millions of yen)

	Reportable segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount shown on the consolidated financial statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net sales							
Sales to external customers	165,060	2,214	167,274	3,085	170,359	—	170,359
Intersegment sales or transfers	124	478	603	2,538	3,142	(3,142)	—
Total	165,184	2,692	167,877	5,624	173,502	(3,142)	170,359
Segment income	14,926	76	15,003	231	15,235	(1,424)	13,810
Segment assets	157,088	34,004	191,093	2,988	194,081	6,239	200,320
Other items							
Depreciation and amortization	6,886	722	7,609	12	7,622	730	8,352
Increase in property, plant and equipment and intangible assets	8,197	6,048	14,245	2	14,248	270	14,518

Notes: 1. "Others" comprises business operations that are not categorized as reportable segments and includes the building maintenance business.

2. Reconciliations consist of the following:

(1) The segment income reconciliation of ¥(1,424) million includes intersegment transaction eliminations of ¥3,052 million and corporate expenses of ¥(4,477) million not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

(2) The segment assets reconciliation of ¥6,239 million includes intersegment eliminations of ¥(64,068) million and corporate assets of ¥70,307 million not allocated to each segment. Corporate assets are primarily the Company's financial assets and assets in the administrative division not allocated to reportable segments.

(3) Reconciliations of depreciation and amortization, and increases in property, plant and equipment and intangible assets are those related to corporate assets and intersegment eliminations.

3. Segment income is adjusted for operating income reported on the consolidated statements of income.

4. Amortization and increase in long-term prepaid expenses are included in depreciation and amortization, and increases in property, plant and equipment and intangible assets, respectively.

[Related Information]

FY2023 (January 1, 2023–December 31, 2023)

1. Information by product and service

Information by product and service is omitted as sales to external customers in a single product or service category exceed 90% of net sales on the consolidated statements of income.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	Asia	Other areas	Total
144,871	24,638	3,793	173,304

Note: Net sales are classified by country or region based on the locations of customers.

(2) Property, plant and equipment

Information about property, plant and equipment is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment on the consolidated balance sheets.

3. Information by key customer

Information by key customer is omitted as there are no external customers for which sales account for more than 10% of net sales presented on the consolidated statements of income.

FY2024 (January 1, 2024–December 31, 2024)

1. Information by product and service

Information by product and service is omitted as sales to external customers in a single product or service category exceed 90% of net sales on the consolidated statements of income.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	Asia	Other areas	Total
145,885	21,431	3,043	170,359

Note: Net sales are classified by country or region based on the locations of customers.

(2) Property, plant and equipment

Information about property, plant and equipment is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment on the consolidated balance sheets.

3. Information by key customer

Information by key customer is omitted as there are no external customers for which sales account for more than 10% of net sales presented on the consolidated statements of income.

[Information about Impairment Loss on Non-current Assets by Reportable Segment]

FY2023 (January 1, 2023–December 31, 2023)

(Millions of yen)

	Reportable segments			Others	Reconciliations	Total
	Beauty Care	Real Estate	Subtotal			
Impairment loss	1,736	76	1,813	—	—	1,813

FY2024 (January 1, 2024–December 31, 2024)

(Millions of yen)

	Reportable segments			Others	Reconciliations	Total
	Beauty Care	Real Estate	Subtotal			
Impairment loss	696	—	696	—	—	696

[Information about Amortization and Unamortized Balance of Goodwill by Reportable Segment]

None

[Information about Gain on Bargain Purchase by Reportable Segment]

None

[Related-party Information]

1. Transactions with related parties

Transactions between consolidated subsidiaries of the Company and related parties

Officers and major shareholders of the Company (limited to individuals), etc.

FY2023 (January 1, 2023–December 31, 2023)

None

FY2024 (January 1, 2024–December 31, 2024)

Category	Name of the company or the individual	Location	Stated capital or capital contribution (millions of yen)	Description of business or occupation	Percentage of voting rights, etc., holding/held (%)	Relationship with the related party	Details of transactions	Amount of transactions (millions of yen)	Accounting item	Balance at the end of the period (millions of yen)
Officer and major shareholder	Satoshi Suzuki	—	—	Representative Director and Chairman of the Company	Directly held: 22.03	—	Receipt of cultural assets as donation Notes 1, 2	32	—	—

Notes: 1. The amount of transactions does not include consumption taxes, etc.

2. Transaction terms and the policy of determining transaction terms, etc.

The transaction price is determined based on the prevailing market price, the real estate appraisal value, etc.

2. Notes related to the parent company and significant affiliates

None

■ (Per Share Information)

Item	FY2023 (January 1, 2023– December 31, 2023)	FY2024 (January 1, 2024– December 31, 2024)
Net assets per share	¥758.49	¥744.16
Net income per share	¥43.69	¥41.97
Diluted net income per share	¥43.64	¥41.93

Notes: 1. The Company's shares held by the officer compensation BIP trust are included in shares of treasury stock that are deducted from the number of shares issued and outstanding at the end of the period in the calculation of net assets per share and are included in shares of treasury stock that are deducted in the calculation of the average number of shares of treasury stock during the period for calculating net income per share and diluted net income per share. The number of shares of deducted treasury stock at December 31, 2024 is 344,998 and the average number of shares of such stock is 289,985 during the period. The number of shares of deducted treasury stock at December 31, 2023 was 235,910 and the average number of shares of such stock was 237,129 during the period.

2. Basis for calculation of net income per share and diluted net income per share is stated below:

Item	FY2023 (January 1, 2023– December 31, 2023)	FY2024 (January 1, 2024– December 31, 2024)
Net income per share		
Profit attributable to owners of parent (millions of yen)	9,665	9,286
Amount not attributable to shareholders of common stock (millions of yen)	—	—
Profit attributable to owners of parent associated with common stock (millions of yen)	9,665	9,286
Average number of shares of common stock during the period	221,236,973	221,258,267
Diluted net income per share		
Adjustment of profit attributable to owners of parent (millions of yen)	—	—
Number of shares of common stock increased	235,630	231,066
[Of which, subscription rights to shares]	[235,630]	[231,066]
Outline of the dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effects	—	

3. Basis for calculation of net assets per share is stated below:

Item	FY2023 (December 31, 2023)	FY2024 (December 31, 2024)
Total net assets (millions of yen)	168,398	164,916
Amount deducted from total net assets (millions of yen)	591	259
[Of which, subscription rights to shares (millions of yen)]	[243]	[236]
[Of which, non-controlling interests (millions of yen)]	[348]	[23]
Net assets associated with common stock (millions of yen)	167,806	164,656
Number of shares of common stock used in the calculation of net assets per share	221,238,193	221,265,430

■ (Subsequent Event)

None

5) Annexed Consolidated Detailed Schedules

[Annexed Consolidated Detailed Schedule of Corporate Bonds]

None

[Annexed Consolidated Detailed Schedule of Borrowings]

Classification	Balance at the beginning of the period (millions of yen)	Balance at the end of the period (millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	—	—	—	—
Current portion of long-term loans payable	12	6	1.33	—
Current portion of lease obligations	674	774	5.24	—
Long-term borrowings (excluding that due within a year)	46	40	2.00	2026–2030
Lease obligations (excluding that due within a year)	962	1,295	7.26	2026–2031
Other interest-bearing liabilities	—	—	—	—
Total	1,696	2,116	—	—

Notes: 1. “Average interest rate” is the weighted average interest rate on the end-of-period balance of loans.

2. Total amount of expected repayment of long-term borrowings and lease obligations (excluding that due within a year) for the subsequent five years from the consolidated closing date

(Millions of yen)

Classification	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Long-term borrowings	7	7	7	7
Lease obligations	484	350	257	148

[Annexed Consolidated Detailed Schedule of Asset Retirement Obligations]

The details of asset retirement obligations that should be stated are omitted as they are described as notes stipulated in Article 15-23 of the Regulations on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Others

Quarterly information during FY2024

	Three months ended March 31, 2024	Six months ended June 30, 2024	Nine months ended September 30, 2024	Fiscal year ended December 31, 2024
Net sales (millions of yen)	40,886	83,836	125,395	170,359
Income before income taxes (millions of yen)	4,562	10,896	11,422	14,649
Profit attributable to owners of parent (millions of yen)	3,126	7,500	6,948	9,286
Net income per share (yen)	14.13	33.90	31.41	41.97

	1st quarter	2nd quarter	3rd quarter	4th quarter
Net income (loss) per share (yen)	14.13	19.77	(2.49)	10.56

Note: Review of the financial information for the nine months ended September 30, 2024: None

■ Independent Auditor’s Report and Internal Control Audit Report

March 27, 2025

The Board of Directors
Pola Orbis Holdings Inc.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Tatsuya Yokouchi
Designated Engagement Partner
Certified Public Accountant

Seizaburo Oya
Designated Engagement Partner
Certified Public Accountant

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements for the consolidated fiscal year from January 1, 2024 through December 31, 2024 of Pola Orbis Holdings Inc. referred to in the Financial Information section, which comprise the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets, consolidated statements of cash flows, basis for preparation of consolidated financial statements, other notes and annexed consolidated detailed schedules, to certify the audit pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pola Orbis Holdings Inc. and its consolidated subsidiaries (the Group) as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy of net sales of the Beauty Care business	
Description and Reason for Determination of Key Audit Matter	Auditor's Response
As described in notes to the consolidated financial statements (Segment Information, etc.), net sales of the Beauty Care business amount to ¥165,060 million out of ¥170,359 million of net sales recorded on the consolidated statements of income, representing approximately 97% of the consolidated net sales. Of these net sales, ¥84,448 million is attributable to POLA INC., a major subsidiary with a consignment sales channel as its core business. As described in notes to the consolidated financial statements (Basis for Preparation of Consolidated Financial Statements) 4. Accounting policies (5) Basis for recording significant revenues and expenses, for the marketing of products, the Group's performance obligation is primarily the delivery of finished products based on sales contracts with customers. Upon delivery of a product, the customer acquires control of the product, and the performance obligation is deemed satisfied and revenue is recognized. In the consignment sales channel, cosmetics and related products are sold through sales partners in possession of consignment sales contracts, and revenue is recognized upon sale to a customer by the sales partner. Although the sales process of the consignment sales channel is not a complicated procedure that requires estimates or other assumptions, in the reporting of such net sales, net sales are automatically calculated and aggregated in the sales management system, then linked to the accounting system and processed. The whole sales process depends broadly on the automated processing by multiple IT systems. In addition, as such net sales are highly significant in amount, any misstatement in such net sales is very likely to cause a material impact on profit and loss. In light of the above, we judged the accuracy of net sales of the consignment sales channel of POLA INC. to fall under a key audit matter.	The audit procedures we performed to assess the generation and accuracy of net sales in the consignment sales channel include the following, among others. In addition, the procedures for assessment of IT controls were performed in cooperation with our IT specialists. - We used inquiries, observations and access to documents to understand the series of data flows, the processing procedure in the relevant IT systems from the beginning of a transaction to the reporting of sales and automated internal controls. - We evaluated the effectiveness of IT general controls by reviewing the approval records of managers for program changes to sales management and accounting systems, as well as the approval records of managers for granting and changing access rights to important data and files, and regular inspection records of access rights. - We reviewed the integrity between the sales management system and the accounting system to evaluate the effectiveness of IT operation process controls of the data interface between the systems. - We checked if there is any entry of net sales that was directly recorded in the accounting system without being processed in the sales management system, to review the reasonableness of the reporting of such net sales. - For net sales processed as negative net sales during a certain period of the following fiscal year, we accessed evidence materials of the transactions exceeding certain thresholds to examine whether any sales should be treated as cancellation of net sales for the current fiscal year. - For the balance of accounts receivable − trade, we performed verification procedures of the balance with the last day of the fiscal year as the record date for sales partners selected by the significance in amount or randomly selected.

Other Information

Other information comprises the information that is included in the annual securities report but does not include the consolidated financial statements, financial statements or our auditor's reports thereon. Management is responsible for preparing and disclosing other information. In addition, the Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the execution of duties by Directors in the design and operation of the reporting process for other information.

Other information is not included in the scope of our opinion on the consolidated financial statements, and we express no opinion on such other information.

Our responsibility for the audit of the consolidated financial statements is to read other information carefully and, in the course of that reading, to consider whether there are any material differences between such other information and the consolidated financial statements or our knowledge obtained during the audit, and to ascertain whether there are any indications of material errors in other information other than such material differences.

If, on the basis of the work we have performed, we conclude that there are material errors in other information, we are required to report those facts.

We have nothing to report regarding other information.

Responsibilities of Management, the Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for the design and operation of such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to the going concern.

The Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the execution of duties by Directors in the design and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance, based on the audit we perform, about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The selection and application of audit procedures are based on our judgment. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- We consider internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used, the application method, the reasonableness of accounting estimates and related disclosures made by management.
- We conclude whether, on the appropriateness of management's use of the going concern basis of accounting and on the basis of the audit evidence obtained, a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditors and the Board of Corporate Auditors regarding the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal controls that we have identified during our audit and other matters required by the audit standards.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement saying that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related to measures taken to remove disincentives or safeguards to reduce disincentives to an acceptable level.

From the matters communicated to the Corporate Auditors and the Board of Corporate Auditors, we determine those matters that are of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of Internal Controls>

Opinion

We have audited the internal control report of Pola Orbis Holdings Inc. as at December 31, 2024 to certify the audit pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the internal control report referred to above, in which Pola Orbis Holdings Inc. indicated that its internal controls over financial reporting as at December 31, 2024 are effective, presents fairly, in all material respects, the results of its assessment of internal controls over financial reporting in conformity with criteria for assessment of internal controls over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of internal controls in accordance with auditing standards for internal controls over financial reporting generally accepted in Japan. Our responsibilities under the auditing standards for internal controls over financial reporting are further described in the Auditor's Responsibilities for the Audit of Internal Controls section of our report. We are independent of the Group in accordance with professional ethical requirements in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditors and the Board of Corporate Auditors for the Internal Control Report

Management is responsible for designing and operating internal controls over financial reporting, and for preparing and presenting fairly an internal control report in conformity with criteria for assessment of internal controls over financial reporting generally accepted in Japan.

The Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing and verifying the design and operation of internal controls over financial reporting.

It is possible that internal controls over financial reporting will not completely prevent or detect misstatements in financial reporting.

Auditor's Responsibilities for the Audit of Internal Controls

Our responsibilities are to obtain reasonable assurance, based on the audit of internal controls we performed, about whether the internal control report is free from material misstatement and to issue an internal control audit report that includes our opinion on the internal control report from an independent standpoint.

As part of an audit in accordance with auditing standards for internal controls over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition

- We conduct audit procedures to obtain audit evidence regarding the results of the assessment of internal controls over financial reporting in the internal control report. Audit procedures for internal control audits are selected and applied based on our judgment, depending on the materiality of the effect on the reliability of financial reporting.
- We consider the overall presentation of the internal control report, including statements made by management regarding the scope of assessment of internal controls over financial reporting, assessment procedures and results.
- We plan and perform the audit of internal controls to obtain sufficient and appropriate audit evidence regarding the results of the assessment of internal controls over financial reporting in the internal control report. We are responsible for the direction, supervision and review of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditors and the Board of Corporate Auditors regarding the planned scope and timing of the internal control audit and the findings of the audit, any material deficiencies in internal controls that we have identified that should be disclosed, the outcome of corrections and other matters required by the auditing standards for internal controls.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement saying that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related to measures taken to remove disincentives or safeguards to reduce disincentives to an acceptable level.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes:	1. The original of the independent auditor's report is kept separately by the Company, which filed an annual securities report.
	2. XBRL data is excluded from the scope of the audit.