Corporate Governance Report

POLA ORBIS HOLDINGS INC.

Last Update: March 27, 2019

POLA ORBIS HOLDINGS INC.
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The corporate governance of POLA ORBIS HOLDINGS INC. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile, and Other Basic Information

1. Basic Views

Based on our Group mission *to sensitize the world to beauty*, the POLA ORBIS Group offers a number of brands each with differing properties. We deploy our businesses based on the recognition that our strengths are in our *high brand loyalty through direct ties with customers*, *R&D capabilities in the skincare area through concentration of our resources*, and *multi-value chain strategy exploiting strong synergistic effects of our brands upon each other*. Each operating company under the Group umbrella essentially manages itself autonomously and independently, while POLA ORBIS HOLDINGS, as the holding company, retains management control over each operating company and strives to increase corporate value through ensuring sound management and improved efficiency in Group operations overall.
The POLA ORBIS Group also incorporates compliance into CSR activities, emphasizing compliance as an integral part of business. The POLA ORBIS Group strives to realize sustainable development of the Group through initiatives where the Group, as a good corporate citizen, works to deepen cooperation and establish trustful relationships with various stakeholders, including shareholders and business partners, and fulfills its corporate responsibilities. In addition, the Company has established the POLA ORBIS Group Code of Conduct to cover the various facets of responsible corporate activity, including legal compliance, environmental protection, and shareholder relations, and all executives and other employees pledge to abide by the Code of Conduct.

[Reasons for Noncompliance with the Principles of the Corporate Governance Code] Updated

<Items not in compliance>
Based on [Principle 3-1: Enhancement of Information Disclosure], with regard to policies on dismissal included under policies for appointment and dismissal of core management, plans call for deliberation and decisions on policies to be conducted by the Board of Directors and a newly established Nomination Committee as a voluntary advisory body to the Board of Directors. In addition, in light of the fact that the appointment and dismissal of the CEO is the most important strategic decision for the Company, [Supplemental Principle 4-3(3): CEO Selection and Dismissal Procedures] will be handled in a similar manner by establishing procedures to secure objectivity, timeliness, and transparency through deliberation by the Board of Directors and a voluntary advisory committee on appointments.

<Newly compliant items>
With regard to [Supplemental Principle 4-10(1): Appropriate Involvement and Advising by Independent Outside Directors (e.g., Establishment of a Voluntary Advisory Committee)], the Company has made progress

on improving governance by promoting the clarification of roles and responsibilities in management and execution in the Group management structure. As part of these efforts, beginning this year a voluntary advisory committee has been established to advise on subjects, such as nomination of directors, appointment of executive officers, and remuneration. The majority of the membership of this voluntary advisory committee consists of outside directors, and the committee deliberates on important matters, such as the appointment of Company directors, appointment of executive officers, and remuneration, reporting the results of its deliberations to the Board of Directors. The membership of this voluntary appointment advisory committee and remuneration advisory committee changes for individual topics of deliberation, and it also deliberates on nomination and remuneration of management in Company subsidiaries and sub-subsidiaries.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

The [Principle 3-1: Enhancement of Information Disclosure] 3. Policies and Procedures for Decisions on Remuneration of Directors and Core Management and 4. Nomination of Candidates for Directors and Corporate Auditors and Appointment of Core Management have been revised.
[Supplemental Principle 4-11(3): Analysis and Evaluation of the Efficacy of the Board of Directors as a Whole] has been updated in part.
[Supplemental Principle 4-11(1): Views on Balance, Diversity, and Scale of Knowledge, Experience, and Capabilities of the Board of Directors as a Whole] has been updated in part.

Disclosure based on each of the principles of the Company's Corporate Governance Code is described below.

In addition to this Report, the state of the Company's corporate governance efforts can be confirmed in the *Corporate Report* and other documents.
Corporate Report: http://ir.po-holdings.co.jp/ja/Library/AnnualReport.html

[Principle 1-4: Policy on Cross-shareholdings and Standards for Execution of Voting Rights on such Shares]

<Policy on Cross-shareholdings>

When the Company holds listed shares, it shall do so based on the following policies.
(1) It will not hold cross-shareholdings simply as a stable shareholder.
(2) It will hold listed shares as cross-shareholdings only when recognized by the Board of Directors as reasonable and appropriate for business purposes, such as alliances and maintenance and strengthening of transactions
(3) The Board of Directors shall receive periodic reports on the status of individual cross-shareholdings, verify the reasonableness and appropriateness of such holdings, and disclose the contents thereof.

<Standards for Execution of Voting Rights on Shares Held>

Voting rights on shares held shall be exercised appropriately based on the judgment of whether to support or oppose resolutions through consideration of the conditions of companies invested in, based on the precondition that proposed resolutions would not be harmful to shareholder value.

[Principle 1-7: Appropriate Procedural Framework for Transactions with Interested Parties]

Transactions, such as those with interested parties, shall be subject to approval by the Company Board of Directors in a meeting whose participants include multiple outside directors to avoid harm to the joint interests of the Company and shareholders, and reporting to the Board of Directors after the transaction has been executed shall be obligatory. In addition, every fiscal year, the directors of the POLA ORBIS Group shall be subject to an investigation of transactions between them or their family members within two degrees of

consanguinity and the Company or its subsidiaries. The presence of such transactions and the conditions thereof shall be disclosed appropriately in Securities Reports and other reports, pursuant to the provisions of laws and regulations.

[Principle 2-6: Demonstrating Functions as an Asset Owner for the Corporate Pension Plan]

The POLA ORBIS Group has adopted a contractual defined-benefit corporate pension plan covering the Company and some domestic subsidiaries. Pension assets are managed through the appropriate selection of multiple financial institutions, such as life insurers, and placement of human resources with specialties knowledge and experience in the sections in charge, and the state of such asset management is monitored periodically.
In addition, the Pension Management Committee has been established as an advisory body to ensure the stable and efficient management of the corporate pension plan. Chaired by the Company's executive officer in charge of finance, the Pension Management Committee's membership consists of persons responsible for human resources and finance sections from each company, and it reviews the state of management and financial status of pension assets appropriately.

[Principle 3-1: Enhancement of Information Disclosure]

1. Management mission, management plans, etc.
The Company has identified as the Group mission *to sensitize the world to beauty*. In addition, its long-term vision and medium-term management plans are explained by the representative director at opportunities such as briefings on settlement of accounts, and related materials are posted to the website and made available through other means.
(Explanatory materials concerning the medium-term management plan etc.: http://ir.po-holdings.co.jp/ja/Top.html)

2. Basic views and basic policy on corporate governance, based on the principles of the Corporate Governance Code
As described in Section 1 under "Basic views on corporate governance, capital structure, corporate attributes, and other basic information" in this Report, the Company has strived to increase the corporate value of the Group as a whole by formulating the Basic Views on Corporate Governance and carrying out the management and supervision intended to secure the soundness of management and improve its efficiency at each Group member company as the Group holding company. To ensure that each Group member company, like individuals, can grow through continual learning, discussions, and improvement while securing and demonstrating independence and autonomy, individual diversity, and flexibility to adapt to external changes and accept differences, the Company Board of Directors considers it essential not only to understand and carry out the intent of the Corporate Governance Code but also to continually assess, improve, and build the

Company's corporate governance. The Company Board of Directors has established the Basic Policy on Corporate Governance based on the five fundamental principles described in the Corporate Governance Code to fulfill its responsibilities while responding to the expectations of shareholders and other stakeholders.

3. Policies and procedures for decisions on remuneration of Directors and core management

The Board of Directors makes decisions on the remuneration of Company Directors and Executive Officers based on deliberation by the remuneration advisory committee taking into consideration individual positions and contributions to business performance.

In its 13th Regular General Meeting of Shareholders held on March 26, 2019, the Company resolved to adopt a new share-based remuneration program (hereinafter "Program") to replace the existing stock-option program. Policies and procedures for decisions on remuneration of directors in the POLA ORBIS Group following the adoption of this Program are outlined below.

(1) Basic views

The POLA ORBIS Group considers executive remuneration to be an important means of realizing the sustained growth of the Group and increases in corporate value over the medium to long term. As the Group holding company, the Company makes clear the roles and responsibilities in execution of their individual responsibilities for the Company directors and other executives, whose main duties are to make decisions on Group management as a whole and to supervise business execution, and the directors of subsidiaries to which the Company delegates business execution authority. Executive remuneration is based on the responsibility for business performance and other results in relevant areas of business execution and serves as strong motivation for the achievement of results over not only the short term but the medium and long terms as well. In addition, executive remuneration is oriented toward further sharing of gains with shareholders by making clear its linkage to share prices.

(2) Remuneration levels

Remuneration levels are set in light of the scale of individual roles and responsibilities, through consideration of the POLA ORBIS Group's business conditions and competitive strengths in external markets, and comparison with firms in the same industries or of the same size both in Japan and around the world.

(3) Remuneration structure

The POLA ORBIS Group's executive remuneration (not including that for outside directors) consists of a fixed basic component and variable annual bonuses and medium- to long-term incentives (a performance-linked share-based component). Remuneration for outside directors consists of a fixed basic component and medium- to long-term incentives (a performance-linked non-share-based component). The share of executive remuneration accounted for by variable remuneration is set within the range 30% to 40% depending on the job grade of the individual executive. The variable remuneration of annual bonuses varies within the range of 0% to 200% depending on factors such as the Group's achievement of business performance targets in the fiscal year, while that of medium- to long-term incentives varies within the range of 0% to 200% depending on factors such as the POLA ORBIS Group's achievement of business performance targets in the medium-term management plan and other targets.

(4) Executive remuneration decision-making process

To ensure objectivity and transparency in the executive remuneration decision-making process, the Company has established a remuneration advisory committee of which a majority of membership consists of outside directors to serve as a voluntary advisory body to the Board of Directors. Decisions on the POLA ORBIS Group's executive remuneration are made by the Board of Directors based on deliberation in and reporting by the remuneration advisory committee.

4. Nomination of candidates for Director and Corporate Auditor and appointment of core management

Nomination of candidates for director and corporate auditor and the appointment of core management are conducted based on the nomination procedures below and on the policies described under A-C below.

<Nomination procedures>

To ensure the fairness of nomination and appointment, the Company has established a nomination advisory committee of which a majority of membership consists of outside directors, to serve as a voluntary advisory body to the Board of Directors. Decisions on the nomination of Company directors and the appointment of executive officers are made by the Board of Directors based on deliberation in and reporting by the nomination advisory committee. Nomination advisory committees with different membership meet regarding appointment of management of the Company's main subsidiaries and sub-subsidiaries.

In addition, the Board of Directors decides on submittal to the General Meeting of Shareholders of resolutions on appointment of candidates for corporate auditors with the consent of the Board of Corporate Auditors.

<A. Policies on the nomination of candidates for Director>

Candidates for director, as persons responsible for management of the POLA ORBIS Group, reflect consideration for a healthy balance in terms of knowledge, experience, abilities, and diversity on the Board of Directors as a whole based on an evaluation of the Executive Competency Model * reference 1, in addition to the selection of persons having sufficient knowledge of Group management policies, strategies, etc., multifaceted points of view, flexible thinking on reforms, and specialization.

* reference 1 <Executive Competency Model (13 items)>

The POLA ORBIS Group has prepared a competency model that spells out 13 performance characteristics required of executives and personnel with management responsibilities. The Company places particular priority on (6) Concern for Diversity, and (7) Bi-i-shiki, and encourages directors and Group executives to demonstrate leadership that draws from individual personalities and strengths.

(1) Business Context Awareness

Ability to understand the position of the organization in the market and properly recognize the current status of competitors/partners and their interaction for own organization

(2) Hypothetical Thinking

Ability to search for varied information and conflicting perspectives internally and externally and verify one's thinking from a broader viewpoint

(3) Long-term Vision

Ability to have a long-term vision and define the desired future image, direction, and vision

(4) Impact & Influence

Ability to have others to consider one's request and gain agreement by the effective use of logical persuasion and/or the influence of the organizational power

(5) Leverages an extensive external network

Ability to maintain and nurture a broad external network based on trust that can be called upon to assist

(6) Concern for Diversity

Ability to realize demographic diversity (such as ethnicity, gender, class, career, value, etc.) in order to support the organization's goals by creating a climate in which all employees can do their best work

(7) *Bi-i-shiki* (Esthetic Sense)

Ability to have impact on one's surroundings as a personal/unique leader by exhibiting one's attractive personality

(8) Empowering with accountability

Ability to delegate authority and enable others to act with purpose by holding them accountable

(9) Developing Successors

Ability to encourage the long-term development of subordinates and foster successor as an executive

(10) Culture Transformation

Ability to model, instill, and cultivate culture in order to effectively use organizational culture for the business goals

(11) Passion for Results

Ability to take risks when needed and maintain passion for greater success

(12) Decisiveness

Ability to believe in one's own capability to rise to a challenge and expresses opinions even to senior members

(13) Integrity

Ability to take business and personal action that reflects high ethical standards (such as company regulation, company ethics, social responsibility) and ensure others do the same as well

<B. Policies on the nomination of candidates for Corporate Auditor>

In light of the full-time nature of the position, candidates for corporate auditor shall be nominated who are able to maintain the information-collection and auditing environments, to develop internal controls systems, monitor and verify the state of their operation on a daily basis, and to ensure the efficacy of auditing.

<C. Policies on appointment of Group executives (core management)>

Directors or executive officers of member companies of the POLA ORBIS Group shall be appointed who meet the following descriptions.

(1) Human resources highly familiar with the management and businesses of individual Group member companies and able to bear responsibility for the management and businesses of the POLA ORBIS Group
(2) Human resources able to contribute to the sustained growth of the Group through effecting reforms and innovation
(3) Human resources able to demonstrate their own strengths within the Executive Competency Model

5. Individual explanations of nomination of candidates for Director and Corporate Auditor and appointment of core management

Reasons for the nomination of candidates for director and corporate auditor are described in the notice of convocation of the general meeting of shareholders (reference documents) when submitting to that meeting a resolution on the appointment of one or more directors and/or corporate auditors. Notices of convocation of general meetings of shareholders are posted to the Company website. When appointing new members of core management in the future, individual explanations will be provided on the Company website or in this Report.

[Supplemental Principle 4-1(1): Scope of Delegation of Authority by the Board of Directors to Management]

In addition to the POLA ORBIS Group management policies, management plans, management strategies, etc., in accordance with the provisions of laws and regulations, the Company's Articles of Association, and various rules established by the Company, the Board of Directors also is responsible for Group management based mainly on decision-making on important matters affecting Group management as well as oversight of business section by each Group member company regarding decisions made. The Board of Directors proactively delegates business execution authority on decisions made to Group member companies and Group executives by clearly establishing Group management policies, management plans, management strategies,

etc. and developing an environment in which individual Group member companies can execute the business activities of drafting and executing strategies and measures swiftly and dynamically based thereon.

[Principle 4-9: Standards for judgment of independence of independent outside directors and their required properties]

The Company has established the following policies on the nomination of candidates for outside director and standards for judgment of independence and nominates as candidates for outside director persons who satisfy these policies and standards.

<Policies on the nomination of candidates for outside director>
In addition to the standards for judgment of independence * reference 2 established by the Company, candidates for outside director shall be nominated who satisfy the requirements enumerated below.
In addition, decisions on the nomination of candidates for outside director shall be made through resolutions of the Company Board of Directors in meetings whose participants include multiple outside directors that reflect consideration for a healthy balance in terms of knowledge, experience, abilities, and diversity on the Board of Directors as a whole.

(1) They shall be expected to have the ability to take an overview of the management of the POLA ORBIS Group as a whole, ascertain the essential issues and risks, and proactively express opinions and explain matters appropriately to directors and core management.

(2) They shall possess high levels of knowledge and abundant experience in the fields of corporate management, business reforms, customer service, logistics, legal and regulatory compliance, risk management, and internal controls.

(3) In order properly to ensure the ability to devote the necessary time and labor to attendance in meetings of the Board of Directors, the Group Managerial Meeting, and other important meetings, and to fulfilling their other duties, they shall serve concurrently as directors of no more than five other listed companies aside from the Company, in principle.

(4) The term of office of a Company outside director shall not exceed six years in principle.

* reference 2 <Criteria for judging independence>

Outside directors and outside corporate auditors (hereinafter "outside executives") or candidates for outside executives shall be judged to be independent from the Company and to involve no fear of conflict of interest

with general shareholders when the Company has determined, as a result of investigation conducted to a reasonable extent, that they do not meet any of the descriptions below.

(1) Those involved in business execution on behalf of the Company or Company affiliates (hereinafter "POLA ORBIS Group") *1 or who were involved in business execution on behalf of the POLA ORBIS Group within the previous 10 years

(2) Those for whom the POLA ORBIS Group is an important trading partner *2 or those involved in business execution on behalf of such parties

(3) Important trading partners of the POLA ORBIS Group *3 or those involved in business execution on behalf of such parties

(4) Those providing specialized services, such as consultants, CPAs, or attorneys, and receiving from the POLA ORBIS Group large amounts of monetary or other assets *4 other than executive remuneration

(5) Those involved in business execution on behalf of companies appointing as executives persons involved in business execution on behalf of the POLA ORBIS Group

(6) Those receiving donations in large amounts *4 from the POLA ORBIS Group (or those involved in business execution of corporations, unions, or other organizations receiving such donations in large amounts)

(7) Shareholders holding 10% or more of voting rights in the Company, either directly or indirectly (or those involved in business execution of corporations, unions, or other organizations holding such voting rights)

(8) Those who have met any of the descriptions under (2)-(7) above within the previous three years

(9) Close relatives of those meeting any of the descriptions under (2)-(7) above (persons in important positions *5) *6

(10) Others in circumstances that could lead to conflicts of interest with general shareholders and reasonably judged unsuitable for the position of independent outside executives

*1 "Those involved in business execution" refer to directors in charge of business execution, executive directors, executive officers, and other staff and employees.

*2 "Those for whom the POLA ORBIS Group is an important trading partner" refer to trading partners providing products or services to the POLA ORBIS Group for whom the value of such transactions in the most recent fiscal year was more than 2% of their (consolidated) net sales.

*3 "Important trading partners of the POLA ORBIS Group" refer to trading partners provided products or services by the POLA ORBIS Group for whom the value of such transactions in the most recent fiscal year was more than 2% of the POLA ORBIS Group's consolidated net sales.

*4 As used in "large amounts of monetary or other assets" and "donations in large amounts," "large amounts" refer to amounts received of 10 million yen or more in the most recent fiscal year.

*5 "Persons in important positions" refer to directors involved in business execution, executive directors, executive officers, and others judged reasonably and objectively to be in similarly important positions.

*6 "Close relative" refers to a spouse, family members within two degrees of consanguinity, and family members living together with the individual concerned.

The Company judges the independence of outside executives based not only on the term of office or period with an organization but also considers effective independence to be an important consideration. The Board of Directors has established policies employed, in principle, with regard to terms of office or periods with an organization when nominating candidates for outside executives, and decisions are made through careful deliberation.

[Supplemental Principle 4-11(1): Views on the balance, diversity, and size of the Board of Directors in light of its overall knowledge, experience, and abilities]

The Board of Directors consists of directors with wide-ranging points of view and abundant experience and specialization, and the education and grounding to be able to reflect these in Company management through flexible thinking. The Company considers it vital to secure an appropriate balance among such knowledge, experience, skills, and other properties.

In light of the Company's recognition of the importance of realizing a sound balance that enables both appropriate decision-making and swift and dynamic business execution based on overall consideration of the scale of the Group's businesses and the Group executive structure in which execution authority is delegated, it has been decided that the appropriate numbers of Directors and Corporate Auditors at this time are six directors (two outside directors) and three corporate auditors (two outside corporate auditors).

The Company has established a policy on selection of candidates for outside directors based on a recognition of the importance of business administration experience in fields other than those in which the Company operates and reflection of high levels of specialization and knowledge in the Company's management, as independent members of the Board of Directors who can contribute more diverse and multifaceted perspectives in addition to appropriate participation and advising.

Corporate auditors and outside corporate auditors consist of full-time corporate auditors who possess outstanding abilities to develop auditing environments and collect information from within the Company and are tasked with monitoring and verifying the states of development and operation of internal controls systems on a daily basis to ensure the efficacy of auditing and outside corporate auditors who possess high levels of knowledge in the fields of finance, accounting, the law, and internal controls.

In addition, as a group of companies engaging mainly in the cosmetics business, the Group recognizes the importance of reflecting the ideas and values of women in important decision-making by the Board of Directors. For this reason, it considers the proactive appointment of women directors to be important.

Decisions on the nomination of candidate directors and appointment of core management are made by the Board of Directors following deliberation in the voluntary nomination advisory committee, based on various policies established by the Board of Directors.

[Supplemental Principle 4-11(2): Concurrent positions of Directors and Corporate Auditors]

Other than outside directors and outside corporate auditors, no directors or corporate auditors serve concurrently as executives of other listed companies.

In light of the importance of ensuring the ability to devote the necessary time and labor to performance of their duties, a limit is set, in principle, on the number of other listed companies at which outside directors and outside corporate auditors may serve concurrently as executives, and this is used as a requirement in the candidate selection process.
In addition, the Company's Board of Directors' Rules require the approval of the Company Board of Directors for appointment as a director of another company.
The state of concurrent positions is disclosed annually in the notice of convocation of the general meeting of shareholders, *Securities Report, Corporate Report*, and other documents.

[Supplemental Principle 4-11(3): Analysis and evaluation of the efficacy of the Board of Directors as a whole]

1. Evaluation methods and processes
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.

In accordance with this policy, we have turned to third-party organizations with expertise in evaluating a board of directors' effectiveness to conduct a preliminary interview with the chairperson of the board, create a questionnaire and gather responses, then hold separate interviews with all directors and corporate auditors based on questionnaire results since fiscal 2017. 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.
To complement the third-party evaluation, we also take the original approach of utilizing evaluations by employees who have completed in-house programs such as the Top Management Development Program. These employees are selected to attend executive meetings as observers or interview members of the Board of Directors. This approach not only lends an employee perspective to evaluations but also provides a valuable opportunity to develop people with management potential. Evaluation results from all sources are compiled and passed to the Board of Directors. The Board of Directors then analyzes and verifies the content, works toward a shared understanding of inherent strengths and issues requiring attention, and discusses concrete action plans aimed at addressing such issues. In the future as well, the efficacy of the Board of Directors will be evaluated at the end of each fiscal year based on the above process.

2. Evaluation components and perspectives
Evaluations are made from the following perspectives:
(1) Composition and governance structure of the Board of Directors
(2) Management of the Board of Directors
(3) Support structures for the Board of Directors
(4) State of participation in the Board of Directors
(5) Matters related to nomination and remuneration of directors
(6) Board of Corporate Auditors
(7) Discussion of management strategies
(8) Risk-management structure of the Board of Directors
(9) Dialogue with shareholders

3. Summary of analysis and evaluation results
The following are evaluation results and the outcome of discussions in Board of Directors' meetings.
<Points rated highly>
The following points were viewed as demonstrating the Board of Directors' high level of effectiveness. The board will strive to maintain and enhance these points.
(1) Proactive efforts are made to improve governance, and there is a corresponding high level of awareness among individual directors

(2) Outside executives participate proactively in the Board of Directors

(3) (Board of) corporate auditors contributes to enhanced effectiveness of the Board of Directors

(4) Suitable engagement with capital markets and communication with shareholders through external disclosure and IR activities related to management strategies, management plans, and financial conditions

<Issues recognized as requiring attention>

The following points were recognized as having room for improvement. The Board will implement measures to address these issues, monitor and verify progress, and through additional improvements, enhance effectiveness as necessary.

(1) Enhancement of long-term management discussions

(2) Functional strengthening of the roles of the holding company

(3) Efforts to ensure the transparency of the nomination and remuneration processes

(4) Measures to respond to risk such as those related to cybersecurity

(5) Enhancing training of Directors

4. Efforts to address issues identified last year

The state of improvements on the main issues identified last year is summarized below.

(1) Deepen discussions about separation of business management and execution

A structure was adopted under which business management and execution are more clearly separated by expanding the scope of delegation of business execution authority to directors and executive officers of subsidiaries and the Company and allowing the Board of Directors to focus on supervision and decision-making.

(2) Boost effectiveness and objectivity in decision-making process for director nominations and remuneration

In the decision-making process for director and executive officer appointments and remuneration, voluntary nomination and remuneration advisory committees have been established of which a majority of membership consists of outside directors. In addition, in connection with the executive remuneration system, together with revising the percentage consisting of variable remuneration and the maximum and minimum payment ratios reflecting achievement of business results and similar considerations, a new share-based remuneration program linked to business performance was adopted to replace the previous stock-option plan, as a medium- to long-term incentive program.

(3) Lay out medium- to long-term succession plan; formulate human resources development strategy

A human-resources development committee has been established to select and train human resources across the Group as candidates for the next generation of management. The Board of Directors will monitor candidate lists and progress on training plans.

[4-14(2): Training Policy]

Through continual skills improvements, the Board of Directors is subjected to self-evaluation and external evaluation of executive competency for purposes of fulfilling its responsibilities. It formulates and implements action plans based on this evaluation and, as necessary, implements executive coaching programs.
Efforts are made to help newly appointed executives understand their roles and responsibilities through explaining to them 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 also include the POLA ORBIS Group's management strategies and management plans, the state of management and business environments of individual Group companies, and other management issues. These are explained by the executives responsible and the General Planning Office to ensure an understanding of these topics.

[Principle 5-1: Policies related to dialog with shareholders]

The Company considers proactive dialog with shareholders and investors and appropriately reflecting the opinions obtained from such dialog in management to be important topics for purpose of sustainable growth and medium- to long-term increases in corporate value. Based on this recognition, it has established as a fundamental policy of dialog with shareholders and investors by carrying out constructive dialog with stakeholders through PR and IR activities, and increasing their efficacy, and it implements the following activities accordingly.

1. Efforts to develop internal environments for constructive dialog

(1) A director in charge of IR is chosen and an IR section established to serve as liaisons, and dialog with shareholders and investors is implemented through regular coordination and cooperation with General Planning, Finance, SR, and other sections.

(2) In each quarterly settlement of accounts, the representative director and the directors responsible for General Planning, Finance, and IR hold a get-together conference to ensure the propriety of information disclosure and enhance it.

(3) Through the briefing on settlement of accounts for each quarter, individual meetings, briefings for individual investors, as well as the website and other media, efforts are made to promote understanding of the Company's vision, management policies, and business plans.

2. Efforts to ensure the efficacy of dialog

(1) The representative director meets with investors in Japan every half-year and with overseas investors twice a year to explain in person, and exchange opinions on, business strategies, management policies, as well as policies and efforts on non-financial targets such as ESG goals. These efforts are intended to increase investor engagement and the efficacy of dialog.

(2) Efforts are made to enhance dialog and make it more effective through communication of information suited to individual interests, through means such as quantification of various types of information and provision of information on products, and through proactive dialog engaged in by directors of important operating companies (Group executives).

(3) As a means of dialog other than individual meetings, briefings, small meetings on specific themes, facility tours, and other activities are conducted by the representative director or the directors responsible for General Planning and Finance during the briefings on quarterly settlement of accounts. In addition, regular opportunities for dialog with overseas investors are provided through conferences and other activities.

(4) The director responsible for IR reports regularly to the Group Managerial Meeting on the views and concerns of shareholders and investors ascertained through dialog, and these are reflected in the processes of formulating management plans, capital policies, etc., to work for increasing the efficacy of the dialog.

2. Capital Structure

Foreign Shareholding Ratio	10% or more but less than 20%

[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
The POLA Art Foundation	78,616,944	34.31
Satoshi Suzuki	50,650,480	22.10
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,771,800	2.95
Japan Trustee Services Bank, Ltd. (Trust Account)	5,723,500	2.49
Naoko Nakamura	4,770,832	2.08
Hiromi Suzuki	3,113,832	1.35
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2,357,524	1.02
J.P. Morgan Bank Luxembourg S.A. 1300000	2,324,157	1.01
POLA ORBIS Group Employees' Stockholding	1,970,745	0.86
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,728,000	0.75

Controlling Shareholder (except for Parent Company)	―――
Parent Company	NA

Supplementary Explanation Updated

In addition to the above, the Company holds 7,956,853 shares (3.47%) of treasury stock.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

Not applicable

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Corporate Auditors

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors	6
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Independent Directors out of Outside Directors	2

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Kazuyoshi Komiya	From another company											
Naomi Ushio	From another company											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director/corporate auditor
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director only)
i. Executive of a company, between which and the Company outside directors/corporate auditor are mutually appointed (the director only)
j. Executive of a company or organization that receives a donation from the Company (the director only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as an Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Kazuyoshi Komiya	○	Designated an independent director of the Company	As a manager of a consulting firm, Mr. Komiya is involved in management of companies in other industries as an outside director and possesses a wealth of knowledge and experience. Since his appointment as a Company outside director in 2015, he has participated in supervision by the Board of Directors from an independent perspective and proactively contributed advice and recommendations to the Board concerning topics related to Group management policies and corporate governance. He has been chosen as an outside director based on a judgment that there is no risk of a conflict of interest between him and general shareholders.
Naomi Ushio	○	Designated an independent director of the Company	Ms. Ushio possesses a wide range of knowledge and expertise concerning addressing the challenges of utilizing the abilities of women workers, as a specialized in management and human resources management. In addition, she also serves as an outside corporate auditor for a listed company and can be expected to help supervise the business execution of other Directors from an independent perspective in addition to providing recommendations and advice based on her accomplishments as described above. She has been chosen as an outside director based on a judgment that there is no risk of a conflict of interest between her and general shareholders.

State of establishment of Voluntary Committee(s) Corresponding to Nomination Committee or Remuneration Committee Updated	Established

Committee's Name, Composition, and Attributes of Chairperson Updated

	Committee's Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination advisory committee	3	0	1	2	0	0	Outside Director

Committee Corresponding to Remuneration Committee	Compensation advisory committee	3	0	1	2	0	0	Outside Director

Supplementary Explanation Updated

The membership and chairpersons of the Company's nomination advisory committee and compensation advisory committee are subject to change with the individual themes on which they deliberate. As noted under "B. State of establishment of voluntary committees and attributes of their membership and chairpersons," above, the members and chairs of these committees discuss those related to nomination, appointment, and remuneration of Company Directors and executive officers.

[Corporate Auditors]

Establishment of a Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5
Number of Corporate Auditors	3

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments Updated

At the start of the fiscal year, corporate auditors receive from the accounting auditors (Ernst & Young ShinNihon LLC) explanations of audit policies and priorities, and they receive reports on audit plans and auditing status through periodic meetings, held in principle once each quarter. They also share information appropriately with accounting auditors through the provision of materials and exchange of opinions concerning auditing by the corporate auditors. In addition, a system has been developed for mutual supplementation of auditing functions by enhancing cooperation between the internal audit section and accounting auditors.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	2
Number of Independent Executive out of Outside Corporate Auditors	2

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Akio Sato	Lawyer													
Motohiko Nakamura	CPA										△			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Corporate auditor of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a corporate auditor
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the corporate auditor only)
k. Executive of a company, between which and the Company outside directors/corporate auditors are mutually appointed (the corporate auditor only)
l. Executive of a company or organization that receives a donation from the Company (the corporate auditor only)
m. Others

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as an Independent Executive	Supplementary Explanation of the Relationship	Reasons of Appointment
Akio Sato	○	Designated an independent executive of the Company	Mr. Sato is expected to be able to carry out appropriate auditing from an objective and specialized perspective, based on abundant experience as a legal expert and the fact that there is no risk of a conflict of interest between him and general shareholders.
Motohiko Nakamura	○	Although Mr. Nakamura was affiliated formerly with our accounting auditor, during the time he was affiliated with it, no transactions took place between the Company and the accounting auditor. In addition, more than 10 years have passed since his resignation from the accounting auditor, and he is not in a position to be influenced by its intentions. He has been designated an independent executive of the Company in light of the above facts.	Mr. Nakamura is expected to be able to carry out appropriate auditing from an objective and specialized perspective, based on his abundant experience as an expert in accounting and taxation and the fact that there is no risk of a conflict of interest between him and general shareholders.

[Independent Executives]

Number of Independent Executives	4

Matters relating to Independent Executives

All independent executives are qualified to serve as independent executives.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration

Supplementary Explanation Updated

In its 13th Regular General Meeting of Shareholders held on March 26, 2019, the Company resolved to adopt a new share-based remuneration program linked to business performance to replace the existing stock-option program. Policies related to remuneration of Directors in the Group following the adoption of this Program are as described under [Principle 3-1: Enhancement of Information Disclosure]: 3 3. Policies and Procedures for Decisions on Remuneration of Directors and Core Management.

Recipients of Stock Options	

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation Updated

Amounts of remuneration of Directors and Corporate Auditors (FY ended December 2018) are as shown below. (Figures in parentheses indicate breakdowns of remuneration etc.)

1) Directors: 6 persons paid; 224 million yen (base remuneration: 172 million yen; stock options: 21 million yen; bonuses: 30 million yen)

2) Outside Directors: 3 persons paid; 16 million yen (base remuneration: 16 million yen; stock options: —; bonuses: —)

3) Corporate Auditor: 1 person paid; 22 million yen (base remuneration: 19 million yen; stock options: —; bonuses: 2 million yen)

4) Outside Corporate Auditors: 2 persons paid; 13 million yen (base remuneration: 13 million yen; stock options: —; bonuses: —)

5) Total*: 12 persons paid; 276 million yen (base remuneration: 221 million yen; stock options: 21 million yen; bonuses: 33 million yen)

* Since amounts above have been rounded down to the nearest million yen, some differences may be present between individual items and total figures.
* The figures above include 41 million yen (paid to 2 Directors) received from subsidiaries as remuneration to Directors during the fiscal year ended December 2018 (FY No. 13).

Policy on Determining Remuneration Amounts and Calculation Methods Updated	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Group's policies on remuneration of executives are as described under [Principle 3-1: Enhancement of Information Disclosure]: 3. Policies and Procedures for Deciding on Remuneration of Directors and Core Management.

[Supporting System for Outside Directors and/or Outside Corporate Auditors]

Prior to holding meetings of important bodies, such as the Board of Directors, deliberation and explanatory materials are provided beforehand. In addition, the section in charge provides a prior explanation of matters when it has been judged necessary. In this way, outside directors are able to execute business operations, and outside corporate auditors to carry out auditing, effectively. In addition, periodic meetings are held among outside directors only, to enhance the sharing of information and opinions among them.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

(1) Board of Directors and executive structure

The Board of Directors consists of six directors, two of whom are outside directors.

The Board bears responsibility for achievement of Group business performance and is authorized to supervise subsidiaries and make decisions for the Group on important matters.

The Board of Directors meets monthly to make resolutions and reports regarding important matters related to management, such as results of analysis of differences between budgeted and actual figures for the month, in addition to matters as prescribed in laws, regulations, and the Articles of Association. Outside directors participate in meetings of the Board of Directors from an independent perspective and supervise management from broad-ranging points of view based on their abundant experience and knowledge.

(2) The Board of Corporate Auditors and Corporate Auditors

The Board of Corporate Auditors consists of three corporate auditors of whom two are outside corporate auditors. Each corporate auditor attends important meetings, such as Group managerial meetings, as well as the General Meetings of Shareholders and Board of Directors meetings, as well as receiving reports from directors, employees, and the accounting auditor, among other activities involved in its supervision of the business execution of directors.

(3) Group Managerial Meeting

The Group managerial meeting convenes to contribute to the profits and growth of the Group as a whole. Membership in the Group managerial meeting consists of Company directors and the full-time corporate auditor as well as subsidiary presidents, directors, and others chosen for membership through resolutions of the Company Board of Directors, and it deliberates and receives reports on important matters related to the Company and subsidiaries.

(4) Internal audit section

The Company has established the Internal Audit Office as its internal audit section. The Internal Audit Office is separated from the business execution line as an organization under the direct jurisdiction of the representative director and president. It strives to realize highly effective internal auditing in order to contribute to the sound and appropriate management of the Company and Group companies. Specifically, through on-site audits of individual companies and sections, it evaluates mainly whether or not systems are in place that are adequately prepared for possible business risks and recommends improvements, as well as cooperating in auditing by the corporate auditors and the accounting auditor, to strive to implement auditing efficiently.

(5) Accounting auditor

The Company undergoes accounting audits under an auditing agreement concluded between the Company and Ernst & Young ShinNihon LLC. As described above, the efficacy of auditing is ensured and an effective auditing structure achieved through mutual cooperation among individual agencies, sections, and other organizations in the Company. The names and affiliations of CPAs involved in accounting auditing of the Company and the structure of assistance for auditing operations are as described below. Neither of the two CPAs below has been involved in auditing of the Company for more than seven years.

- Name of affiliated audit firm: Ernst & Young ShinNihon LLC
- Names and titles of CPAs: Designated Limited Liability Partners/Executive Employees Munetake Kaniyama, Yoshihiro Sugimoto
- Structure of assistants involved in accounting audits: 11 CPAs and 24 others

Note: "Others" above refers to employees who have passed CPA qualifying examinations and computer-system audit personnel.

(6) Voluntary committees

In order to promote clarification of the roles and responsibilities of management and execution in the Group's management structure and improve governance, voluntary advisory committees have been established on the nomination of directors, appointment of executive officers, remuneration, and other matters. Outside directors make up majorities of the memberships of these voluntary advisory committees, and they deliberate on important subjects related to nomination of directors, appointment of executive officers, remuneration, and other matters and report to the Board of Directors on the results of their deliberation. The membership of this

voluntary appointment advisory committee and compensation advisory committee changes for individual topics of deliberation, and it also deliberates on nomination and compensation of management in Company subsidiaries and sub-subsidiaries.

3. Reasons for Adoption of Current Corporate Governance System

As a pure holding company that owns operating companies and other subsidiaries that themselves own multiple cosmetics brands, the Company makes clear the responsibilities for Group business performance and other results and for business execution through the current corporate governance structure.

Management strategies and topics are deliberated on in the Group managerial meeting, which also oversees decision-making and execution of business by the Board of Directors. In addition, outside directors are appointed to enhance the function for supervision of directors and governance is enhanced through the basic structure for demonstration of the auditing functions of the Board of Corporate Auditors. The Company has determined that it would be appropriate to continue efforts to improve governance through continual use of the current system.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights Updated

	Supplementary Explanations
Allowing Electronic Exercise of Voting Rights	A system for electronic exercise of voting rights via the Internet was adopted beginning in the fiscal year ended December 2010 (the fifth Regular General Meeting of Shareholders).
Participation in Electronic Voting Platform and other methods to improve the environment for exercise of voting rights by institutional investors	1. A platform for exercise of voting rights operated by ICJ, Inc., was adopted beginning in the fiscal year ended December 2013 (the eighth Regular General Meeting of Shareholders). 2. Electronic disclosure via TD-net and other means prior to issue of convocation notices has been employed since the fiscal year ended December 2015 (the 10th Regular General Meeting of Shareholders).
Providing Convocation Notice in English	Convocation notices (narrowly defined) and reference documents for the General Meeting of Shareholders have been translated into English, and the translations posted to the Company website, TD-net, etc., since the fiscal year ended December 2015 (the 10th Regular General Meeting of Shareholders).

2. IR Activities

Updated

	Supplementary Explanations	Explanation by the representative himself/herself
Preparation and Publication of Disclosure Policy	The Company has established a Disclosure Policy as a fundamental policy and provides a wide range of information to stakeholders via its website and other media.	
Regular Investor Briefings for Individual Investors	In FY 2018, briefings were held for individual investors a total of 20 times annually.	No
Regular Investor Briefings for Analysts and Institutional Investors	The directors responsible conduct teleconferences in the first and third quarters, and during interim and year-end settlement of accounts, the president and directors responsible hold briefings on settlement of accounts. In addition, the representative director regularly holds small meetings with analysts and visits to investors.	Yes
Regular Investor Briefings for Overseas Investors	The directors and sections responsible visit overseas investors to provide briefings several times a year. In addition, the representative director visits important regions periodically to engage in dialog with investors.	Yes
Posting of IR Materials on Website	Preliminary reports on settlement of accounts, Securities Reports, Corporate Reports, and other disclosure materials are released on the Company website to provide a broad range of information in both Japanese and English. The content of question-and-answer sessions held during quarterly briefings on settlement of accounts also is released on the website in both Japanese and English soon after the end of the briefings or teleconferences.	
Establishment of Department and/or Manager in Charge of IR	The Corporate Communications Office has been established as the main section responsible for IR, and it handles timely and appropriate disclosure activities.	

3. Measures to Ensure Due Respect for Stakeholders

Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Group has established the POLA ORBIS Group Code of Conduct and Compliance Book, covering various facets of responsible corporate activity, including legal compliance, environmental protection, and shareholder relations. These describe the need to respect all stakeholders. All employees submit a written pledge to abide by these rules.
Implementation of Environmental Activities, CSR Activities etc.	The Company has established Corporate Communications Office, which functions to promote CSR in the Company, and the CSR Committee (chaired by the Company's director responsible for CSR), whose membership consists of presidents and directors of

	Group member companies. Group companies also establish CSR offices or persons responsible for promotion of CSR, in accordance with the sizes of their organizations, as they develop structures for promoting CSR in their own organizations. Specifically, efforts are made Group-wide to promote CSR in three areas—fundamental CSR, which consists of basic activities such as compliance with laws, regulations, and corporate ethics and appropriate disclosure of information; business CSR, which consists of efforts such as cooperation with not only customers but a wide range of stakeholders through main business activities as well as invigorating the community, increasing employee satisfaction, and lessening environmental impact (e.g., through development of eco-friendly products); and elective CSR, which involves contributing to society through cultural activities (e.g., support for traditional culture and the arts) and environmental-protection activities (e.g., recycling and tree planting)— and reports annually on the results of these activities. In addition, the Group CSR Committee and the CSR offices of individual companies under its jurisdiction cooperate across the Group to address the priority topic of risks related to strategic and business activities, implementing improvement measures targeting individual topics. Furthermore, executives and employees of all Group companies are made aware of these efforts through distribution of the Code of Conduct and Compliance Book, and educational activities are conducted each year through CSR seminars, e-learning, and other means to increase knowledge and awareness of compliance. In addition, a Group-wide helpline has been established to encourage provision of information on potential compliance issues by executives and employees.
Development of Policies on Information Provision to Stakeholders	A Disclosure Policy has been established as a fundamental policy, and a wide range of information is provided to stakeholders through the website and other media.
Other	1. Human-resources development/diversity initiatives The Group considers its human resources to be its most important asset. Defining *Bi-i-shiki* (Esthetic Sense) as the act of not being satisfied with things as they are and constantly striving to create something new based on intellectual curiosity, the Company has adopted a system of internal training consisting of training session for the future provided for younger employees and business reform classes for middle managers. It is the president's aim through this system to accelerate business growth by training employees to realize innovation. In addition, as a diversity initiative the Company proactively supports women's career success. Since its founding, the Group has supported women's advancement in society through the cosmetics business in ways suited to the changing times. Based on this corporate culture built up over time since its founding, the Company is making progress on building an environment characterized by increasing opportunities for

	motivated and capable women employees to thrive and in which employees can demonstrate their own abilities to the fullest regardless of gender through means that include promotion to managerial and executive positions. These are intended to enable the Company to establish a position as a company that promotes women's success as professionals. Efforts such as these are connected to enabling women to build better careers, and the percentage of managerial positions held by women Group-wide, including overseas units, is 44.4%, while the figure in Japan has increased massively from 13.6% in 2007, when the holding-company organization was adopted, to 26.5% in 2018. Within a workplace culture that respects women's views, women are demonstrating their abilities to a considerable extent in various ways, including developing products that reflect customers' points of view and enhancing the services we provide. 2. Proactive efforts to support the raising of children (earning Kurumin certification) As part of its efforts to support women's careers in line with their life stages, the Group proactively provides support for the raising of children. It offers programs suitable to diverse ways of working, including shortened working hours and childcare flextime (for those caring for children through the end of March in their third-grade school year) from which employees can choose depending on their childcare circumstances. For example, POLA Inc. implements measures such as proactive efforts help women make progress on their career paths while caring for children, including training for managers on support for work-life balance and meetings held with managers before returning to work, to help employees return to work smoothly after childcare leave, and career design training programs for employees who have returned from childcare leave. Efforts such as these have helped the Group to achieve a high percentage of employees who return to work after taking childcare leave: 94% (in FY 2018). 3. Creating workplaces where people with disabilities can work with peace of mind

	The Group strives to realize workplaces where people with disabilities can work with peace of mind. Out of consideration for employees who find it difficult to commute into urban centers, POLA, Inc., and Orbis Inc. have opened satellite offices in suburban locations. Through these, the companies strive to provide workplaces in which people can demonstrate their abilities to the maximum, not only by easing the burden of commuting but also by employing barrier-free office designs and office equipment based on universal design principles. In addition, with the cooperation of Startline Co., Ltd., which has specialized expertise in employment of people with disabilities, the Group is building support structures to enable people with disabilities too to do their work with peace of mind, both mentally and physically. As a result of these efforts, as of January 2019 the Group employed 75 employees with disabilities. Group-wide efforts will continue in the future to build workplaces where employees with disabilities can demonstrate their abilities to the maximum extent. 4. Health management initiatives (inclusion in the White 500 under the Certified Health and Productivity Management Organization Recognition Program) Considering the good health of employees to be the source of creating new value as well as the cornerstone of the Group's sustained growth, the Group has formulated the POLA ORBIS Group Health Management Declaration, under which it promotes the improvement of employees' health. These activities have earned inclusion in the White 500 under the Certified Health and Productivity Management Organization Recognition Program established by the Ministry of Health, Labour and Welfare for two years in a row beginning in 2018. 5. Improving quality of life (QOL) In R&D pursuits, resources are concentrated into skincare themes. We actively announce our results at academic gatherings, and the Group has captured the highest award six times at (International Federation of Societies of Cosmetic Chemists (IFSCC) events, including interim conferences. Products that successfully utilize research results not only help the skin but also relieve stress and

	give customers greater confidence in face-to-face interaction. We established the Multiple Intelligence Research Center and the Frontier Research Center in 2018, to strengthen efforts to pursue research into new possibilities for cosmetics going beyond skin-related applications. We also are seeking seeds of new value, not limited to cosmetics, as we aim to help improve QOL by delivering brand new technologies to customers. 6. Regional Revitalization Since our founding, we have provided a broad range of employment opportunities for women. This remains unchanged today, more than 80 years later, and today we hold recruitment forums across Japan not only to provide information on jobs with the Group but also to offer seminars and other opportunities to learn for women seeking their own jobs or career changes. In addition, in 2017 POLA, Inc., concluded a comprehensive cooperation agreement with Akita Prefecture, which is experiencing an outflow of population combined with low birth rates and an aging society. Under this agreement, it provides support for finding employment and seeks to help realize the vision of Binokuni (Beautiful Place) Akita. In September 2018, a line of collaborative accessories made using traditional crafts was announced. Furthermore in 2018, a comprehensive cooperation agreement was concluded with the city of Kitakyushu (in Fukuoka Prefecture) and an agreement on cooperation on healthcare for good health and beauty was concluded with the city of Semboku (in Akita Prefecture). 7. Human-rights initiatives The Group Human Rights Due Diligence Rules were established to realize business activities reflecting concern for human rights throughout the value chain. In August, individual sections in the Company implemented due diligence and identified topics of concern, on which improvements now are being made.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

Basically, the Company considers internal controls to be a process executed by all members of the organization to achieve the four corporate objectives of business efficacy and efficiency, reliable financial reports, business activities compliant with laws, regulations, and the preservation of assets (Business Accounting Council, Standards on Evaluation and Auditing of Internal Controls Related to Financial Reporting). Policies related to the development of internal controls systems approved by the Board of Directors are outlined below.

a. Systems for ensuring the efficient execution of duties of Directors of the Company and Group companies
In accordance with the Board of Directors Rules, the Board of Directors meets at least once a month and at other times as necessary. Directors' duties are performed in accordance with the Job Authority Rules and the Rules on Division of Responsibilities, and appropriate review, decision-making, and reporting procedures are carried out based on these rules as well as the Group Managerial Meeting Rules, the Affiliate Management Rules, the Budget Management Rules, the Medium-term Management Plan Rules, and other rules. Furthermore, important matters related to internal controls are subjected to appropriate deliberation and decision-making by the Board of Directors. For important matters related to compliance, risk management, or CSR, the Group CSR Committee carries out appropriate deliberation, and decision-making procedures are conducted based on the Job Authority Rules.

b. Systems related to retention and control of information concerning the execution of duties of Directors
Based on the Document Control Rules, the minutes of the Board of Directors, minutes of deliberations in various meetings, and similar information related to the execution of duties of Directors are recorded in paper or electronic form (hereinafter "documents etc.") and retained appropriately. Any requests from Directors or Corporate Auditors to view these documents etc. are responded to swiftly.

c. Rules and other systems related to management of risks of losses to the Company and Group companies
The CSR Committee has been established under the jurisdiction of the Board of Directors to manage risks related to business activities, including strategic and business risks, across the Group. Each section manages business risks appropriately in accordance with the Risk Management Rules and swiftly organizes a Task Force in accordance with the Crisis Control Rules in response to any emergencies.

d. Measures related to development of compliance systems in the Company and Group companies
The CSR Committee has been established under the jurisdiction of the Board of Directors to manage the compliance structure across the Group. Furthermore, Group companies also establish CSR offices or persons responsible for promotion of CSR in accordance with the sizes of their organizations as they develop structures for promoting compliance in their own organizations. In addition, the Group Code of Conduct (hereinafter "Code of Conduct") is distributed to and publicized among all executives and employees in the

Group, and all executives and employees submit written pledges to abide by the Code of Conduct. A Group-wide Helpline also has been set up to encourage provision of information by Executives and employees and to raise knowledge and awareness of compliance appropriately.

e. Measures related to developing structures for ensuring the propriety of operations within Group companies
Based on rules such as the Group Managerial Meeting Rules, Affiliate Management Rules, Budget Management Rules, and Medium-term Management Plan Management Rules, important topics, budgets, and medium-term plans of Group companies are subject to prior screening in the Group Managerial Meeting and prior approval or reporting in the Board of Directors. The Group Managerial Meeting endeavors to ensure a thorough understanding of these requirements among all companies, to prevent any omissions. Furthermore, even closer cooperation among Group companies will be implemented in the future, to ensure that the systems under a–d above permeate within Group companies as well.

f. Systems related to employees requested by Corporate Auditors to assist in their duties and the efficacy of instructions to such employees
When Corporate Auditors have requested the assignment of employees to assist in their duties, an appropriate section is assigned as the secretariat office to assist the corporate auditors. Corporate auditors implement measures to ensure the efficacy of instructions to such employees and their independence from the Board of Directors. In addition, a structure has been developed for mutual compensation of auditing activities by strengthening cooperation with the internal auditing section and the accounting auditor as well.

g. Systems for reporting to the corporate auditors by directors and employees of the Company and Group companies and other reports to the corporate auditors
When directors or employees have discovered violations of laws or regulations or matters that could cause significant damage to the Company, they swiftly report them to the corporate auditors. Directors and employees are required to submit reports on business or financial conditions swiftly when so requested by the corporate auditors. Corporate auditors actively take part in meetings of the Board of Directors and other important meetings, striving to obtain reports on business and financial conditions from Directors and employees. In addition, the internal auditing section reports on the results of internal auditing to the corporate auditors as appropriate. Also, the state of use of the Group Helpline, a system for reporting by directors and employees of Group companies to the corporate auditors, is reported to the corporate auditors each month.

h. Other systems for ensuring the efficacy of auditing by Corporate Auditors
Based on the Board of Corporate Auditors Rules, the Board of Corporate Auditors meets at least once a month and at other times as necessary. Corporate auditors actively take part in meetings of the Board of Directors and other important meetings, striving to collect information on subjects such as the state of business and finances. They also cooperate closely with the internal auditing section, taking care to ensure that audits will be effective. Corporate auditors exchange opinions with the representative director, Directors, and the

accounting auditor regularly or as needed. In addition, to increase further the efficacy of auditing by the corporate auditors, the costs recognized as necessary in execution of the duties of the corporate auditors are budgeted in advance, and the corporate auditors can receive advances or claim reimbursement after the fact from the Company for any urgent or extraordinary expenditures.

i. Basic views on eliminating antisocial forces and state of development of related measures

As stated in the Code of Conduct, the Group maintains a stance of *confrontation with antisocial groups*. In addition to establishing a hotline for reporting threats by antisocial forces, the Group also cooperates with local police by joining the national federation on countering organized crime syndicates and local associations on countering organized crime syndicates, as well as collecting information from external sources and proactively participating in training sessions as part of its efforts to exclude thoroughly any contact with antisocial forces. The Group also has prepared a manual on responding to antisocial forces and is publicizing it among employees and others.

j. Basic policy on internal controls related to financial reporting

(1) The transparency and fairness of information disclosure is secured through preparation and timely disclosure of financial reports conforming to generally accepted accounting principles (GAAP).

(2) Appropriate assignment and training of human resources is conducted to increase specialized skills related to accounting and finance, focusing chiefly on the sections responsible for financial reporting.

(3) Together with ensuring that all directors and employees have a strong recognition of the importance of internal controls related to financial reporting, efforts are made to ensure that they develop and operate the following fundamental elements of internal control within the scopes of their own authority and responsibilities.

- Control environment
- Risk evaluation and response
- Control activities
- Information and communication
- Monitoring
- IT efforts

(4) Corporate auditors monitor and verify the propriety of financial reporting and the state of development and operation of such internal controls, from independent perspectives.

Reference: See "Structure for Timely Disclosure (Schematic)"

2. Basic Views on Eliminating Anti-Social Forces

i. Basic views on eliminating antisocial forces and state of development of related measures

As stated in the Code of Conduct, the Group maintains a stance of *confrontation with antisocial groups*. In addition to establishing a hotline for reporting threats by antisocial forces, the Group also cooperates with local police by joining the national federation on countering organized crime syndicates and local associations on countering organized crime syndicates, as well as collecting information from external sources and proactively participating in training sessions as part of its efforts to exclude thoroughly any contact with antisocial forces. The Group also has prepared a manual on responding to antisocial forces and is publicizing it among employees and others.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	NA

Supplementary Explanation
Not applicable

2. Other Matters Concerning the Corporate Governance System

The state of the Group's policies and internal systems for timely disclosure of corporate information is outlined below.

1. POLA ORBIS Group Disclosure Policy

(1) Basic Policy

The POLA ORBIS Group strives to actively engage in public relations and investor relations activities and to develop relations of trust with all our shareholders, investors, and stakeholders. In order to achieve that, our policy is to disclose information about the Group in a timely and appropriate manner based on the principles of transparency, fairness, and consistency, in accordance with the Financial Instrument and Exchange Act and the rules set forth by the relevant financial instrument exchanges regarding timely disclosure. The POLA ORBIS Group also actively discloses any information not covered under these rules if it is deemed useful for shareholders or investors.

(2) Method of Disclosing Information

Information covered by the rules regarding timely disclosure set forth by the financial instrument exchange on which the POLA ORBIS Group is listed (information relating to decisions, events, and account settlement) shall be disclosed via the timely disclosure electronic information system (TD-net: Timely Disclosure Network) provided by the exchange after advance explanation is given to the exchange. Following TD-net disclosure, the same information shall be promptly provided to the media and posted on the Company's website. However, the posting of information on the Company website may be delayed due to system-related circumstances.

(3) Forecast of Performance and Items Relating to Forecasts for the Future

The POLA ORBIS Group's plans, forecasts, strategies, and other information not based on historical or current facts are plans or forecasts for future performance, which are based on judgments made in light of the information currently available. Therefore, future performance may differ due to fluctuations in a variety of risks and uncertainties as well as changes in the economic situation.

(4) Silent Period

In order to prevent the leakage of financial results information and ensure fairness, the POLA ORBIS Group has established a Silent Period that runs from the day immediately following the settlement of financial results (including quarterly results) to the date on which the results are made public. During this period, we will refrain from responding to questions and making comments regarding financial results. However, even during the silent period, we will respond to questions and such regarding information that has already been disclosed.

(5) Compliance with the Disclosure Policy

From the perspective of Corporate Social Responsibility (CSR), the POLA ORBIS Group will keep all the Group's executives and employees informed of the above disclosure policy and ensure their compliance.

2. Sections responsible and persons in charge of timely disclosure

Section in charge of disclosure: Corporate Communications Office (person responsible for disclosure: Director in charge of PR/IR)

Section in charge of information management: General Planning Office (person responsible for information management: Director in charge of general planning)

3. Disclosure process for Company information

(1) Information collection process

In the event that company information (material facts such as information concerning decisions, occurrences, or settlement of accounts) has arisen concerning the Group, the person in charge of information management in the Company or the relevant Group company will report the details thereof to the Company's section in charge of information management.

(2) Processes of analysis and judgment

The General Planning Office, which serves as the section in charge of information management, coordinates information related to decisions and occurrences included among company information concerning the Group, while the General Planning Office and the Finance Office coordinate information related to settlement of accounts. Then, this information is reported to the person responsible for information management. After receiving the above report, the person responsible for information management consults with the Representative Director and President and the person responsible for information disclosure to decide on the necessity, content, and methods of disclosure.

(3) Disclosure process

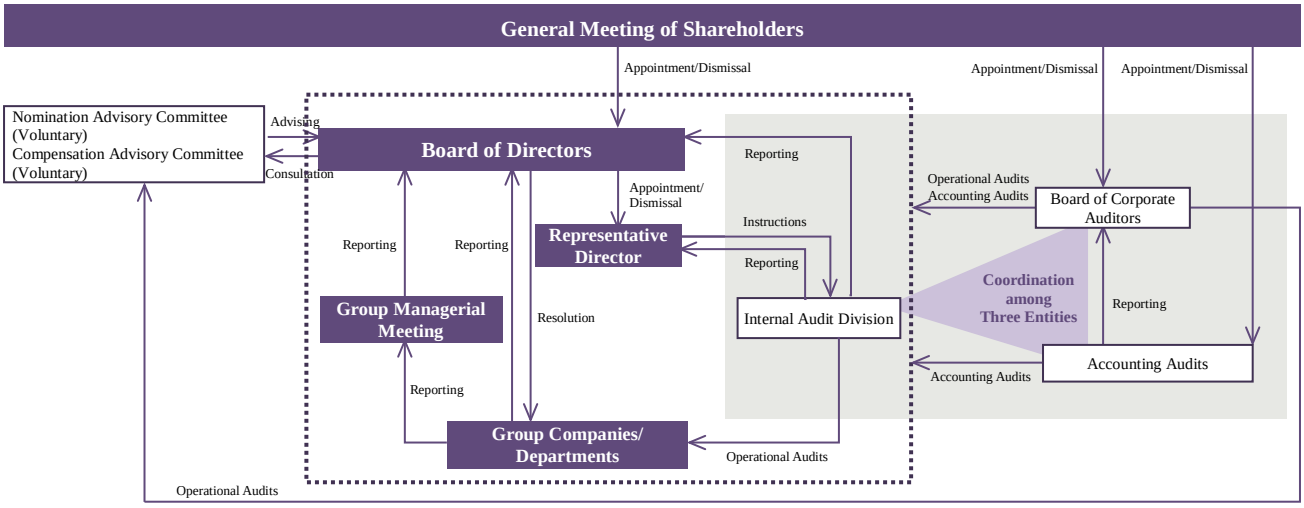
For information related to decisions and settlement of accounts included among Company information that requires timely disclosure, the section in charge of disclosure and the person responsible for disclosure will carry out timely disclosure after approval by the Board of Directors. Information related to occurrences may be disclosed swiftly without obtaining the approval of the Board of Directors, as an urgent measure. Timely disclosure is conducted through the Timely Disclosure Network (TD-net) system provided by the Tokyo Stock

Exchange and submittal of documents to the related press club, along with holding press conferences as necessary. In addition, information is posted swiftly to the Company website. For details, see the reference material "Overview of Structure for Timely Disclosure (Schematic)."

4. Establishment of the Basic Policy on Corporate Governance

Upon the enactment of the Corporate Governance Code, the Basic Policy on Corporate Governance was established and posted to the Company website. Its goal is to improve the Company's corporate governance further.

■ Corporate Governance Structure



Overview of Structure for Timely Disclosure (Schematic)

