

POLA ORBIS HOLDINGS INC.**Summary of Key Questions and Answers Concerning the Financial Results for FY2022 Q3****Q1. [Consolidated results] How did the third quarter compare to the forecast?**

➔ Compared to the forecasts, net sales were approximately ¥1 billion, and operating income was approximately +¥400 million. POLA achieved higher-than-expected sales accompanied by an increase in gross profit, and an upswing in profit due to cost control. On the other hand, both sales and operating income by ORBIS were below expectations.

Q2. [Consolidated results] What is the status of inbound tourists?

➔ Although the number of visitors to Japan is increasing, the situation will not change significantly unless the number of Chinese tourists increases. We recognize that the future depends on the trend in China's zero-COVID policy.

Q3. [Consolidated results] What is the direction of your plan for the next fiscal year?

➔ Although the business plan has not finalized due to the ongoing deliberation, we expect sales to increase by 5% or more and operating income to increase by 20% to 30% during the next fiscal year based on the results for this fiscal year.

Q4. [POLA brand] What is the status of operating income in Japan and overseas operation?

➔ From July to September, domestic operating margins improved YoY. On the other hand, overseas operating income were down YoY from the impact of the China lockdowns and the suppression on shipment to the duty free stores in South Korea.

Q5. [POLA brand] The consignment sales channel appears to be progressing better than expected. What are the reasons?

➔ After the first half results, the company had forecast a 9% YoY decline in consignment channel sales in the second half, but the results for the July to September period showed a 3% YoY decline. The reason for the improvement is that the company has been able to increase both online and offline contact with customers, and the decline in the number of customers has been shrinking. In terms of products, the B.A series continued to perform well, and the White Shot series saw an increase in sales. The company aims to achieve the same level of consignment channel sales as the previous year in the second half.

Q6. [POLA brand] What is the customer structure status of consignment sales channel?

➔ Purchase per customer continued to rise following the second quarter. Existing customers, particularly those with higher LTV of four or more purchases per year for the previous year, are becoming more active. In addition, the decline in the number of new customers will be halted. From the next fiscal year onward, the company aims to continuously increase the total number of customers.

Q7. [POLA brand] What was the number of Beauty Directors (BDs) and the number of sales offices?

➔ There are about 27,000 BDs as of the end of third quarter. The number of BDs declined from about 30,000 at the end of the second quarter; however, the company has emerged from a phase of significant decline. The downward trend in the number of sales offices has also stabilized.

Q8. [POLA brand] What is the performance status of the overseas business in July to September?

➔ Overall POLA overseas sales were 4.4 billion yen (down 3% YoY on a Japanese yen basis). For the main channels, sales declined 5% YoY for mainland China and dropped 7% YoY for South Korea on a Japanese yen basis. While the impact of lockdowns continues in mainland China, the situation has stabilized compared to the first half of the fiscal year. There is no need to review the business model, and store openings are continuing. The company also began expanding into Douyin in July, which contributing to the expansion of contact points with new customer segments.

Q9. [POLA brand] What is the impact of the zero-COVID policy on the Chinese strategy?

➔ In terms of store strategy, stores in specifically with the aesthetic treatment service which opened in malls are important from the perspective of branding, and there is no change to the idea of continuing to open stores. In the future, the company expects to see the trend of customer segments expanding in the Chinese market from first-tier cities to second-and third-tier cities, so we do not have a negative view of the market environment. We still have the potential to expand customer contacts with new customers and younger generations.

Q10. [POLA brand] What are the reasons for launching on Douyin? Are there any risks of larger upfront investment due to the use of KOL, etc.?

➔ The launching on Douyin was delayed from the original plan due to the lockdowns. POLA launches on a platform after carefully examining whether it is capable of selling the product while protecting brand value. In addition, because it is a platform for enjoying content, POLA is implementing a content-oriented sales approach in its in-house operations that highlight the differentiation of POLA brand and the B.A series. This is not a sales approach that requires a large upfront investment.

Q11. [POLA brand] What is the status of the suppression on shipment to duty free stores in South Korea?

➔ From a long-term branding perspective, the company plans to halve sales this fiscal year from the previous year. In the Chinese C2C market, the effect of the strategy began to be seen in the second half of the year, and a decrease in distribution volume has been confirmed. The company intends to continue to remain cautious with regard to the future.

Q12. [ORBIS brand] Regarding CPO (Cost Per Order), in second quarter, it rose due to intensified competition in e-commerce, so how about the third quarter?

➔ Due to the impact of the competitive environment, the CPO for the current fiscal year remains higher than expected.

Q13. [ORBIS brand] What are the reasons for the lower-than-expected performance in the third quarter?

➔ The company did not reach its expectations, partly due to a high target with the launch of ORBIS U. The increased investment helped new customer acquisitions pick up to a high-single-digit growth rate in the period from July to September; however, existing customer growth was sluggish. Sales fell short of expectations due to a decline in unit prices for new customers since the proportion of trial sets is high, and sales of other products declined due to the promotions concentrated on ORBIS U. There was also a loss of cross-selling opportunities, due to the new cushion foundation product performed well but was out of stock. New customer acquisitions are strong in October with double-digit growth. Continuing this trend, the company aims to increase revenue by about 15% and income by about 25% in the period from October to December.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY2022 Q3 for POLA ORBIS HOLDINGS INC. in view of fair disclosure while taking responsibility for the summarization. It does not guarantee the accuracy and completeness of the information provided, and such information is subject to change without notice. Statements about the future included in this material, including financial projections, are based on information currently available to us and certain assumptions that are considered reasonable, which do not guarantee the achievement of the projected results. The actual financial results may vary from such forecasts depending on the economic situation and various other uncertain factors.