

**POLA ORBIS HOLDINGS INC.****Summary of Key Questions and Answers Concerning the Financial Results of FY2022**

- Q1. [Consolidated results] Why is the increase in income from the Beauty Care business smaller than the increase in revenue in the FY2023 plan?**
- Strengthen investments to restore business performance, mainly in POLA and ORBIS. Both brands show signs of improvement from the second half of FY2022 and will go on the offensive in FY2023. POLA will recover its customer base by investing in areas where it can leverage its strengths in both digital and physical activities because it will have a system in place for online and offline connections. Excluding the impact of the increased allocation of company-wide costs, the Beauty Care business will have increased income by approximately ¥2.7 billion based on an increase in revenue of approximately ¥13.8 billion. The company plans to increase sales related expenses by ¥4–5 billion YoY, mainly from marketing expenses. The theme for this year is to halt the downward trend in the number of customers and expand the customer base.
- Q2. [Consolidated results] What kind of regional delimitations will result from the changes in the overseas organizational structure?**
- The new structure will begin in FY2024 and will start with mainland China. The travel retail business has already been reorganized through the establishment of POLA ORBIS Travel Retail Limited, and the integration will be complete from now on. In the future, we would also like to materialize this in ASEAN and other regions from time to time.
- Q3. [POLA brand] The profit contribution of the FY2023 investment appears to be small. What about cost effectiveness?**
- FY2023 will be positioned as a time for upfront investment. The areas of investment will vary from advertising expenses to incentives for customers to expand the number of customers and to implement measures to stop the number of Beauty Directors (BDs) from dropping. POLA will increase income by 5% in real terms, excluding the impact of an increased allocation of company-wide costs. Because the number of customers has declined in recent years, it is necessary to first acquire new customers in order to expand the customer structure. The investment is based on the premise that profitability will increase in the future by acquiring new customers, converting them into repeat customers, and accumulating customers with higher LTV.
- Q4. [POLA brand] What is the domestic sales in FY2023 breakdown by channel of the plan for an increase by a little more than 5%?**
- The breakdown will be consignment sales channel +3% YoY, department stores +10% YoY, B2B hotel amenities +20% YoY, and domestic e-commerce +15%.

**Q5. [POLA brand] The number of customers in the consignment sales channel is down approximately 22% from the previous year with little improvement from the third quarter. How about in terms of the total number of purchasing customers, which was disclosed in the third quarter? And what is the outlook for the number of customers in FY2023?**

→ In terms of the total number of purchasing customers from consignment sales channels, the trend for a recovery was down 16% YoY in the first half and down 6% YoY in the July to September period. The October to December period was down 10% YoY, which was affected by the previous year's new product rebound and the fact that the previous year was just after the lifting of the state of emergency declaration. In FY2023, the company believes it will be difficult to achieve significant improvement in the number of customers, but POLA will halt the downward trend and steadily begin to increase numbers.

**Q6. [POLA brand] It seems like that an increase in the number of BDs is important to increase the number of customers. What is the actual and projected number of BDs?**

→ The number of BDs was approximately 27,000 at the end of FY2022; a slight decrease is assumed to occur during FY2023 because consignment sales channel sales in the second half of FY2022 was lower than the same period of FY2021.

**Q7. [POLA brand] Is there any progress in the OMO strategy to direct customers from e-commerce to consignment sales? Also, what is the positioning of external e-commerce?**

→ In terms of the new customer flow paths, approximately half of the customers were triggered by online contact. It is important for POLA's OMO to have digital contacts, not just e-commerce. The company intends to invest in expanding the digital contact points, such as the Web and social media, and from there develop a lead-in point of entry to consignment stores through one-to-one communication. POLA will also create opportunities for customers to visit stores through aesthetic treatment promotions. While external e-commerce is important as a customer contact point, the aim is to direct customers to stores from its own e-commerce sites where customer information can be managed.

**Q8. [POLA brand] How about feasibility of the plan to increase overseas sales by 30% YoY in FY2023? Please tell us about the situation in mainland China in the October to December period of FY2022.**

→ POLA's mainland China sales in the October to December period of FY2022 alone were up 5% YoY on a Japanese yen basis and down about 5% on a local currency basis. In FY2022, the number of existing customers (unique users) remained at the previous year's level even with the impact of the COVID-19. In FY2023, in addition to the calming of COVID-19, POLA expects to accelerate store openings and to return to above-market-average growth rates. In FY2023, POLA plans to increase revenue by about 50% YoY in mainland China.

**Q9. [POLA brand] POLA is planning South Korea duty-free sales at the same level as the previous year. Do the company consider to increase shipments once Chinese consumers start to move back?**

→ Although a decrease in distribution volume in the Chinese C2C market has been confirmed because of the suppression of shipments in FY2022, the situation should be monitored continuously. The cautious stance has not changed. However, the company may consider a shipping plan when a recovery in tourist demand is anticipated.

**Q10. [POLA brand] What is your perspective on the strategy for mainland China in terms of the offline and online channel approach?**

→ The strategy for mainland China is not campaign driven but based on improving the customer experience, mainly through offline activities. To achieve this, POLA will accelerate store openings and further expand customer contact points. In addition, e-commerce will be utilized to expand the points of contact. POLA newly expanded in Douyin since last year, so the company is off to a good start without relying on well-known KOLs or excessive promotional campaigns. The e-commerce platform will also be used as a useful customer contact point and communication venue. Platform expansion is also under consideration.

**Q11. [POLA brand] What are the results of store openings in mainland China in FY2022 and what are the plans for FY2023? Has there been any change in the environment for store openings?**

→ The company has opened stores providing aesthetic treatments in well-located shopping malls in each major city. The locations in the malls are also good, and store openings contribute to branding. This form of business is differentiated from competitors, and there are still inquiries about opening new stores. In addition, the company has had no problem in securing human resources, and efforts are being made to train staff to improve the quality of aesthetic treatment skill and customer service provided in the stores. In FY2022, 16 new stores opened, and the majority were stores providing aesthetic treatments. As of the end of FY2022, the total number of stores in mainland China was 87, and the plan is to open 25 stores in FY2023. The company plans to open new stores mainly to provide aesthetic treatments.

**Q12. [ORBIS brand] What is the number of customers for the October to December period in FY2022 and what is the outlook for FY2023?**

→ From October to December, the number of customers recovered to the same level as the previous year, and the bottoming out of the decline in the number of customers led to an increase in revenue for the October to December period. For FY2023, the company plans a 4% increase in revenue due to an increase in the number of customers and purchases per customer.

**Q13. [Brands under development] The company plans to increase net sales by 13% for the brands under development in FY2023. What is your view of THREE and DECENCIA?**

→ THREE was affected by the suspension of in-house e-commerce transactions due to e-commerce problems in FY2022 but will use the launch of new products in FY2023 to return to a growth trajectory in e-commerce and department stores, where the market has been recovering. DECENCIA is focusing on increasing the LTV of its customers and switching to communications that encourage repeat business and long-term relationships rather than simply chasing numbers. The repeat rate has been increasing since the launch of the new main series of products in FY2022, and the company aim to convert to a highly profitable model.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY2022 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.