

POLA ORBIS HOLDINGS INC.**Summary of Key Questions and Answers Concerning the Financial Results for FY2023 Q1**

- Q1. [Consolidated results] The Company performed well against expectations, but by how much did it exceed them?**
- ➔ Consolidated sales were approximately +¥1.5 billion (approximately +¥0.7 billion for POLA and approximately +¥0.4 billion for ORBIS) and operating income was +¥2.0 billion (approximately +¥1.5 billion for POLA and approximately +¥0.2 billion for ORBIS) compared to forecast. Operating income includes the effect of pushing back the execution of expenses to the second quarter by approximately ¥0.8 billion mainly for marketing expenses.
- Q2. [Consolidated results] What was the impact on the allocation of companywide costs on the beauty care business segment?**
- ➔ The annual increase in allocated costs is forecast at approximately ¥1.1 billion with POLA's costs increasing approximately ¥0.6 billion, ORBIS's costs increasing approximately ¥0.3 billion, and other brand's costs increasing approximately ¥0.2 billion. In the first quarter, three months of costs were affected.
- Q3. [Consolidated results] What is the status and future outlook for inbound tourism?**
- ➔ Consolidated inbound sales for the first quarter were estimated at about ¥0.6 billion, an increase of about 70% YoY. The situation remains significantly lower than before COVID-19. As for foreign visitors to Japan, tourists from mainland China will probably not return in significant numbers until the second half of the year or later. We also need to consider the possibility that consumption at that time may be different from before COVID-19. We have reflected to the same extent as the previous year in our guidance, and our position remains unchanged at this point.
- Q4. [Consolidated results] What is your view on the full-year forecast?**
- ➔ Although progress exceeded expectations, we do not believe that first quarter is the right time to change the full-year forecast because we still need to assess the situation. In order to achieve a turnaround in revenue growth in the current fiscal year, we need to invest in expanding the number of customers. We intend to make investments in sales in order to realize sustainable growth for the next fiscal year and beyond.
- Q5. [POLA brand] What is the status of domestic sales by channel?**
- ➔ Consignment sales channel: approximately ¥15.2 billion (+4% YoY), department stores: approximately ¥2.4 billion (+24% YoY), B2B hotel amenities business: approximately ¥0.8 billion (+50% YoY), e-commerce: approximately ¥1.6 billion (+18% YoY). Of the estimated ¥0.7 billion difference between actual and forecast in POLA sales, domestic sales exceeded the forecast by approximately ¥0.5 billion.

- Q6. [POLA brand] What about the number of Beauty Directors (BDs) in the consignment sales channel?**
- The number of BDs decreased from about 27,000 at the end of FY2022 to about 25,000 at the end of March in FY2023. Considering the sales situation for the consignment sales channel in FY2022, the number of BDs slightly decreased in the first half of FY2023, but the downward trend is expected to stop by the end of the year.
- Q7. [POLA brand] Regarding the number of customers in the consignment sales channel, what is the outlook for the number of customers in the future?**
- The total number of customers in the consignment sales channel has decreased by about 4% YoY, and positive recovery in customer numbers will take time due to the downward trend in the number of stores and BDs. We are aware of this issue and hope to increase the number of customers for the full year. While it is important to acquire customers through the consignment sales channel alone, in Japan as a whole, the number of new customers increased by more than 10% YoY because of the increased marketing investment based on the OMO perspective.
- Q8. [POLA brand] Regarding the channel strategy, you mentioned that POLA has gained customers in the domestic business as a whole by OMO strategy, but what is the positioning of the consignment sales channel?**
- The idea that the consignment sales channel is the foundation of the POLA brand remains unchanged. While taking advantage of the high level of customer service provided by business partners, our goal is to evolve into a business model that allows us to provide an optimal brand experience for customers by moving between channels. Based on this idea, POLA launched the new membership program, POLA Premium Pass, on April 18 of this year, and we are in the process of integrating customer IDs, which is expected to broaden the scope of communication with customers.
- Q9. [POLA brand] The rate of increase in department store sales appears to be high compared to the market. What are the reasons for this? Are there any regional differences?**
- The increase is partly a rebound from the relatively weak sales at POLA department stores in the first quarter of FY2022, which were approximately ¥1.9 billion, down 6% YoY. In terms of products, POLA launched a new product, WRINKLE SHOT GEO SERUM PROTEAN, from the Wrinkle Shot series this fiscal year, and WRINKLE SHOT SERUM has been able to capture demand for anti-wrinkle products for the occasion of removing masks. The Company's strategy, in terms of such measures as storefront events, was also successful. As for the situation by region, sales are relatively strong in urban areas centering on the Tokyo metropolitan area; however, we would like to see more of the situation to determine whether it is a trend, since it is only the first quarter.
- Q10. [POLA brand] Please tell us about the year-on-year change in operating income, breaking it down into domestic and overseas.**
- Domestic operating income approximately doubled, while overseas operating income increased approximately 3.4 times.

Q11. [POLA brand] What was the status of Korean duty-free?

→ Since FY2022, POLA has suppressed shipments from the branding perspective due to concerns about resale. In the first quarter, shipments were about ¥1.2 billion, up 156% YoY. Since the first quarter of FY2022 was immediately after the start of shipment suppression, and shipments were at their lowest, the rate of increase is high this quarter. Because we recognize that sell-through is progressing, we expect shipments to average about ¥1 billion per quarter from the second quarter onward and plan shipments for the full year to be at the same level as the previous year.

Q12. [Brands under development] What was the performance of brands under development? DECENCIA and FUJIMI seems to have struggled. Which was the factor, the competitive market environment or the individual company strategy?

→ Overall, sales and operating income of the brands under development exceeded the plan. Amplitude, for which the decision was made to discontinue the brand, saw sales increase 220% YoY and operating income improve by approximately ¥0.2 billion due to purchases by customers who regretted the discontinuation of the brand. DECENCIA and FUJIMI were affected by both the market environment and individual company factors. Both brands are e-commerce brands, making it easy for new players to enter the market. FUJIMI aims to turn the business profitable in FY2023 (before amortization of intangible assets at the time of acquisition) and is taking a cautious approach for cost efficiency.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY2023 Q1 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.