

POLA ORBIS HOLDINGS INC.**Summary of Key Questions and Answers Concerning the Financial Results for FY2023 Q3****Q1. [Consolidated results] How did the third quarter compare to expectations?**

→ Net sales fell more than about ¥2.0 billion lower than our expectations. Operating income was generally in line with expectations, because there are some unexecuted expenses against a decrease in marginal profit. The sales decline was mostly due to the difference from POLA.

Q2. [Consolidated results] Regarding the progress and outlook for marketing cost execution, it appears that the marketing cost component decreased in the July to September period versus the previous year. Did you make any investments?

→ For POLA, while sales in the July to September period declined about 5% YoY, advertising investments increased more than about 30% YoY in an effort to attract new customers. The decrease in expenses was partly due to the brand terminations of H2O PLUS, Amplitude, and ITRIM. In addition, ORBIS was able to increase sales without incurring much expense because of nominated purchases. We are not cutting expenses that will affect future growth but rather is executing expenses while closely monitoring the balance of cost-effectiveness. The ratio of marketing expenses to sales for the current fiscal year is expected to increase compared to the previous year.

Q3. [POLA brand] Please tell us about the results in the July to September period for the consignment sales channel, including customer acquisition.

→ Consignment sales channel sales were down 9% YoY in the July to September period. The number of customers declined from -9% YoY in the first half to -8% YoY in the first three quarters with particular improvement noted in the acquisition of new customers.

Q4. [POLA brand] Is the reason for the increased revenue decline in the consignment sales channel related to the decrease in the number of stores?

→ The impact from the decrease in the number of stores is shrinking, and while revenue declined in the consignment sales channel, revenue from e-commerce and department stores grew significantly, which resulted in an increase in overall revenue in POLA's domestic business. This was due to the impact from the changing buying channels of customers.

Q5. [POLA brand] Overall domestic business declined about 1% in the July to September period. What is the outlook for the fourth quarter (October to December)?

→ Although there is a difference between actual results and our expectations in the third quarter forecast, the full-year forecast remains unchanged. We intend to continue investing in our customer base with an eye to next year and beyond, despite the high hurdle of domestic sales for the October to December period increasing by less than about 20% YoY.

- Q6. [POLA brand] What is the outlook for the consignment sales channel for the next fiscal year?**
- The plan for the next fiscal year and beyond is still being discussed and has not yet been finalized, but there is no change in the concept of stable growth of 1% to 3%. The acquisition of new customers is improving, and we intend to take the necessary steps to address the decline in the number of stores and Beauty Directors (BDs).
- Q7. [POLA brand] What is your view of the medium- to long-term business model transformation concept for the consignment sales channel?**
- In terms of the BD work style, we are working to incorporate part of the consignment sales organizations. Incorporation will stabilize the compensation of BDs by changing from sales commissions to salaries if they become employed. Currently, there are about 10 corporations. In terms of changing the business model for the brand as a whole, including the consignment sales business, approximately 70% of new customers in Japan are currently acquired through online; therefore, we will continue to expand our online contact points. We are also considering expansion into new channels other than department stores and will promote a channel strategy for the entire POLA brand that is not limited to the consignment sales channel.
- Q8. [POLA brand] Regarding the status of your overseas business, particularly in China, what were the consumption trends and treated water impacts?**
- In the July to September period, overseas sales were down approximately 24% YoY, which declined approximately ¥1.0 billion, and sales in China declined approximately 24% YoY, of which online sales declined approximately 34% and offline sales declined approximately 18%. The China business fell short of expectations due to unexpected changes in consumption trends and the impact of treated water. Consumption trends were weaker than we had expected, and store visit conditions were not improving. The impact from the treated water was that KOL distribution was suspended, customer inquiries and aesthetic appointments were canceled, and there was a period when it was difficult to conduct activities within the e-commerce platform, resulting in a particularly difficult time for new customer acquisition.
- Q9. [POLA brand] What is your outlook for China in the October to December period?**
- The plan is for full-year sales in China to be approximately ¥9.0 billion with progress of about ¥4.9 billion in the first three quarters, so the hurdle is high. Although the number of customers gradually returned through September, the business environment is expected to remain difficult during the October to December period. Despite these conditions, we are working to acquire customers by expanding brand awareness and creating opportunities to experience the brand, such as through joint Japan-China B.A brand experience art events.
- Q10. [POLA brand] You have reviewed your plans for store openings in China, but what is the relationship to store profitability?**
- Existing stores contribute more to profits than new stores because the timing of new store openings contributes less to profits because of store opening costs and marketing investments. In the July to September period, the China business was in the red due to lower gross profit from lower sales and marketing investments. However, the existing stores are structured to turn profitable if costs are controlled. The decision to review store openings was based on comprehensive consideration of profitability and the external environment.

Q11. [ORBIS brand] What are the reasons for the growth of external channels and what is the outlook for the future?

- ➔ External channels are mainly the external e-commerce platforms such as Amazon and Rakuten, where nominated purchases are increasing. Good sellers include Wrinkle Bright UV Protector, Men's Series, and Hair Milk etc. The profit margin is not at a level that would deteriorate the entire ORBIS performance, and by increasing sales while maintaining the profit margin, we hope to position the external channels as one of the growth drivers in the next fiscal year and beyond.

[Attention]

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