

POLA ORBIS HOLDINGS INC.**Summary of Key Questions and Answers Concerning the Financial Results for FY2020 Q1**

- Q1. [Consolidated results] Describe the main breakdown of the downward revision.**
- The downward revision for sales is about 70% for POLA and about 15% for ORBIS. Operating income is about 75% for POLA and about 10% for ORBIS.
- Q2. [Consolidated results] How do you view the balance between the first half and the second half?**
- We do not disclose first half forecast due to the rapid changes in the market environment, but expect sales to decline by about 30% from April to June.
- Q3. [Consolidated results] How much cost reduction is needed to achieve full-year operating profit after the revision of ¥19 billion?**
- We recognize that annual savings of about ¥3 billion is necessary. We will review all of its fixed costs, hold events and training sessions online, reduce store sales promotion costs, shift advertising media online, freeze the company internal branding costs, and reduce non-urgent and other costs from a variety of perspectives.
- Q4. [Consolidated results] What is the e-commerce sales ratio and first quarter growth rate? Also discuss POLA's e-commerce sales and initiatives going forward.**
- Approximately 19% of consolidated sales, with the growth rate at the same level as the previous year. POLA has a double-digit growth in domestic e-commerce and local e-commerce in China offset by lower sales of ORBIS e-commerce. POLA's domestic e-commerce sales were around ¥2 billion in 2019, and POLA is accelerating investment in light of this situation. In the next five years or so, we expect to raise the e-commerce sales of POLA to ¥10 billion.
- Q5. [Consolidated results] Discuss the details of the loss on valuation of investment securities in non-operating expenses.**
- It is due to the bond we own for managing the surplus fund. Due to the impact of the Novel Coronavirus, the redemption period was postponed, resulting in a write-down.
- Q6. [Market] What is the overall trend and outlook for the domestic cosmetics market?**
- Based on a number of market data, the domestic market, excluding inbound tourists, shrank 3-5% in January following the rush to beat the consumption tax hike, maintained the previous year's level in February, and shrank 10-15% in March. The first quarter market shrank by 5-7% (around -10% if inbound tourists are included). We refrain from making any definitive comment about the market trend after the convergence of the Novel Coronavirus. However, we must assume an economic downturn.

- Q7. [Market] How do you view demand for high-priced cosmetics in the market?**
- In an economic downturn, it is assumed that there will be a downtrend from the mid-price range to the low-price range. In the situation of the Novel Coronavirus, there is a trend where skin care is certain, and makeup only consists of eye makeup. The acceleration of digitization and the advancement of staying at home will impact makeup products. We believe an approach to health and beauty from the inside is needed.
- Q8. [POLA brand] What about the activities of the Beauty Directors?**
- We prohibit aesthetics, touch-ups, and other direct contact with customers' skin, and sales activities such as product sales at stores are kept to a minimum. Many stores also have temporary closures or shortened operations.
- Q9. [POLA brand] How can we view the recovery timing of aesthetics when social distancing is the standard?**
- It is only dependent on the situation of the Novel Coronavirus, and if the anxieties of society and customers are alleviated, it is considered that restraint on aesthetic activities will be resolved and demand will gradually recover.
- Q10. [POLA brand] What are the subsidies and support measures based on the current situation that the Beauty Directors cannot normally do business?**
- If this situation continues, some shops will face severe fixed costs such as rent, so there is a need to consider support measures. However, other costs will be reduced when implementing such support and we do not increase the cost as a whole.
- Q11. [POLA brand] Please describe the plan for acquiring customers in POLA e-commerce.**
- Improvement of usability and convenience through the website renewal and social media marketing are starting to lead to good results.
- Q12. [POLA brand] What is the situation for inbound and buyer? Does the company forecast a decline in sales of beauty and health foods?**
- First quarter results of inbound and buyer demand were -60% year-on-year, and were basically in line with expectations. As for buyers, the activity in Japan itself is shrinking. We expect sales of beauty and health foods to continue to decline due to the impact of the Novel Coronavirus.
- Q13. [POLA brand] What is the inbound outlook for the full year? Is the fourth quarter the time for the turnaround?**
- The outlook was declined to about ¥5 billion. The impact of the Novel Coronavirus is expected to slow down over fourth quarter.
- Q14. [ORBIS brand] What are the reasons for the downward revision and the outlook for domestic e-commerce?**
- Currently, all 103 stores in Japan have been temporarily closed, taking into account the impact of the store business, which accounts for about 25% of sales. Domestic e-commerce is also expected to be somewhat harsh due to the impact of the decline in the number of customers.

Q15. [ORBIS brand] How will we recover e-commerce sales?

- ➔ By increasing the acquisition of new customers buying skincare products and convert them to existing customers, the total number of customers will return to the previous year's level. The unit price has improved, and the number of customers is the key point for the increase in sales.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY2020 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.