

**POLA ORBIS HOLDINGS INC.****Summary of Key Questions and Answers Concerning the Financial Results for FY2021 Q3****Q1. [Market] Why is it necessary to keep a close eye on the Chinese market?**

→ We are not aware of any impact on cosmetics at present, such as the redistribution of wealth, but we will carefully monitor the impact on overall consumption. However, we do not have a negative view of the future potential of the Chinese market. It remains a promising market over the medium to long term.

**Q2. [Consolidated results] Third quarter was down versus the plan. What about the progress of the full-year plan?**

→ The progress of the full-year plan is that net sales is -¥4 to -¥5 billion and operating income is -¥1 to -¥1.5 billion. While the full-year forecast has not been changed, consolidated sales in third quarter (three months) remained at the same level as the previous year, therefore if there is a similar situation in fourth quarter (three months), it will have the impact of lower gross profit associated with lower sales. In terms of operating income, FUJIMI's annual operating loss of ¥1 billion, which was not included in the initial forecast, has become difficult to cover. Based on this, we would like to get as close to the plan as possible, without cutting marketing investments significantly. We will shift our limited resources to overseas business, which is a growth channel, and flexibly control SG&A expenses in the domestic business while watching the situation.

**Q3. [Consolidated results] How much is the difference between third quarter assumptions and actual result for consolidated net sales and operating income by brand?**

→ Major factors include a decline in sales from POLA to nearly ¥3 billion, ORBIS to nearly ¥0.5 billion, Brands under Development to above ¥0.5 billion, and Overseas Brands to approximately ¥0.2 billion. POLA's operating income was down to nearly ¥0.5 billion and from ORBIS to nearly ¥0.2 billion, while overseas sales were up by approximately ¥0.1 billion.

**Q4. [Consolidated results] What is the reason for the increase in advertising expenses in the third quarter (nine months) compared to the previous year, and what is the advertising expense ratio in the next fiscal year and forward?**

→ The approximately ¥1.8 billion year-on-year increase was comprised of approximately ¥1.2 billion for POLA and ¥0.7 billion for FUJIMI (net increase due to consolidation in April). The POLA increase is about 60% for domestic and about 40% for overseas. From the next fiscal year onward, it is assumed that the increase in SG&A expenses will be kept below the rate of the growth in net sales, however there is the possibility that the advertising expenses ratio will increase due to changes in the SG&A expenses composition caused by the increase of the overseas ratio and the e-commerce ratio.

**Q5. [Consolidated results] What will the situation be like from October onward?**

→ The number of people infected with COVID-19 is decreasing, but we recognize the situation is not optimistic. For instance, in POLA, even though the influx of people into urban areas is increasing and department stores are recovering, the impact of the spread of COVID-19 infections in third quarter (three months) has been significant in the consignment sales channel. As such, the company anticipates that customers' willingness of going out and having aesthetics services etc. will recover gradually in the future.

**Q6. [Consolidated results] What is the situation surrounding Singles' Day? Do you anticipate that it will expand profitably?**

→ Both POLA and Jurlique make good progress. As the company's policy is to control campaigns and GWP to prevent excessive sales promotions, profits are also expected to proceed as planned.

**Q7. [POLA brand] Why were overseas sales weaker than in second quarter at +11% YoY in third quarter (three months)? What is the situation on Hainan Island?**

→ They were impacted by the timing of shipments to duty-free stores in South Korea and COVID-19 infections in the Chinese market. However, there are basically no problems with the overseas business, such as with brand momentum or new store openings etc. The new duty-free stores on Hainan Island started slowly due to the weak attraction of customers to Hainan Island caused by the spread of COVID-19 infections from July onward, but we are ready when customers return.

**Q8. [POLA brand] Mainland China business is up 56% year-on-year. What are the online and offline situations?**

→ Cumulative Mainland China sales (including cross-border e-commerce) totaled approximately ¥5 billion (up 56% year-on-year), of which online sales are ¥1.9 billion (up 13% year-on-year), and offline sales are ¥3.2 billion (up 100% year-on-year). Although the company has been impacted by the COVID-19 pandemic, it is steadily opening new stores and in the same time its existing stores are growing. The company is opening stores that are able to provide counseling and aesthetics services which supporting offline growth, and the purchase per customer and repeat rates tend to be high. Moreover, inquiries from business partners are good, so the company has been able to open stores in good locations. For online sales in fourth quarter (three months), including for Singles' Day, the company aims to achieve a 50-60% year-on-year increase on par with Chinese business as a whole. There is no change in the annual outlook for Mainland China as a whole.

**Q9. [POLA brand] What are the cumulative third quarter (nine months) numbers for new and existing customers in consignment sales channels?**

→ There is a 12% increase for new customers and a 7% decrease for existing customers. Existing customers were sluggish due to the cancellation of aesthetics services because of the spread of COVID-19 infections in third quarter (three months). On the other hand, the company has been fully working to attract new customers via online communication since around last summer, and has been successful in attracting customers for its aesthetics services and online counseling.

- Q10. [POLA brand] In domestic e-commerce, what are the best-selling products and how many customers are there?**
- Wrinkle Shot and B.A account for the majority of sales. A characteristic of these products is their high unit prices. The number of customers is steadily expanding to about 140,000 (up 47% year-on-year), of which about 40% are purely new customers.
- Q11. [POLA brand] Why did the operating profit margin worsen year-on-year in the third quarter (three months)?**
- Last year, because of the temporary store closure at all department stores and up to about 30% of consignment sales channels due to the COVID-19 pandemic, the company worked to thoroughly reduce costs, both non-essential and urgent. The cost of sales ratio and the channel mix are improving, therefore the structure of the company is comprehensively improving in third quarter (nine months).
- Q12. [POLA brand] What specific things can you tell us about the new POLA app?**
- We aim to attract F0 customers (customers who have not purchased products but we have contact with them). In the future, we intend to enable the app to evolve into a mechanism that will lead to purchases across channels. First, the company makes effort to reduce distance between customers and POLA by providing beauty information and disseminating information that will lead to customers being attracted to the stores.
- Q13. [ORBIS brand] Skincare sales are strong, but what are the reasons for the sales decline?**
- In third quarter (three months), sales were on par with the previous year. While e-commerce channels such as the app are growing, investment in conventional communication channels such as catalog etc. are being scaled back. The company's strategy is to acquire new customers with high LTV potential, and it has a strong track record in terms of building a solid foundation, such as improving the skincare ratio and purchase unit price. The main reason for the decline in sales was that the decline in existing customers exceeded expectations.
- Q14. [ORBIS brand] What is the competitive environment surrounding e-commerce?**
- Although the competitive environment is intensifying, with new brands entering the market and major brands strengthening their e-commerce initiatives, ORBIS's share of the skincare market has not declined and the purchase unit price is rising. With the accumulation of new skincare customers with high unit purchase prices and high continuity, the company intends to exceed the decline in existing customers in the next fiscal year.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY2021 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.