

**POLA ORBIS HOLDINGS INC.****Summary of Key Questions and Answers Concerning the Financial Results for FY2021 Q1**

- Q1. [Market] The domestic cosmetics market has been shrinking in the first quarter. Does this change the view that it will recover +4-5% annually?**
- There is no change in the domestic market excluding inbound tourists, but attention should be paid to the impact of the current state of emergency and the subsequent market recovery trend. By category, both skincare and makeup saw year-on-year increases, and skincare in particular is expected to make a higher contribution to the recovery. Skincare and makeup are approximately 60% and 10% of our consolidated net sales, and the remainder are the other cosmetics and beauty health foods.
- Q2. [Consolidated results] What is the impact of the state of emergency declared in April?**
- Some of the department stores operate cosmetics floors, and about 30% of the counters in POLA's department store channel are closed. POLA THE BEAUTY also operate in shopping malls, etc., but the impact is not considered to be especially great. We assume that the impact of the state of emergency will not be as significant as last year if it ends as scheduled on May 11.
- Q3. [Consolidated results] What is the main reason for the overperformance in the first quarter?**
- POLA is the main reason. This was because overseas sales were strong, and the decline of sales in the domestic consignment channel sales was less than expected. Domestic e-commerce progressed as expected.
- Q4. [Consolidated results] What factors are behind the improvement of the gross margin?**
- This was due to an increase in the proportion of sales that were from POLA, which has a low cost of sales ratio, and an increase in the proportion of high-priced products, such as B.A.
- Q5. [POLA brand] Describe the impact of SG&A expenses on profit growth.**
- The main reasons for the increase of profit is an increase in gross profit. For gross profit, it is increased due to an increase in sales and an improvement in the cost of sales ratio. SG&A expenses have largely affected by a decrease in sales commissions. Otherwise, an increase in advertising expenses related to online and new products, and administrative expenses are rising with overseas business expansion.

- Q6. [POLA brand] Is the increase in the proportion of overseas sales the main reason for the larger increase in profits in contrast with the increase in sales?**
- The operating profit margin of the overseas business is higher than that of the domestic business, exceeding 20%. We will continue to invest in growth aimed at expanding sales maintaining the operating profit margin at a level of 20% or more. In the domestic business as well, profitability is rising due to the impact of a decrease in variable costs in the consignment sales channel and the streamlining of fixed costs. The goal is to establish a highly profitable business model through structural changes.
- Q7. [POLA brand] About the progress of OMO (Online Merges with Offline).**
- The completion of platforms across channels is planned from next fiscal year. Currently, e-commerce sites are being updated, and efforts are being made to create routes from online to offline.
- Q8. [POLA brand] Describe sustainable development.**
- Despite uncertainties such as the impact of the state of emergency, the company expects sales to increase every quarter this fiscal year. In the mainstay consignment sales channel, aesthetic sales were about the same as in the previous year and the existing customer is returning. In terms of profits, there were some factors that improved profits in the consignment sales channel that are unique to first quarter, however from second quarter onwards, it is believed that the earnings structure can be improved compared to the previous year. In terms of products, the company is preparing products that will be noteworthy in the second half of the fiscal year, including the addition of new B.A. series items in July.
- Q9. [POLA brand overseas] Growth rate by region (year-on-year).**
- Approximately ¥5.3 billion (+63%) in total overseas business, approximately ¥1.35 billion (+120%) in China, approximately ¥2.7 billion (+63%) in South Korea, approximately ¥0.85 billion (+45%) in Hong Kong, approximately ¥0.25 billion (+106%) in Taiwan, and approximately ¥0.1 billion (+34%) in Thailand.
- Q10. [POLA brand overseas] Sales increased significantly year-on-year. Compared to October to December 2020, sales are almost unchanged. Is there seasonality?**
- Due to the impact of COVID-19, in first half of 2020 the store openings in China did not progress as expected and were concentrated in the third quarter and onwards. The timing of shipments is also affected by factors such as the e-commerce shopping season.
- Q11. [POLA brand overseas] In the second half of the year, the hurdle of the previous year may be high. Is it possible to exceed the initial plan, including the store openings on Hainan Island?**
- There has been progress in the opening of multiple stores on Hainan Island, and the timing is being adjusted. We will proceed with negotiations to exceed the initial plan as much as possible.

**Q12. [ORBIS brand] The first quarter appears to be somewhat weak. Is the anticipated brand-building proceeding as planned?**

➔ The decline in first quarter sales was due to a partial adjustment to the number of catalogues issued with the goal of shifting to e-commerce, which led to a decline in the number of existing customers. We are making progress as planned and strengthening communications centered on apps and shifting to e-commerce, as well as improving product unit price.

**Q13. [Jurlique brand] China's growth rate is high and appears to be strong. Describe the situation.**

➔ In the same period of the previous fiscal year, Jurlique was in a period of difficulty due to the impact of COVID-19 compounding with the transition period from the agency, but it is driving growth due to the success of e-commerce initiatives such as live streaming.

**Q14. [tricot] Are there any changes to the expectations regarding the impact on the results of the current fiscal year since the beginning of the fiscal year?**

➔ A negative impact on operating income for this fiscal year of more than ¥1 billion is expected. Regarding the consolidated forecasts for fiscal 2021, at the present time, we will focus on achieving the initial plan, taking into consideration the strong performance of POLA's overseas business, domestic e-commerce, the impact of the state of emergency declared in April, and the consolidation of tricot.

[Attention]

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