

POLA ORBIS HOLDINGS INC.**Summary of Key Questions and Answers Concerning the Financial Results for FY2020 Q3**

- Q1. [Consolidated results] Describe the factors behind the gradual recovery from the forecast. Is there any impact on price trends?**
- The recovery in consumer sentiment seems slow. Looking at POLA's sales structure, the unit price of products has fallen by about 10%. However it is not yet clear whether the reason is the impact of declining in inbound tourists, or trade-down occurring in the domestic market amid the COVID-19 crisis. POLA's top-class line B.A, which launched in September, is progressing ahead of plan and we will be paying close attention to trends.
- Q2. [Consolidated results] What is the up-front investment in the revised operating income forecast?**
- Within the operating income forecast of -¥9 billion, approximately -¥7.5 billion is due to the decrease in sales, and approximately -¥1.5 billion is due to the up-front investment. In e-commerce, where the acquisition of new customers is strong, the main investment is in marketing to strengthen the customer base for the next fiscal year. In other areas, we are considering the arrangement of inventories and other items affecting the next fiscal year during the current fiscal year.
- Q3. [Consolidated results] When will operating income return to the level before the COVID-19 crisis?**
- It will be difficult in FY2021 and the full-scale recovery will start from FY2022 onward.
- Q4. [Consolidated results] Regarding the revised dividend forecast, describe your thinking for the next fiscal year onward.**
- We forecast an annual dividend of ¥50 in FY2020, with the aim of increasing dividends in line with profit growth from the next fiscal year onward.
- Q5. [POLA brand] Describe the factors behind the continued decline in sales even after excluding the impact of the previous year's last-minute demand driven by the consumption tax hike.**
- In the consignment sales channel, while existing customers are returning, we continue to struggle to acquire new customers. Trial aesthetic, one of the new acquisition measures, is fully considering hygiene, but it is not operating the same as before COVID-19.
- Q6. [POLA brand] How many Beauty Directors are there?**
- Approximately 35,000 at the end of Third Quarter (compared with approximately 40,000 at the end of FY2019 Q3).

- Q7. [POLA brand] Describe the sales forecast for approximately ¥30 billion of Fourth Quarter alone divided into domestic and overseas markets.**
- The forecast is approximately ¥26.5 billion for the domestic market and ¥3.5 billion for the overseas market. Domestically, in addition to the renewed B.A becoming a full-line rollout, we aim to achieve this by launching kit products for the Christmas shopping season.
- Q8. [POLA brand] Regarding the recovery in the next fiscal year, storefront operations including consignment sales and department stores, if the impact of COVID-19 is normalized, will the sales return?**
- Stores continue to face a challenging business environment due to consumer restraint from outdoor activities in addition to the loss of inbound tourists and buyer demands. In the aesthetic business of the consignment sales channel, existing customers with high brand loyalty are returning to a certain extent, and we expect it to recover as the impact of COVID-19 diminishes.
- Q9. [POLA brand] Describe the factors behind the acquisition of new customers in domestic e-commerce, and future e-commerce strategies.**
- In the past, e-commerce played a complementary role in counseling sales in POLA, however it is focused as the pillar of POLA's growth. We intend to strengthen and grow marketing investments by analyzing and using customer information across consignment sales, department stores, and e-commerce, also increasing the absolute amount of advertising.
- Q10. [POLA brand] Will the increase in domestic e-commerce cause a negative impact on the consignment sales channel?**
- There is no negative reaction. E-commerce is contributing to new customer acquisition as a new point of contact with customers. In addition, by demonstrating strengths such as an aesthetic that can only be provided through the consignment sales channel, we believe that there is no concern.
- Q11. [POLA brand] Describe the recovery status of offline and online in China.**
- In the first three quarters (nine months), sales offline grew by +55% YoY, and online (within China domestic) grew by about double, maintaining a high rate of growth.
- Q12. [POLA brand] Regarding the new store opening plan in China, is it mainly in department stores or the previous consideration of franchise development?**
- Mainly in department stores and malls. We have not embodied franchising that involves working with local partners, however we are proceeding with the opening of owner directly-operated stores, which is similar to the consignment sales in Japan.
- Q13. [POLA brand] Describe the future strategies of aesthetics. Is there any strategy to strengthen the aesthetic business, including expanding into areas such as beauty medicine?**
- POLA's aesthetic is characterized by high-quality skill in the hands of Beauty Directors. In the medium-to long-term, it is possible to consider services that go beyond the current field of aesthetics.

Q14. [POLA brand] Describe the outlook of the results for the next fiscal year.

- ➔ The plan is currently under deliberation, but we would like to increase sales by at least about 10%. China and domestic e-commerce will become growth drivers.

Q15. [ORBIS brand] Why does the growth rate of the Third Quarter appear to be weak?

- ➔ There are several factors, including a rebound from the last-minute demand in the previous year, intensified competition in e-commerce, and the fact that ORBIS is in the midst of replacing customer structure. Structurally, the number of purchased items is declining, which is leading to a decline in the unit price of purchases. Consumer sentiment may reflect it, such as buying only what is needed amid the COVID-19 crisis. On the other hand, it is significant that the decline in the number of customers has stopped. The structure is improving for growth from the next fiscal year onward because we have been able to acquire new customers, mainly for high-priced lines within ORBIS.

Q16. [ORBIS brand] Is the competitive environment in the e-commerce market intensifying?

- ➔ The cosmetics brand is generally strengthening e-commerce and the competitive environment is intensifying. We aim to differentiate ourselves by expanding application content through personalized services, such as personal color diagnostics using artificial intelligence (AI).

[Attention]

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