

**POLA ORBIS HOLDINGS INC.****Summary of Key Questions and Answers Concerning the Financial Results for FY2024 Q1**

- Q1. [Consolidated results] What is the difference between actual and planned net sales and operating income? While there is no change in the full-year forecast, is there any change in the forecast for each brand?**
- Sales were down about ¥1.5 billion at POLA and up about ¥0.9 billion at ORBIS, while sales at other brands were generally in line with expectations and slightly down overall. Operating income for POLA was down about ¥500 million and ORBIS was up about ¥400 million, but consolidated operating income was generally in line with the plan. The full-year forecast has not been adjusted for each brand.
- Q2. [Consolidated results] How is the progress of the real estate segment and reconciliations against the full-year forecast?**
- Both are progressing in line with the plans. The real estate business is seeing a decrease in income due to an increase in expenses from the Aoyama Building's operation, but we expect this to have a positive impact on profits as the building progresses with its operation. Regarding reconciliations, we plan to decrease income for the full year due to an increase in expenses, mainly in digital investments, but intend to link the invested expenses to brand profits in the medium to long term.
- Q3. [Consolidated results] What is your approach to cash allocation and expense control within the group?**
- Based on the multi-brand concept, we basically intend for each brand to operate independently, but as a holding company, we believe that discussions on cash allocation and appropriate cost control throughout the group should be conducted by our management team. In addition, we do not intend to reduce expenses for the purpose of short-term profit generation. For example, in the consignment sales channel, we will invest in growing stores and proceed with the new salon model as planned. However, we will emphasize a balanced approach to investment.
- Q4. [POLA brand] How about breaking down the difference between actual and planned net sales and operating income in the first quarter into Japan and overseas?**
- Sales were down about ¥1 billion in Japan and about ¥500 million overseas, and operating income was about a 50-50 split between Japan and overseas.
- Q5. [POLA brand] What are the sales and growth rates for the department store channel and the B2B channel?**
- Department store sales were about ¥2.7 billion (an increase of about 14%), and B2B sales were about ¥0.8 billion (an increase of about 2%).
- Q6. [POLA brand] What about the sales contribution of last year's new products, B.A Milk Foam and B.A GRANDLUXE? And what is the status of aesthetic treatments?**
- Overall sales of the B.A series were on par with the previous year. Sales of aesthetic treatments increased about 2%.

- Q7. [POLA brand] How would you divide the number of customers in the Japanese business into new customers and existing customers?**
- Japanese business as a whole was down 3.6% YoY, of which new customers accounted for -13.2% and existing customers for -1.8%.
- Q8. [POLA brand] Regarding the difference between actual and planned sales in the consignment sales channel, what are the factors and recovery measures?**
- The major impact was a decline in the number of stores, which fell by about 170 stores per year in FY2023, and the impact could not be offset by growth in existing stores. In the first quarter, we saw the pace of store declines has slowed to 19 stores. Other reasons include the previous year's hurdle of higher average purchase per customer due to increased purchases. In addition, as a special accounting factor, the point system had a negative impact of about ¥500 million on revenue. Even though the consignment sales channel as a whole saw a decline in revenue, the growth rate of growing stores, which are candidates for the new salon model, was high with double-digit growth in the number of new customers acquired. The Company will further grow the growing stores, and in addition, it will step up its efforts from the second quarter, including a campaign to experience skin analysis for the full renewal of APEX and the promotion of White Shot, which was newly launched in the first quarter. Although in the first half of the year, the previous year's hurdle is high, the Company hopes to recover to an increase in the number of customers in the second half of the year compared to the second half of FY2023.
- Q9. [POLA brand] What are the reasons for the decrease in the number of stores and Beauty Directors (BDs) in the consignment sales channel? And what are the challenges in the consignment sales channel?**
- The consignment sales channel was greatly affected by the COVID-19 disaster because of its strength in face-to-face customer service and counseling. There were various reasons for this, including a decline in sales in an external environment that made it difficult to leverage conventional strengths, which made it difficult to continue to operate stores, and the retirement of BDs due to age. The number of BDs decreased by about 2,000 from the end of FY2023 to about 21,000 in the first quarter. In the new salon business to be promoted in the future, the Company intends to create a well-organized business model for BDs to work in by incorporating the consignment sales organization at the same time, and by promoting Online Merges with Offline (OMO) to enhance connectivity with online.
- Q10. [POLA brand] What is the status of your Chinese business?**
- In the first quarter, sales were about ¥1.2 billion, down about 31% YoY. By channel, online sales were generally flat YoY, while offline sales were the main factor of the decline, down about 40%. Offline sales were down because of a slowdown in the number of customers visiting stores.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY2024 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.