

Summary of Key Questions and Answers Concerning the Financial Results for FY 2026 Q1

1. [Consolidated results] Progress in Q1 versus company assumptions: What was the performance by brand?

On a consolidated basis, net sales were approximately ¥0.3 billion below our assumptions, while operating profit exceeded expectations by approximately ¥1.4 billion. The upside in operating profit was mainly due to the allocation of expenses, and we plan to execute spending from the second quarter onward with a focus on maximizing cost efficiency. There is no change to the full-year outlook.

By brand, POLA recorded net sales approximately ¥0.8 billion below expectations and operating profit more than ¥0.6 billion above expectations, with the profit upside driven by expense allocation. ORBIS exceeded expectations, with net sales up by more than ¥0.2 billion and operating profit up by nearly ¥0.6 billion. In addition to higher revenue, operating profit for ORBIS also benefited from the expense allocation, similar to POLA. Jurlique's net sales were largely in line with expectations, while operating profit improved by approximately ¥0.2 billion versus the plan.

2. [Consolidated results] Background to the increase in the cost of sales.

This was mainly due to a change in the sales mix, which reflected a lower proportion of POLA sales, as POLA has a relatively low cost of sales ratio. At the same time, raw material prices are generally on an upward trend, and we recognize a continued risk of increases going forward. We intend to mitigate the impact on full-year profit through cost controls.

3. [POLA] Performance and outlook excluding the impact of strengthened measures to curb secondary distribution in the salon channel.

Sales declined by approximately 1%, excluding the impact of tighter controls on secondary distribution, but in line with our assumptions. For the full year, we expect sales growth of around 1% to 2%, excluding this impact.

4. [POLA] Which channels contributed to the shortfall in sales versus expectations?

The primary factor was the department store channel, where both inbound and domestic demand fell short of the plan. For domestic demand, the decline reflects a reactionary impact from the launch of a new product in the Wrinkle Shot series in the same period last year, which could not be fully offset by the renewed B.A.

5. [POLA] Expenses were lower than expected in the previous fiscal year. Will they be executed as planned this fiscal year?

While we plan to execute expenses as planned, we believe it is important to carefully assess cost effectiveness and make investment decisions in line with sales performance.

6. [POLA] Status of overseas business: Are Chinese local brands strengthening their presence?

In China, online sales performed well. However, offline sales declined because of ongoing closures of unprofitable stores, resulting in overall flat performance year over year on a local currency basis. Chinese local brands are gaining strength, and the competitive environment is becoming more challenging. For the overseas business overall, sales declined because of timing differences in shipments in the duty free channel; however, we expect full-year results to be in line with our assumptions.

7. [ORBIS] What drove the outperformance versus assumptions? Are initiatives targeting the senior segment progressing?

The direct selling channel performed in line with expectations, while external channels continued to perform strongly, led in particular by cleansing oil products. Regarding the initiatives targeting the senior segment, we are currently verifying how best to establish touchpoints with the target demographic through marketing investments, and we plan to implement these strategies from the second quarter onward.

8. [ORBIS] Do you plan to expand the product lineup available in external retail channels?

Following the success of haircare products, distribution has expanded, and we are currently offering skincare and UV care products as well. We intend to further expand the product lineup.

9. [THREE] Sales increased year over year for the first time in a while. Is this sustainable?

We have been advancing rebranding efforts focused on strengthening holistic products, and we believe these efforts are delivering results across the THREE brand as a whole. We consider this growth to be sustainable.

10. [Other] Impact of the situation in the Middle East on performance, including potential production cuts, changes to product launch schedules, and its relation to the Q1 operating profit upside.

We do not operate in the affected regions; therefore, there is no impact on sales. There have been no disruptions to product supply at this time. While we received requests from suppliers for price increases in raw materials, we intend to absorb these through cost controls.

The upside in operating profit in the first quarter was due to expense allocation and does not reflect cost control measures implemented in response to the situation in the Middle East.

11. [Other] Possibility of price increases in response to rising raw material costs.

While we have received price increase requests for some raw materials, we are currently assessing the extent of the impact. We intend to absorb this through cost controls and do not expect any impact significant enough to require a revision to our full-year outlook at this stage.

There are no plans at present for across-the-board price increases for existing products. However, as seen with the renewal of the POLA B.A series last year, price revisions may be implemented at the time of product renewals.

12. [Other] Market trends in Japan by price segment and sales channel.

Based on internal market data, the segment priced at ¥10,000 and above posted a slight year-over-year increase for the overall market. Meanwhile, the mid- and low-price segments declined.

By channel, department stores overall declined in the high-single-digit range year over year. While the high-price segment remains relatively solid, weakness in the mid-price segment weighed on the overall results.

We view the stable performance of the high-price segment above ¥10,000 as a positive tailwind for POLA.

13. [Other] Impact of changes in Japan–China.

The number of visitors to Japan from China has decreased significantly, and spending is increasingly shifting toward accommodation and dining. We expect this trend in inbound demand to continue for the time being.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the financial results in view of fair disclosure while taking responsibility for the summarization. We do 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 and certain assumptions 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.