

**POLA ORBIS HOLDINGS INC.****Summary of Key Questions and Answers Concerning the Financial Results of FY2019**

- Q1. [Novel Coronavirus] What is the breakdown of the impact for each brand? Describe the sales growth rate of POLA and ORBIS before the impact is factored in.**
- The figures for POLA, Jurlique, and THREE are -¥7.5 billion, -¥1 billion and -¥1 billion, respectively, for sales of -¥9.5 billion. For sales growth, the figures are +2.5% before the incorporation of POLA and -3% after the incorporation. However, the ORBIS channel structure is less likely to be influenced.
- Q2. [Novel Coronavirus] What is the scale of sales in 2019 for the affected channels?**
- The total scale is about ¥35 billion and approximately ¥32 billion for POLA.
- Q3. [Novel Coronavirus] How to incorporate the impacts of Novel Coronavirus to the forecast by month and quarter? Will operating income be on par with the previous year?**
- Sales have factored in negative impacts of -50 to -70% of Q1 and -10 to -50% of Q2 on the sales targets. This is the result of our estimation within the current scope and we will review this impact as needed when we announce the first quarter financial result. In terms of operating income, we will greatly revise the fixed costs, particularly at POLA, and cut costs by around ¥1 billion.
- Q4. [Consolidated results] Describe the achievement accuracy for being at the same level of operating income as in the previous year.**
- Initially, as the final year of the medium-term management plan, we were focused on achieving the medium-term target for the operating margin. Although achievement of the target became difficult due to the impact of the Novel Coronavirus, we want to achieve the operating income level of the previous year.
- Q5. [Consolidated results] Describe the domestic market trend.**
- The domestic market, excluding inbound tourists and buyer demand, is very difficult to read, and the situation is becoming more complex in 2020, partly due to the impact of the Novel Coronavirus. However, based on trends at department stores, the severe conditions for high-end skin care are expected to continue.
- Q6. [Consolidated results] How will overseas expansion improve after Mr. Yokote assumes the role of International Business Management Director?**
- Mr. Yokote has experience after being stationed in Shenyang and is also knowledgeable about the Chinese market. Regarding our overseas expansion, the travel retail business owned by each brand has been integrated and store opening synergies have begun to emerge. However, there is a risk that sales will be on par with the previous year due to the impact of the Novel Coronavirus.

- Q7. [POLA brand] What do you expect for the growth rates of cosmetics and beauty and health foods in the outlook for 2020?**
- Sales decreased for POLA as a whole at about 2.5% (about ¥4 billion) and sales are forecast to increase about 3% (about ¥3.5 billion) for cosmetics and decrease about 28% (about ¥7.5 billion) for beauty and health foods.
- Q8. [POLA brand] What is the outlook for beauty and health foods?**
- White Shot Inner Lock bottomed out, but sales of other products declined. Overseas sales of beauty and health foods are growing, however we expected the sales will decrease by around ¥7.5 billion due to the Novel Coronavirus impact.
- Q9. [POLA brand] What business structure reforms are needed to rebuild the customer base?**
- There are two aspects to this: Growth investment in the EC business and enhancement of online communication. The former has a complementary effect on the consignment sales channel and department store channel, and will be regarded as a single sales area in the future. In the latter, the customer information can be managed seamlessly between channels using the innovative customer management system implemented in 2019. Eliminate channel barriers and enact on or off collaborative measures from new acquisitions to royalty. Investments to this end will be centered on sales promotion expenses and have already been factored into the guidance.
- Q10. [POLA brand] Is there any changes to the idea of offline business, the traditional strength?**
- The main strength, counseling and esthetic treatment, will continue to be the original idea for POLA. Due to the hits of inbound tourists and Wrinkle Shot, there was an increase in nominated purchases and basic activities were weakened. However, a sense of urgency had not been fostered at the Head Office. We will return to our origins and re-establish our customer base.
- Q11. [POLA brand] In 2019, new products struggled. Please talk about the new product plan for 2020.**
- Wrinkle Shot Geo Serum was launched in January as an additional product in the Wrinkle Shot series. In March, we will launch B.A. Light Selector, which can appeal both domestically and internationally, in addition, we plan to launch a large-scale new product in the second half of the year, and we believe these will bring excellent experience to customers.
- Q12. [POLA brand] Describe the opening speed and margins of the POLA shops styled after POLA The Beauty in China.**
- The store is centered on counseling and aesthetic treatment, and POLA plans to develop other store types besides directly operated stores. POLA is considering some forms of sales, such as consignment sales and franchises, but it will begin full-scale development after determining whether it can establish a business model. Profit margins are not much different from those of department stores.
- Q13. [POLA brand] About the direct sales license, please describe the background of the acquisition in Shenyang and application status in the other provinces and cities.**
- Shenyang was aggressive in attracting foreign companies (when the license was acquired in 2013). While we cannot discuss the status of applications in other provinces and cities, we would like to make use of our track record from our business in Shenyang.

**Q14. [Jurlique brand] Top-line growth is essential for achieving 2021 annual profitability. How will it expand?**

→ In 2019, the company reduced fixed costs to lower the break-even point, but this was insufficient to offset the decline in gross profit. In terms of top-line growth, Jurlique shifted to a directly operated sales channel in China, and also renewed Nutri-Define collection (the premium series) in order to promote the revitalization of stores.

**Q15. [Brands under development] While investing in three new brands, do you still consider investment in THREE and DECENCIA to be necessary?**

→ Yes, in particular the investment in THREE will continue. We feel that THREE's domestic department stores have paved the way; in the future, the biggest growth driver will be the expansion of existing stores and overseas business. For the new brands, we will assess the situation for each and make more liberal investments.

**Q16. [H2O PLUS brand] What is the allocation of ORBIS personnel to the H2O PLUS EC business?**

→ The expansion area is limited to North America, but the company will utilize ORBIS's expertise, which boasts strong web marketing.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY2019 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.