

POLA ORBIS HOLDINGS INC.**Summary of Key Questions and Answers Concerning the Financial Results for FY2024 Q2**

- Q1. [POLA] What is the breakdown of the revised forecast for domestic and overseas and for the first half and second half of the year?**
- Sales in the first half fell short of expectations by about ¥3.2 billion. Based on this, the Company revised its forecasts for the second half of the fiscal year. For the full year, the Company revised its net sales forecast downward by ¥7.0 billion and operating income downward by ¥3.6 billion. The domestic and overseas breakdown of the revision is as follows: net sales are revised downward by ¥3.5 billion in Japan and ¥3.5 billion overseas, and operating income is revised downward by ¥1.6 billion in Japan and ¥2.0 billion overseas. For overseas, the company conservatively expects the outlook of the second half, and the full year plan is expected to break even. In Japan, the Company aims to increase revenue and income in the second half of the year.
- Q2. [POLA] What are the factors behind the positive turnaround in domestic monthly sales in July, and is there any risk of a slowdown from July onward?**
- In July, POLA's domestic business as a whole posted a monthly net sales increase of more than 5%. The skin analysis from APEX, which can activate activities at consignment sales channel, contributed to the good start in the second half of the year, and we expect revenue to increase in the same period. The Company has been preparing for the renewal of skin analysis since the second quarter and has been expanding the number of Beauty Directors (BDs) who conduct skin analysis. The Company believes that the contribution of APEX and skin analysis in July was not temporary, and it intends to expand contact with customers and link this to cross-selling.
- Q3. [POLA] Is the decline in the number of stores in consignment sales within your expectations?**
- The number of stores decreased slightly more than expected because we had assumed to keep the annual decrease to under 100 stores at the beginning of the fiscal year. However, many of the stores that closed this year were relatively small; therefore, in the second half of the year, we hope to offset the impact of the decline by increasing sales in growing stores.
- Q4. [POLA] How many BDs did you have as of the second quarter?**
- We had 21,000 at the end of the second quarter, about the same as the first quarter. Based on the past track record, the annual number of BDs is expected to decrease slightly from the current level. However, it is more important to revitalize the sales activities of BDs with high quality, and the Company intends to focus on this in the second half of the year.

Q5. [POLA] You have lowered your forecast for mainland China. Have you changed your view on mainland China in your medium-term management plan?

→ In the second quarter in mainland China, although a recovery was seen in the stores providing aesthetic treatment, the Company made a downward revision based on the first half situation. Rather than increasing the number of stores to expand contact points as in the past, the Company has changed its strategy to concentrate its marketing efforts on specific customer segments to build deeper relationships and is holding exclusive events with VIP customers and creating new contact points with affluent customers. While there is no change to the idea of mainland China as the axis of the overseas business, the Company believes that allocation to countries other than mainland China will be necessary to achieve the management indicators of the medium-term management plan, and we will, for example, expand our contacts in ASEAN countries.

Q6. [POLA] Is the assumed decrease in overseas income in the second half of the year due to lower revenue? Are there any special factors, such as upfront expenses?

→ In the second half of the year, we expect revenue in mainland China to decline by more than 20%, the same as in the first half. The decrease in income is due to the decline in the gross profit resulting from the revenue decline not due to upfront expenses. Cost reductions are proceeding, however given the sales revision and the high gross profit margin of the overseas business, the profit impact of lower sales will be significant. We made conservative assumptions in light of the uncertain business environment in mainland China.

Q7. [ORBIS] What is your outlook for operating income assumptions for the second half of the year?

→ Although the Company is taking a conservative view for the second half of the fiscal year compared to the results of the first half, sales and operating income in the second quarter alone grew more than in the first quarter, and there are no signs of slowing down. Although it is expected that the external channels, which have been growing at a high rate, is expected to reach a state of stable growth, the Company will aim for the upside as much as possible by introducing new products and continuing to acquire customers with high lifetime value (LTV).

Q8. [Jurlique] Is there any change in the timing of turning profitable?

→ Although sales increased in the first half of the year, the deficit expanded. Sales in Australia were strong, and the mainstay skincare line, HERVAL RECOVERY was renewed, leading to an increase in sales promotion expenses, which could have been absorbed if the Chinese business had recovered. It is important for Jurlique to turn to profitability, and the Company hopes to achieve this in FY2025 by raising the top line through growth in Australia and the reestablishment of operations in mainland China and streamlining expenses.

Q9. [Market] How do you view the domestic and Chinese markets?

→ Excluding inbound sales, we see the domestic cosmetics market growing about 5% in the first quarter and more than 2% in the second quarter alone. We had assumed that the growth rate of the market would slow down gradually this year because of the growth in the market due to the reopening last year. In the second quarter alone, sales in the under ¥3,000 price range grew, while sales in the middle price range declined. In addition, sales in the high price range of over ¥10,000 also declined, but it is difficult to determine these figures based on quarterly trends alone. In the medium term, the price ranges of under ¥1,000 and over ¥10,000 are growing, and the polarization trend is continuing. The Chinese market was expected to grow in the low single-digit range according to our

forecast at the beginning of the year. With regard to the retail situation, some statistical data indicate that the total sales of the market declined slightly from the previous year's level in the second quarter alone, but we have the impression that the actual business environment is a bit weaker than this.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY2024 Q2 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.