

POLA ORBIS HOLDINGS INC.**Summary of Key Questions and Answers Concerning the Financial Results for FY2022 Q1**

- Q1. [Consolidated results] What was the performance for the first quarter of the fiscal year under review? Also, is the suppression of shipment to South Korea duty free stores in line with the plan?**
- Compared to the plan, net sales were down approximately ¥2 billion (down approximately ¥2.3 billion from POLA), and operating income was basically in line with the forecast. We control the shipment to South Korea duty free channels as a way to suppress distribution to C2C markets, and we are making progress as planned with a forecast of a ¥4 billion decline in annual sales. For next year and beyond, we will consider future measures after conducting a fact-finding survey of market prices.
- Q2. [Consolidated results] If sales continue to be difficult in the second quarter and beyond, is there room for cost control?**
- We will respond flexibly depending on the situation of sales.
- Q3. [POLA brand] What is the breakdown of net sales being down from the initial plan by ¥2.3 billion?**
- Overseas: -¥1.3 billion; Domestic: -¥1 billion. Overseas, measures to combat infection in Mainland China and Hong Kong have had a major impact on store operations. Domestic sales were down due to struggles in the consignment sales channel. Aesthetic sales were down by approximately 20% year-on-year, due to the difficulty of visiting stores as infections increased. Another factor was the limitation on the activities of the beauty directors, who are sole proprietors, due to an increase in household infections, etc. Since 2020, the number of new customers has declined and we have not been able to build up the total customer base, therefore the situation continues to be difficult.
- Q4. [POLA brand] How was the decrease in the number of customers and the number of shops in consignment sales channel compared to the pre-COVID levels?**
- The decline in the number of customers compared to before COVID-19 is most affected by lower inbound demand and buyer demand. In other domestic demand, the number of customers has been negatively affected by the difficulty to conduct counseling and aesthetics services, which had been the mainstay of new acquisitions in the past. The number of shops may continue to decline somewhat amid the harsh sales environment, however incorporation is underway, as is increasing efficiency by improving LTV.

- Q5. [POLA brand] What is the situation with the slowdown in the growth rate of domestic e-commerce?**
- Sales are expected to reach ¥10 billion by 2023, and in the current fiscal year, sales are planned to be approximately ¥7 billion, an increase of approximately 30% year-on-year, which is generally in line with the plan. In the future, we will increase our online communication centered on social media. From an OMO perspective, LTV tends to be high for purchasing customers in both online and offline channels, so how to eliminate channel barriers is important. We will build a system that will lead to purchases across channels.
- Q6. [POLA brand] What is the outlook for domestic sales from April onward?**
- The number of infections has been decreasing, the flow of people is increasing and the sales situation has been gradually improving compared to March. Since April, we have been launching new products of the mainstay B.A series and implementing campaigns to recover sales.
- Q7. [POLA brand] What is the breakdown of the first quarter operating income, a ¥2.3 billion decline year-on-year, domestically and overseas? And what about the operating margins?**
- -¥1 billion for domestic, and -¥1.3 billion for overseas. Overseas, most of the impact was from the suppression on shipment to duty free stores in South Korea. The operating margin is approximately 8% for POLA as a whole and about the same for both domestic and overseas.
- Q8. [POLA brand] What are the sales figures for Mainland China and Hong Kong?**
- Mainland China sales: ¥1.34 billion (down 11% year-on-year)
Hong Kong sales: ¥550 million (down 30% year-on-year)
- Q9. [POLA brand] What is the situation of e-commerce and the online ratio in Mainland China?**
- The online ratio is approximately 25%, and net sales is ¥330 million (down 26% year-on-year). There is a growing tendency for large discounts and campaigns to take place during the shopping season, but POLA is cautious about campaigns from the perspective of branding, and as a result, e-commerce sales are declining.
- Q10. [POLA brand] The lockdowns in Mainland China have been prolonged. Are new store openings on schedule?**
- Prolonged lockdowns are greater than expected. Since the situation differs from area to area, we would like to proceed with store openings while keeping an eye on the situation in each area. There are offers from commercial facilities, and the potential as a brand remains unchanged. However, impact is inevitable if lockdowns of major cities occur in the future, therefore e-commerce will also be strengthened by entering new platforms. We will combine online and offline channels to ensure growth.
- Q11. [POLA brand] What is the outlook for the full-year plan for Mainland China?**
- Although first quarter results were challenging due to COVID-19, the number of existing customers has exceeded the previous year due to new stores opening through last year and the resulting expansion of new customers. We believe that business growth is possible once the lockdowns are lifted. However, depending on how long the current situation continues, it is necessary to be cautious about the impact on the full-year plan.

Q12. [ORBIS brand] What are the factors behind the increase in operating income?

➔ SG&A expenses, mainly advertising expenses, declined by approximately ¥400 million. There was also a partial time shift in sales investment to coincide with the launch of new products, so costs were not reduced excessively.

Q13. [Jurlique brand] The Chinese business is strong, but what is the difference from POLA?

➔ The impact is significant due to differences in the areas in which stores are located. Areas in which POLA is intensively opening stores are locked down. Also, Jurlique has a different business model from POLA, which online sales in Mainland China are 45%.

Q14. [H2O PLUS brand] What is the impact on income taxes? And what will be the impact on future financial statements as the continued product supply through FY2023?

➔ The decrease in income taxes is due to the recording of tax effects on cumulative losses. In the future, it will be included in the consolidated results until the completion of liquidation. However, operating loss will be reduced due to lower SG&A expenses as the company functions at a minimum. The losses were estimated to be approximately ¥500 million in FY2022, but the amount of loss is expected to decrease by about ¥100 to ¥200 million. There will still be a modest impact in FY2023. The impact on consolidated B/S is not so large.

Q15. [THREE brand] Will there be any extraordinary losses incurred due to the suspension of in-house e-commerce?

➔ Compensation is not factored in at this point because the amount is not fixed. If necessary the forecast will be updated as soon as the amount is finalized.

Q16. [THREE brand] The Japanese department store sales data is higher than in previous year, but why is THREE's department store business weak?

➔ In February, the company announced the possibility of information leaks which may have somewhat impact on existing customers.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY2022 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.