

POLA ORBIS HOLDINGS INC.**Summary of Key Questions and Answers Concerning the Financial Results for FY2024 Q3****Q1. [Consolidated results] What were the third quarter results compared to the plan?**

→ Overall consolidated sales and operating income were in line with expectations. Sales were down about ¥0.6 billion for POLA and about ¥0.5 billion for Jurlique, and up about ¥0.8 billion for ORBIS and about ¥0.2 billion for DECENCIA. Although the Company did not revise its consolidated annual forecast, it lowered its forecast for Jurlique to about ¥9.0 billion in sales and an operating loss of ¥2.0 billion, while it raised its forecast for ORBIS, which is performing well, to about ¥48.5 billion in sales and about ¥8.9 billion in operating income, also it raised DECENCIA's operating income to about ¥0.47 billion.

Q2. [POLA] What were the third quarter alone results by channel?

→ POLA's overall sales were about ¥22.4 billion (-3% YoY). By channel, consignment sales ¥13.9 billion (-5% YoY), department store ¥2.8 billion (+7% YoY), hotel amenities ¥1.1 billion (+6% YoY), domestic e-commerce ¥1.5 billion (+3% YoY), and overseas ¥3.1 billion (-9% YoY).

Q3. [POLA] How did the third quarter results for consignment sales compare to the plan?

→ Consignment sales in the second half of the year were targeted to increase 1% to 2% YoY due to the launch of APEX in July, which led to an increase in customer contacts. Although the revenue growth rate of the growing store group increased more than in the first half of the year, the number of customers declined due to the reduction in customer contact points resulting from the decrease in the number of stores. And sales were affected by external environment such as the earthquake in August and unfavorable weather, resulting in a 5% decline in the third quarter alone, which was below expectations. For the full year, we are planning net sales of ¥58.0 billion, and although the hurdle has been raised based on the third quarter progress, we would like to aim for the same level of sales as the previous year on a second half vs. second half comparison.

Q4. [POLA] How did progress in department stores and e-commerce compare to the plan?

→ Department stores continue to grow, partly due to a moderate increase in inbound demand; POLA hoped e-commerce would grow a bit more, but POLA as a whole has controlled costs in light of progress in consignment sales and overseas. The increase in operating income was more than the level of the increase in revenue, which was the result of a temporary reduction in advertising investments as the Company shifted its focus from acquiring new customers to promoting the number of purchased items of existing customers.

Q5. [POLA] How would you break down the third quarter results for operating income into Japan and overseas? Do you revise the full-year forecast and is there any impact on future sales as a result of cost controls?

➔ Of the about ¥2.5 billion in third quarter alone operating income, about ¥2.35 billion was generated in Japan and about ¥0.15 billion came from overseas. Overseas, at the time of the second quarter forecast revision, we assumed that operating income for the full year would be zero, but we secured profit in the third quarter alone. There is no change to the full-year operating income forecast of ¥9.8 billion. Although there is a possibility that consignment sales in Japan may be lower, it is difficult to assume that the overseas market, which has been profitable in the third quarter (YTD), will post a large loss in the fourth quarter alone. POLA as a whole is proceeding with cost control, but necessary investments in sales promotion are being made, and this is not a cost reduction that will affect future sales growth.

Q6. [POLA] What is your outlook for the next fiscal year?

➔ Although the business plan is currently being formulated and is not finalized, the Company's policy is to aim for increases in both sales and operating income both on a consolidated and a POLA basis. As for sales for POLA, overseas markets, especially mainland China and travel retail, we need to make conservative plans and may be on par with or below the previous year's level, but sales in Japan are expected to grow at a stable rate of 1% to 3%. Regarding operating income, we hope to achieve an increase in operating income in Japan that exceeds the rate of revenue growth. Meanwhile, overseas, mainland China is expected to post a loss this fiscal year, but the Company plans to improve profitability.

Q7. [POLA] What new initiatives are you taking to achieve sales growth across your brands, such as expanding your hotel amenities business?

➔ The hotel amenities business, a channel where sales are still small but highly profitable, is performing well in the midst of an increase in inbound travel and brisk travel demand in Japan. POLA hopes to achieve growth for the Company as a whole by expanding each channel, including e-commerce, department stores, and hotel amenities, to cover consignment sales.

Q8. [ORBIS] What is your medium- to long-term growth strategy? Do you have any sales or operating income targets?

➔ The current medium-term management plan had projected an average sales growth rate of about 5%, but the Company has recently outperformed with double-digit growth. The Company's customer structure has been improving as it has accumulated a high retention rate of customers through the implementation of a sales strategy that does not rely on price. The medium- to long-term operating profit margin target is 20% or more.

Q9. [Jurlique] Please tell us about your efforts to reduce the losses.

➔ Jurlique has been reducing fixed costs and needs to expand sales in the future, but the loss is increasing because of the decline in gross profit in the key markets of mainland China and Hong Kong, where the market environment remains difficult. We will explain our measures to reduce losses in the next financial results.

[Attention]

This document contains our summary (in random order, edited for disclosure format) of the questions and answers regarding the Financial Results of FY2024 Q3 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.