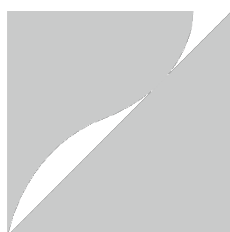


FY2023 1Q Results Briefing Q&A  
for the Fiscal Year Ending July 2023



PREMIER ANTI-AGING

Premier Anti-Aging Co., Ltd.

December 19, 2022

Summary of Q&A for Financial Results Briefing  
of the First Three Months of Fiscal Year Ending July 31, 2023  
(held on December 14, 2022)

1. **DUO's mail-order sales in the first quarter decreased from the fourth quarter last year. What are the factors? What will happen to DUO's mail order sales from the second quarter onwards?**

There are several factors, but the biggest one is that our competitors, including major brands, renewed their main oil and gel formulations in the cleansing market and aggressively invested in advertising. As a result, the number of customers switching from DUO balm products to other companies' products has exceeded more than expected. In addition, in the fourth quarter of the previous fiscal year, there was a large number of one-time sales due to sales campaigns, and an increase in shipments due to inventory adjustment at the end of the fiscal year.

For the second quarter and beyond, the downward trend in sales of Duo still needs to be carefully assessed to see if it has been halted, so we have revised our plan based on a conservative outlook. However, we cannot just accept the decline in DUO. We will implement measures such as promoting cross-selling to customers who have purchased other brands of our company and increasing the pace of CX promotion to existing customers to increase loyal customers. We will continue to brand DUO as a mature brand and maintain its No. 1 position. In addition, we will expand our business from skin care to hair care, inner care, and anti-aging areas, aiming for continued growth.

2. **Regarding the DUO's strategy, do you emphasize defense or offense? At the previous financial results briefing, you explained that "strong brands will remain", but this is not the case and I have the impression that you are lagging behind. What did you miss? What points do you think should be strengthened?**

We think that the point of misestimation is that the decrease in DUO was more than expected. DUO has an overwhelmingly high level of recognition due to its solid branding,

but its market share is being eroded. We have been doing branding so far, but we would like to continue to focus on strengthening branding. From a defensive point of view, we have been working on such measures as formulating a loyal customer program for several years, and the number of loyal customers is growing. We rebuilt the system two months ago and are trying to strengthen the program.

We will also work on cost structure reforms. Among the costs, the weight of advertising expenses is large. As a result of prioritizing new acquisitions in the first quarter, the number of new acquisitions reached a record high. However, some advertising expenses do not necessarily match the relationship between cost per order (the “CPO”) and lifetime value (the “LTV”), so we will stop such investments in the future and make more efficient advertising investments. In the inner care business, we will introduce two brands of supplements, and if the CPO is low for those brands, we will shift to them and operate advertisements to protect profits.

**3. You said that you would put more effort into nurturing loyal customers to lower the customer dropout rate, but how will you strengthen it?**

Reducing the customer dropout rate is important, but increasing LTV is more important. For example, customers in their 40s who purchased clayence are more likely to purchase CANADEL than DUO, so suggesting the purchase of CANADEL will enable efficient marketing. Also, the more brands there are, the more choices customers have, which in turn increases LTV. In this way, we will strengthen the development of loyal customers by analyzing customer journeys and optimizing proposals.

**4. What is the status of the customer's stock on hand? Customers may be accumulating inventory due to the implementation of campaigns, etc.**

Enlightening how to use and how much to use and encouraging customers to consume is an eternal theme and has not changed. Our company operates over 300 highly skilled contact center staff, who are working hard every day through study sessions and an award system. We will further improve the quality of the contact center and strengthen educational activities for customers.

**5. DUO sales in the first quarter are estimated to be around 5 billion yen, but are you expecting DUO sales to be around 5 billion yen x 4 in the revised full-year forecast?**

Sales forecasts are not disclosed for each brand. The reason for not disclosing it is that we are building a brand portfolio to acquire new customers. For example, if the DUO's CPO rises more than expected, we will switch to other brands such as CANADEL and clayence, which could contribute to increase LTV as a whole, and pursue profits. We would like to build a brand portfolio and eventually turn it into an anti-aging company.

**6. You explained that sales of CANADEL and clayence in the first quarter increased compared to the same period of the previous year. Considering the aggressive investment in advertising, shouldn't both brands have seen a little more sales growth?**

The downward revision is mainly due to the decrease in DUO, but the decrease in retail sales channel will have a particularly large impact on profits. In order to secure profits, it is necessary to transform into a leaner corporate structure, and we will also invest more efficiently in advertising for CANADEL and clayence. clayence is extremely popular, but due to the characteristics of the product, it is rather difficult to continue using it, so we are continuing educational activities to improve the retention rate. Currently, the CPO is low, but the LTV is also low, so sales are not growing as expected.

**7. Is the retention rate of clayence low because the customer's feeling of use is bad?**

We recognize that customers who are new to color treatment do not know how to use it correctly, making it difficult to continue. We continue to raise awareness of how to use the product by including leaflets in the package and strengthening the contact center.

**8. What is the sales situation of sitrana and immuno? Is there a change in the competitive environment?**

Currently, we are focusing on three brands: DUO, CANADEL and clayence. Since sitrana and immuno are in a different market than DUO and CANADEL, sales continue, but they have not had a major impact on sales.

**9. How much reduction do you anticipate for each of these cost reforms? How should we see the impact on next year's business performance?**

I cannot disclose the amount, but we will work to improve the efficiency of CPO and LTV for advertising expenses. In terms of delivery costs, we are developing packages that are conscious of delivery costs from the time of product development. In terms of logistics costs, we have been working since last fiscal year, such as changing the size of the delivery slip from A3 to A4. With regard to system costs, we will work to reduce costs by streamlining operations through a system that manages product lifecycles and subscription customers.

**10. Regarding the intensifying competition in the cleansing market and balm formulations, at the previous financial results briefing, you explained that there had been challenges from competitors with low-priced products. What changes are taking place compared to the past?**

There is an impression that the intensification of competition has been prolonged. This time, major companies are also entering the market, and there are many companies that are taking on the challenge. I think a company that didn't do branding would have lost more market share. Companies entering the market with low-priced products may not be profitable and may withdraw, but I am not optimistic. An overwhelming number of customers say, "Cleansing balm is a DUO," so I think we will find an exit somewhere. We believe that it is important to maintain the hundreds of thousands of DUO customers and turn them into loyal customers.

## Disclaimer Regarding Forecasts and Projections

- ✓ The document and information provided as part of our results announcement include forward-looking statements, which reflect our current expectations and assumptions about forecasts and risks. Our actual results may materially differ from those described in the forecast due to unknown risks and uncertainties.
- ✓ These risks and uncertainties include domestic and international economic conditions such as general industry and market conditions, interest, and currency exchange rate fluctuations.
- ✓ Cosmetics mail order/EC market trends may prove to be a major risk factor that impacts our growth and execution of business plans, but through active promotions and application of our understanding of customers' potential needs to product planning, we will do our utmost to mitigate such risks and hone our competitive edge. For other types of risks, please refer to the "Business Risks, etc." as highlighted in our Securities Report.
- ✓ The company does not undertake any obligation to revise or update these forward-looking statements to reflect new information or future events.

**【Contact】**

Investor Relations Department  
Corporate Communication Division  
mail : ir@p-antiaging.co.jp