

FY2023 3Q Results Briefing Q&A
for the Fiscal Year Ending July 2023



PREMIER ANTI-AGING

Premier Anti-Aging Co., Ltd.

June 16, 2023

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

1. You explained that the company recorded a valuation loss on inventories in the third quarter. Specifically, which brands/products did you record the valuation loss on?

The company posted valuation losses mainly on non-regular products other than “DUO the Cleansing Balm,” “CANADEL,” and “clayence,” and planned products.

2. You explained that new acquisitions for mail-order sales were on a recovery trend recently. What are the factors driving the recovery?

In the third quarter, we changed the way we handle our subscription customers with the aim of improving services, resulting in a temporary increase in customer withdrawals and a decline in mail-order sales. At present, the problem has been resolved, and we are now able to maintain mail-order sales, but we believe it is too early to conclude that DUO's sales have stopped declining. In terms of mail-order sales, until now, the focus has been on discounts to acquire new customers. However, since the characteristics of customers is changing, we believe that it is necessary to shift marketing measures to emphasize quality while continuing to refine the brand.

3. What are the details of the strategic initiatives for regrowth that management is discussing, and when will they be announced?

We are considering presenting a company-wide strategy for Premier Anti-Aging Group and the direction we should take, and we are discussing the timing of the announcement.

4. You said you were able to maintain sales of DUO, but if you calculate backwards from the revised forecast, do you expect sales of DUO to decline in the fourth quarter?

DUO sales in the mail-order channel have been maintained except for one-time factors in the third quarter, but sales in the retail channel are struggling. In the retail channel, there are seasonal factors such as shelf changes in the first and third quarters, and sales

tend to be stronger than in the second and fourth quarters. Considering these factors, DUO sales are expected to decline in the fourth quarter.

5. How should we look at the strategy and performance for the next fiscal year?

Management has been discussing our future strategic initiatives, including the next fiscal year, and we would like to provide an explanation at the appropriate time. Looking ahead to the next fiscal year, I would like to focus on the following five points to improve our performance.

The first is rebuilding the DUO. We would like to promote the use of influencers as a marketing measure to acquire new customers. The other day, we invited a certain talent to a DUO event. This person is known as a heavy user of DUO, and it was a great success. We would like to rebuild the DUO through new marketing measures that combine the real and digital by utilizing influencers.

The second is CRM promotion. We have been working on CRM promotion for some time, but since we have grown mainly by acquiring new customers, we would like to further strengthen CRM, increase the number of loyal customers, and improve LTV.

The third is the growth of new brands under development. In the current fiscal year, we have been introducing and developing new brands such as the health food brands SINTO and X, and the vitamin skin care brand C+mania. I would like to grow even one or two of these new brands so that they will sprout and develop them into brands that contribute to sales growth like CANADEL and clayence.

The fourth is the rebuilding of retail sales. Although the Company has grown sales through both the mail-order and retail channels, retail sales are currently struggling. The retail channel is the source of profits, and we would like to rebuild it.

Finally, the growth of Venex. Venex's business has grown steadily since its acquisition, and although its overall weight is still small, it is contributing to sales and profit growth. We would like to further expand sales and profits through collaboration with Premier Anti-Aging.

I will refrain from giving specific figures for the results from the next fiscal year onward, but I would like to start with a profit. When we announced our financial results for the first quarter, I said that we would refrain from inefficient advertising investments in order to build a leaner corporate structure, but this resulted in a decline in sales. Premier Anti-Aging has increased product recognition and sales through a media mix strategy that deploys advertisements through various mass and digital media. In the next fiscal year, we would like to generate profits while increasing sales.

6. With the transition to type 5 of the COVID-19, more and more people are removing their masks and putting on makeup, so it seems that there is a trend to shift to oil formulations that are easy to remove makeup. How do you see trends in the cleansing market?

In the cleansing market, there is a shift from balm formulations to oil formulations, and among balm formulations, there is a transition to low-price balm products, and DUO continues to struggle. On the other hand, DUO, which is sold at 3,600 yen, has achieved No. 1 cleansing sales for 4 years in a row, and continues to sell well overall. I believe that DUO has gained such awareness that there are no customers who do not know about DUO, so it is important to emphasize the superior quality of DUO rather than raising awareness going forward.

7. With regard to the DUO, which is being attacked by competitors as the No. 1 brand, isn't it conversely missing the timing of advertising investment by strictly managing CPO and LTV?

Three years ago, when sales of DUO were on the rise, we were able to step on the accelerator of advertising investment as much as possible. Recently, due to the increasing recognition of the DUO, the number of customers who have never bought a DUO has decreased, and we are trying out various advertising appeals. Therefore, we believe that it is best to search for effective marketing measures and aggressively invest in advertising at the timing when a good relationship between CPO and LTV is established. Since we have transactions with many advertising agencies, we believe that we can invest flexibly without missing the timing.

8. Looking at sales trends, CANADEL's sales appear to have declined in the third quarter. Are you aware that CANADEL's sales are growing steadily?

Like DUO, CANADEL's sales declined temporarily in the third quarter due to a change in handling aimed at improving service to subscription customers, but the overall trend is steady growth. Currently, the relationship between CPO and LTV is the best among our brands, and the number of new acquisitions is steady.

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.

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