

FY2024 Results Briefing Q&A



PREMIER ANTI-AGING

Premier Anti-Aging Co., Ltd.

September 18, 2024

Summary of Financial Results Briefing Q&A
for the Fiscal Year Ended July 31, 2024
(held on September 12, 2024)

[Notes]

The "Summary of Financial Results Briefing Q&A" is not a verbatim transcription of the questions and answers that took place at the briefing but has been summarized concisely at our discretion for those who were unable to attend.

1. Sales from the Recovery Business increased by more than 50% in the fourth quarter compared to the third quarter. What are the reasons behind this? Can we assume that the trend of strong sales in the fourth quarter will continue in the fiscal year ending July 2025?

Venex Co., Ltd., a subsidiary that operates a recovery business, has hired the talent Ayako Imoto and launched a full-fledged digital marketing campaign in March, and the effects of which have been driving sales. In addition, competitors are actively investing in the recovery wear market, and social interest in sleep and recuperation studies is growing, leading to continued market expansion. We believe that market expansion and aggressive investment in digital marketing led to solid sales growth in the fourth quarter. We expect that this trend will remain unchanged in the fiscal year ending July 2025 and would like to increase sales by expanding our business in growth markets while making solid marketing investments.

2. What were the factors behind the Anti-Aging business turning a profit in the fourth quarter? DUO seems to have increased sales compared to the third quarter, but is it still too early to be optimistic about the future?

In response to changes in the D to C market, our company's policy has shifted from focusing on expanding new customer acquisition to emphasizing acquisition efficiency. We have also been striving to efficiently manage sales expenses by thoroughly acquiring new customers with an emphasis on efficiency while carefully assessing the relationship between CPO and LTV. In addition, with the aim of establishing a lean and robust corporate structure, we achieved profitability by optimizing fixed costs such as personnel and system costs and thoroughly implementing disciplined investments.

We think it is still too early to judge that DUO's sales have bottomed out and turned around.

We are preparing various measures for the fiscal year ending July 2025, so we would like to aim for a turnaround in sales during this fiscal year.

3. I understand that you have completed a comprehensive financial review. Are you expecting any large extraordinary losses in the fiscal year ending July 2025?

We recorded a loss on the valuation of accumulated inventory in the fiscal year ended July 2023, took an impairment loss on systems, etc. in the fiscal year ended July 2024, and a loss on valuation was recorded on shares of certain investments in the fourth quarter. As a result, we believe that a comprehensive financial review has been completed. We do not expect any significant extraordinary losses in the fiscal year ending July 2025.

4. Regarding the results for the fiscal year ended July 2024, please tell us the breakdown of costs, variable costs, fixed costs, and other factors that affected the increase or decrease in operating profit. In particular, how were you able to reduce variable costs by 160 million yen in an environment where the prices of many things are rising?

We reduced approximately 160 million yen in variable costs such as costs and logistics costs. Logistics costs are on the rise, but we are firmly controlling them through various corporate efforts. Regarding costs, we are negotiating with OEM partners and reviewing individual costs. Regarding fixed costs such as personnel expenses, system expenses, and outsourcing fees, we had invested in people and systems on the assumption of steady growth, but as a result of streamlining in line with the scale of our business, we were able to reduce fixed costs by more than 300 million yen. Other factors contributing to the decline were mainly due to the disciplined implementation of investment plans expected for the second half of the year, which resulted in cost reductions.

5. What are the factors behind the increase or decrease in operating profit for the fiscal year ending July 2025? Is there any room to further reduce advertising expenses?

We refrain from disclosing details of the factors behind the increase or decrease in operating profit. However, sales are expected to decrease by 2.8 billion yen, from 20.3 billion yen to 17.5 billion yen for the fiscal year ending July 2025, and the resulting decline in gross profit will need to be covered by cost reductions. We will continue to strive to efficiently manage sales expenses and optimize fixed costs, aiming to establish a lean and robust corporate structure that can generate steady profits.

On the other hand, we do not believe that it is appropriate for advertising expenses, which

are primarily focused on investments in new customer acquisitions, to continue to decline, and we will continue to invest in new customer acquisitions while thoroughly improving acquisition efficiency.

6. What are CANADEL's initiatives for the fiscal year ending July 2025? Are you expecting increased revenue?

CANADEL's wholesale sales in the fourth quarter were offset by a return from the retail channel. CANADEL is facing intensifying competition in the all-in-one cosmetics market, and sales are continuing to decline both through mail order and retail channels. In order to overcome this situation, we will clarify the points of differentiation from competing products and collaborate with new promotions to appeal to our brand value. We do not expect an increase in revenue because CPO remains high and we will continue to invest in advertising with an emphasis on acquisition efficiency.

7. In the fiscal year ending July 2025, the Recovery Business is expected to see an increase in sales, while the Anti-Aging Business is expected to see a decrease in sales. Please tell us about the trends by channel.

We do not disclose sales forecasts by channel, but we consider the following strategies by channel.

In the mail order channel, we will continue to thoroughly implement acquisition efficiency, and at the same time, take on the challenge of increasing new acquisitions while carefully assessing the relationship between CPO and LTV. We will also further expand our CRM measures to strengthen our customer structure for our 3.9 million member base.

Regarding the retail channel, we will also develop strategies unique to the retail channel that differ from mail order. We will aim to grow sales through tie-up measures with new promotions and evolving collaboration with retailers.

Overseas, we will further expand DUO Premier in mainland China through Watsons while increasing recognition. Outside of China, we will develop the Asia-Pacific market.

We will also continue to develop new channels within Japan.

8. Is it necessary to focus on overseas business if you are to make efficient investments while aiming to establish a lean and robust corporate structure? Wouldn't it be better to focus on rebuilding existing channels?

Overseas, we made significant investments and launched new brands three to four years ago. Currently, we make efficient investments, mainly focused on DUO, aiming for sales of 500 million to 1 billion yen in the future, limiting investments to a level appropriate to the

scale of the business while controlling risks.

9. In your mail order business, in addition to your own mail order platform, why not use external mail order platforms to acquire younger customers? What is the current sales ratio of external mail order platforms?

Until now, we have operated our business mainly through our own mail-order model, but recently we have also turned our attention to external platforms that are experiencing rapid growth. We would also like to consider developing new brands and products that are suitable for the new platform. Currently, we do not disclose sales from external platforms, but the proportion is quite small.

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.

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