

FY2025 1Q Results Briefing Q&A



PREMIER ANTI-AGING

Premier Anti-Aging Co., Ltd.

December 18, 2024

**Summary of Financial Results Briefing Q&A
for the First Three Months of the Fiscal Year Ending July 31, 2025
(held on December 13, 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 were in line with the projection while operating profits exceeded the projection for the first three months of the fiscal year ending July 31, 2025. How do you evaluate these results?

Sales progressed steadily as projected, reaching 4.23 billion yen in the first quarter, compared to the forecast of 8.5 billion yen in the first half. Operating profit exceeded the projection and recorded a significant profit thanks to efficient management of advertising expenses, mainly in mail order channels, control of investment allocation for advertising expenses with an eye on the timing of new product launches such as the renewal of DUO, and optimization of fixed costs such as human resource and system costs. We feel we have made some progress in efficiently managing advertising expenses.

2. Advertising expenses in the first quarter were down 50% compared to the same period of the previous fiscal year and down 35% compared to the previous quarter. Has the decrease in advertising expenses had an impact on brand awareness and sales?

In the case of DUO, according to our own survey, the aided recall exceeds 80%, and we believe that there is no major impact on awareness. The renewed DUO products will have improved formulations and packaging and will be released sequentially from January 2025. We will appeal and differentiate through various layers so that people not only recognize the product but also deepen their understanding of DUO's content, including its high quality and skin benefits.

3. Until now, you have disclosed the breakdown of advertising expenses, such as for new customer acquisitions, TV commercials, and other expenses. Why did you stop disclosing the details?

In the mail order channel, we have been working on efficient investments in acquiring new customers through the selection of agents since the previous fiscal year, and the proportion of new acquisition expenses has been decreasing. We will continue to invest in new acquisitions while closely monitoring the balance between CPO and LTV, but we are focusing on improving the retention rate of existing customers through CRM measures such as expanding member community initiatives aiming to strengthen its customer structure and profitability. As our company's policy, the weight of investment in new acquisitions and CRM measures is changing, and we have decided not to disclose this information going forward.

4. Considering the renewal of DUO, the effects of CANADEL's new TV commercial, and the continued strong performance of the recovery business, can we expect sales to turn around from the second quarter onwards?

Since first quarter sales were within the projected range, at approximately 50% of the first half projection, we decided not to revise the earnings forecast. CANADEL's new TV commercial has been steadily gaining success, and Venex's TV commercial has also received a solid response. A renewed version of DUO's Black Balm will be launched from January 2025. We would like to take a closer look at the performance of these measures and get some results.

5. Sales in the anti-aging business were lower than in the same period of the previous fiscal year and the previous quarter for both mail order and wholesale channels. In the mail order channel, how are you trying to increase touch points with clients for your own mail order and e-commerce malls?

Sales from mail order channels include only the company's own mail order sales, and sales from e-commerce malls are included in other category, but the breakdown is not disclosed. Both are important channels and we would like to strengthen them by increasing touchpoints. In particular, we believe that there is room for sales to increase in e-commerce malls. We would like to increase sales on the e-commerce malls by improving the sales environment, such as by reducing the exposure of products that are not our official products and are being sold at greatly discounted prices.

6. Is the decline in wholesale channel sales due to a decline in store sales or a decline in the number of products on store shelves? How to turn around sales?

Although in-store sales are decreasing, we believe that the quality of sales is improving. In some places, the number of products on store shelves is decreasing, but we hope to turn sales around by taking advantage of the renewal of DUO, CANADEL's new appeal and

sales initiatives, etc.

7. We have high hopes for the renewal of the flagship brand DUO, but what will change with this renewal? How far will the DUO's rebuilding progress?

DUO is being renewed on the occasion of its 15th anniversary, and we believe there are three key points. The first is improving the quality of the contents. In response to the diverse needs of our customers, we have enhanced the formulation by increasing the amount of beauty ingredients included. The second is to strengthen appeal. Up until now, we have used influencers, beauty experts, and celebrities to promote our products, but since it is the 15th anniversary and the milestone of renewal, we would like to increase and strengthen the content and amount of our promotion more than ever before, including the introduction of new, enhanced formulations. The third is price. The 66g size will be available exclusively at retail stores such as drug stores, variety stores, GMS, and malls at the affordable price of 2,700 yen, with the aim of strengthening competitiveness in stores. We believe it is important to make the renewal of DUO a success.

8. The hair care market is booming, with sales expanding primarily for high-priced products, but is the reason for the decline in sales of clayence being caused by the product or the channel?

We believe that in the premium hair care market, each company is launching competitive products and a new market is firmly established. clayence also sells shampoos and treatments, but we would like to start by gaining market share in color treatments and then develop it as a comprehensive hair care brand. In October, we expanded our lineup with the introduction of a new color, "Rose Brown." clayence's retention rate is on the rise in the mail order channel, and the number of retail stores is increasing. We believe that efficient advertising investment is also necessary to further increase awareness.

9. Sales in the recovery business increased by 50% compared to the same period of the previous fiscal year. Awareness of recovery wear seems to be increasing due to aggressive advertising by competitors, but how should we view the recovery market and the sustainability of Venex's sales growth?

Awareness of the importance of recuperation, such as recovering from fatigue and getting enough sleep, is growing, and the recovery market is growing rapidly. We also started airing a commercial featuring Ai Tominaga from November to increase our exposure, and we are seeing the commercial's effectiveness. We hope to achieve sustainable growth in sales of our recovery business through the growth of the recovery market and increased

awareness of the Venex brand.

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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