

# POLA ORBIS GROUP NEWSPAPER 2012



## Realizing Our Long-term Vision to Become a “Highly Profitable Global Company”

While conditions in the domestic cosmetics market remained harsh in fiscal 2012, the POLA ORBIS Group has achieved increases in net sales and operating income for three consecutive years.

Our flagship brands, POLA and ORBIS, again achieved stable profit growth in fiscal 2012. I believe this was the result of our unique strengths in direct sales and R&D, where we focused our resources on skincare products. Also, with Jurlique joining the Group in fiscal 2012, we made solid progress in our expansion overseas. In fiscal 2013, we will proceed with our growth strategy to realize our long-term vision to become a “highly profitable global company.”

# Accelerating Overseas Development

## Jurlique



Against the backdrop of a rapidly expanding cosmetics market in Asia, particularly in China, POLA ORBIS HOLDINGS INC. followed up its acquisition of H2O PLUS HOLDINGS, LLC in the summer of 2011 with the acquisition of the Australia-based organic cosmetics brand Jurlique International Pty Ltd, which has established marketing channels in Hong Kong and China, in February 2012. The POLA ORBIS Group is accelerating activities to increase sales overseas, especially in Asia, to achieve its long-term vision of an overseas sales ratio of 20% or higher by 2020.

 P24 Special Feature 2 (Jurlique)

# Solid R&D Capabilities

The POLA ORBIS Group has announced numerous research findings at the most prominent conferences for presenting scientific papers, and its R&D capabilities are recognized worldwide. In 2012, POLA CHEMICAL INDUSTRIES INC., a Group company, won the IFSCC\* Poster Award at the IFSCC Congress, the most authoritative event in the cosmetic science and technologies field. This is the sixth IFSCC award POLA CHEMICAL has received, and it is the first IFSCC award granted for the skin-whitening field. In light of these achievements, POLA CHEMICAL has become one of the world's leading cosmetic companies in R&D.

\* International Federation of Societies of Cosmetic Chemists

 P35 Topics

# No. 1

“Best Cosmetics Award”  
for Four Consecutive Years

POLA's *B.A* is an innovative anti-aging skincare brand that is infused with the Group's latest technologies. Even today, some 30 years after its launch, *B.A* continues to evolve. In 2009, in the pursuit of a formula to enhance the beauty of women still further, POLA focused its efforts on anti-glycation, a new concept in anti-aging skincare. Supported by extensive customer loyalty, the *B.A* series has been named the best cosmetic product by beauty magazines for four consecutive years, since 2009—receiving a total of 67 awards.

▶ P30 Review of Operations (POLA)



Highest Customer Satisfaction in  
Japan for Two Consecutive Years

# No. 1

The ORBIS brand was developed under an original 100% Oil-free concept. ORBIS provides mail-order services that prioritize customer convenience, and it offers free shipping on orders of just one item, a 30-day return guarantee, and free sample-size packages for most of its products. This commitment to high-quality products and services has earned high evaluations from

customers, with ORBIS winning the No. 1 ranking in the mail-order sales category in the 2012 JCSI\* survey, the largest customer satisfaction survey in Japan. This was the second year in a row that ORBIS was ranked the highest in this category.

\* Japanese Customer Satisfaction Index

▶ P32 Review of Operations (ORBIS)

POLA THE BEAUTY Network Expands

9.1%



POLA THE BEAUTY is a network of retail stores that integrate sales, consulting, and esthetic treatments. The business model of POLA THE BEAUTY stores is completely different from traditional cosmetic retail stores. The first store of this kind opened in 2005, and the network has steadily expanded, comprising 572 stores as of December 2012. The POLA THE BEAUTY network marked a 9.1% year-on-year increase in 2012, and this high growth rate confirms the importance of POLA THE BEAUTY as a key pillar supporting stable domestic growth for the Group.

P20 Special Feature 1 (POLA THE BEAUTY)

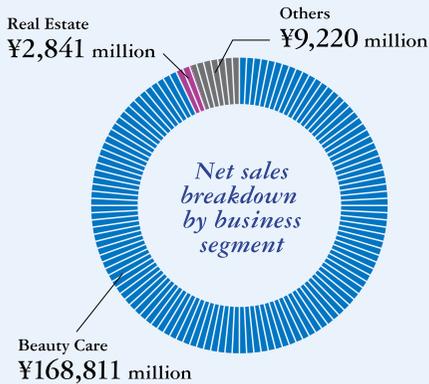
**DNA**  
for Business Growth



With a long-standing commitment to “make and sell our products ourselves,” the POLA ORBIS Group is able to identify emerging market trends and customer needs and ensure the swift implementation of innovations in line with the times. The Group inherited this spirit of innovation like DNA passed down from our earliest days in business. The impetus for evolution beyond the traditional door-to-door sales format was “Consulting First,” a corporate message delivered in 2000, which realized the concept of POLA THE BEAUTY—a fresh, dynamic model for the cosmetics business.

P14 Management Insights

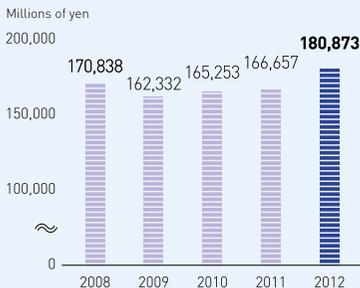
# Financial Data



## Financial Highlights for Fiscal 2012

- Consolidated net sales increased 8.5% year on year, owing to solid domestic sales of existing brands, especially POLA, and the consolidation of Jurlique.
- In spite of incurring M&A-related expenses such as goodwill associated with the consolidation of Jurlique, consolidated operating income increased 5.2% year on year, backed by strong performances of flagship brands.
- While the amount of extraordinary losses recorded in fiscal 2012 was significantly reduced compared to fiscal 2011, consolidated net income decreased 16.9% year on year due to a higher tax rate caused by an increase in domestic taxable income.

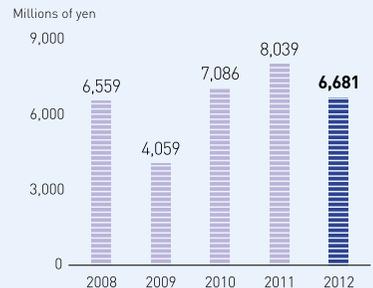
### Net Sales



### Operating Income and Operating Margin

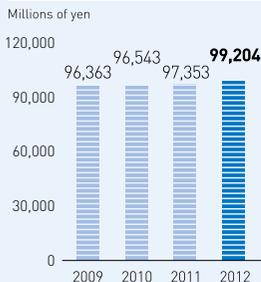


### Net Income

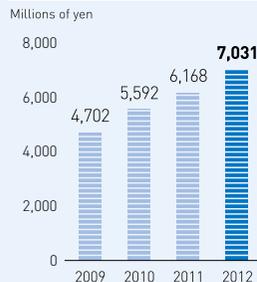


## POLA

### Net Sales

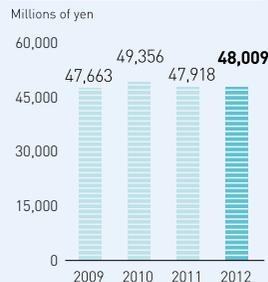


### Operating Income



## ORBIS

### Net Sales



### Operating Income

