

CSR REPORT 2012

Corporate Social Responsibility Report

[Highlights]

Inspire All People and Touch Their Hearts

The POLA ORBIS Group is committed to providing unique products and services to you, the customer, backed with the assurance of solid scientific testing.

We make every effort to contribute to improving the global cosmetics culture, as well as preserving the global environment in the name of beauty and health.

We aim to build a brand that will be forever admired and trusted in every corner of the globe.

Achieving this requires us to approach each and every challenge with humility and to “Find happiness in giving happiness.”

With this in mind, we, the POLA ORBIS Group, spend our days at work and at home full of vitality and with a smile on our faces.



Source:
TABLE FOR TWO (TFT)

Organizations Covered by This Report: 29 Group companies

POLA INC./POLA U.S.A. INC./POLA COSMETICS (THAILAND) CO., LTD./POLA COSMETICS (H.K.) CO., LTD./Shanghai POLA Trading CO., LTD./POLA LLC/POLA TAIWAN INC./POLA CHINA BEAUTY CO., LTD./ORBIS Inc./Orbis Korea Inc./Taiwan Orbis Inc./Orbis Beijing Inc./ORBIS CHINA HONG KONG LIMITED/H₂O PLUS HOLDINGS, LLC/H₂O PLUS, LLC/CSW H₂O Holdings, Inc./H₂O PLUS CANADA CORP./pdc INC./FUTURE LABO INC./MEDI LABO INC./ORLANE JAPON INC./decencia INC./ACRO INC./POLA CHEMICAL INDUSTRIES INC./P.O. REAL ESTATE INC./POLA PHARMA INC./KAYAKU CO., LTD./P.O. TECHNO SERVICE INC./SHINOBU INSURANCE SERVICE INC.

Note: The names of the above companies and the titles of all POLA ORBIS Group employees appearing in this report are as of December 31, 2011.



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Editorial Policies

POLA ORBIS HOLDINGS adhered to the following three editorial policies in preparing the CSR REPORT 2012.

1. The report is available in Web-based and print versions.

We prepared the CSR Report 2012 in two versions—a Web-based report that fully covers detailed information on CSR activities and a report in print that covers only the highlights of those activities—so that they can be flexibly used according to the needs of readers.

2. The report is in line with the ISO26000 Guideline.

We held stakeholder dialogues, which are emphasized by the ISO26000, global standard on corporate social responsibility, and provided detailed reports thereof.

3. The report covers our efforts to support reconstruction from the Great East Japan Earthquake.

We reported the effects of the Great East Japan Earthquake on our businesses, as well as voluntary support activities by Group companies and employees while describing their thoughts when they faced various social issues.

Through this CSR report, we intend to build better relationships with all the stakeholders.

Reporting Period:

January 1, 2011, through
December 31, 2011

Date of Issue:

March 29, 2012

Further Information:

For any questions regarding this report, contact:

CSR Promotion Div. POLA ORBIS HOLDINGS INC.

Web site:

<http://www.po-holdings.co.jp/>

Top Commitment

A New Step toward Sustainable Growth

The POLA ORBIS Group faces the challenge of changing times courageously by transforming changes into new value, and we aim to “Fulfill our responsibilities as a good corporate citizen and contribute to society”.

鈴木郷史

Satoshi Suzuki

PRESIDENT

We would like to extend our deepest condolences to all those affected by the Great East Japan Earthquake and sincerely hope that your life return to normal as soon as possible.

Listing of Stock as a New Step for Further Growth

In December 2010, POLA ORBIS HOLDINGS listed on the First Section of the Tokyo Stock Exchange. The listing means that we take up a mission as “a public company in society”, and as such we are asked to innovate our business models to achieve sustainable growth.

After the listing was approved, we met with more than 150 institutional investors, stressing that our strength lies in a business philosophy shared by all members of the Group, as well as “the ability to consistently change ourselves” to realize the business strategies that embody said philosophy. In 2011, we held the first general meeting of shareholders since the listing, a valuable opportunity to engage our shareholders directly. I took the utmost care to ensure that the meeting proceeded in a friendly manner via a spirit of hospitality, which is valued throughout the Group, and that reports were delivered in easy-to-understand language.

From the shareholders we received many questions, opinions and other valuable input that can contribute

to our further growth. The feedback will be put to good use in future corporate management.

I will ensure that the entire Group remains attentive to and fulfills the expectations of its shareholders.

Going Overseas to Be a Highly Profitable Global Company

Although Japan's domestic cosmetics market is entering its maturation, it is clear that the overseas cosmetics markets are highly promising for further growth.

The POLA ORBIS Group is committed to its long-term vision aiming for consolidated net sales of ¥250 billion or more, an overseas sales ratio of at least 20%, or ¥50 billion in overseas sales, and an industry-leading operating margin of 13%–15% in 2020. To achieve this, we are engaging in two strategies: reinforcement of existing businesses centering on POLA and ORBIS and acceleration of growth through M&As.

In July 2011, we acquired H₂O PLUS HOLDINGS, LLC (Chicago, Illinois, USA), an operator of natural skincare product brands, making it a consolidated subsidiary of the POLA ORBIS Group. In November 2011, we announced the acquisition of Jurlique International Pty Ltd (The State of South Australia, Australia), an operator of natural organic skincare and body-care product brands, and completed all



procedures to acquire full ownership of the company in February 2012.

Looking at overseas markets, we will strengthen alliances with these two subsidiaries, while increasing the focus on emerging nations. By utilizing the management resources of the Group to create synergies and promoting alliances with the key existing brands of POLA and ORBIS, we will take steady steps to be a global company.

Through the entry into overseas markets, we will promote the globalization of internal organizations and train our staff accordingly.

The qualities and abilities required for a person to act globally include, I believe, 1) independence, 2) flexibility, 3) good communication skills, 4) awareness of being a Japanese citizen and 5) being tough. We will make every possible effort to help our employees obtain these qualifications. Such employees are crucial to the successful development of our global businesses.

I also believe it is essential that corporate social responsibility (CSR) activities are implemented in a manner to meet the global standards. Many global companies have swiftly responded to the release of the ISO26000 global standard on CSR in November 2010 by adjusting their CSR activities according to the ISO26000. Given the increasing importance of CSR efforts, we are reinforcing the Group's CSR activities in accordance with the ISO26000.

Lessons from the Great East Japan Earthquake Helped Improve Our Business Continuity Plan

Finally, let me mention the effects of the Great East Japan Earthquake. The disaster had no small effect on the POLA ORBIS Group, as detailed in this report. The sincere wish to contribute to the reconstruction of the affected areas was shared among many employees, and active CSR efforts to deal with various social issues were conducted by the Group companies and their employees.

Based on the lessons learned from the Great East Japan Earthquake, we, as a group engaging in the manufacturing and sale of cosmetics as the core business, have conducted a fundamental review of the Business Continuity Plans (BCPs) of the Group companies. Henceforth, we will verify and enhance the effectiveness of the renewed BCPs through repeated disaster drills.

Your continued support and guidance would be greatly appreciated.

Feature 1

Convening of Stakeholder Dialogue^{*1}

The POLA ORBIS Group held dialogues with stakeholders outside the Group to determine if its corporate activities are in accord with social expectations and requirements and what products and services are preferred by society. Details of the dialogues are reported below.

^{*1} Stakeholder Dialogue: an attempt to find common ground among various stakeholders that have different interests in a company by understanding and confirming their points of agreement and disagreement and the reasons thereof through a dialogue. From the company's perspective, the points of agreement are reflected in its business management to seek the mutual growth of itself and society.

Report on the First Stakeholder Dialogue

Discussion Theme ORBIS

Seeking to Enhance Customer Satisfaction

One of the key pillars of the POLA ORBIS Group's CSR activities is to enhance customer satisfaction. ORBIS Inc., which centers on mail-order sales, is making efforts to enhance customer relations. Such efforts are highly appreciated, as seen by the fact that it has won first place for three consecutive years in the after-sales service ranking on Internet shopping operated by Nikkei Business Publications, Inc.

To explore diversifying customer needs by listening to frank opinions from our stakeholders and enhance our customer services, the first Stakeholder Dialogue was held to hear from stakeholders about ORBIS's engagement in Customer Relationship Management (CRM^{*2}).

^{*2} CRM: Customer Relationship Management is a method to build better customer relationships through information systems. The method is designed to provide extensive responses with careful attention to details in dealing with product orders, inquiries and complaints, using a customer database, thereby to increase the convenience and satisfaction of customers.

Date, Time and Place of the Dialogue and Participants

Date and Time: Friday, September 2, 2011
4 p.m.–5:30 p.m.

Place: ORBIS Head Office, Lecture Hall on the 1st floor

Participants:

● On behalf of stakeholders (influential experts)

Eiichiro Adachi	Counselor, The Japan Research Institute, Limited Head of Environment Social and Governance (ESG) Research Center
Yoshiko Miura	Consultant for Consumer's life
Meyumi Yamada	Executive Vice President Chief Community Officer

● On behalf of ORBIS

Shigeo Takatani	President
Nobutaka Ueno	Chief CSR Secretariat
Eriko Wada	General Manager of Customer Communications Department
Sachiko Nobe	Manager of Customer Satisfaction Promotion Team, Customer Communications Department
Masami Ukon	In charge of developing Web communications at Marketing Promotion Department

● Facilitator

Hiroko Ozawa	Ernst & Young ShinNihon LLC
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Note: The titles of the participants are as of the date when the dialogue was held.

Participants on behalf of stakeholders



Eiichiro Adachi
Counselor, The Japan Research
Institute, Limited
Head of Environment Social and
Governance (ESG) Research
Center



Yoshiko Miura
Consultant for Consumer's life



Meyumi Yamada
Executive Vice President Chief
Community Officer

Subjects of Discussion and Significant Responses

At the first Stakeholder Dialogue, a discussion was held on the following three subjects.

Subject

Communication with Customers

1

ORBIS attaches high value to “sincerity,” but the sincerity of ORBIS is not fully felt by customers. To change the status quo, more frequent and attentive communication is required.

Opinions and Advice from Stakeholders

- ① I think that ORBIS's sincere attitude toward customers has created many fans of its products. However, the efforts to make a public appeal are not enough. Further efforts are required to appeal for recognition of ORBIS's sincerity to consumers who do not yet know ORBIS. (Miura)

- ② I expect ORBIS to make pioneering attempts when it goes overseas, including emerging markets. Such attempts could include providing help toward social issues to be solved through cosmetics—the products that ORBIS offers. Any such attempts should be publicized effectively to reinforce the corporate brand. (Adachi)



ORBIS's Responses

- ① We agree that our efforts to make a public appeal are not enough. In addition to explaining the background and reasons why we value “sincerity,” we will redesign our Web site content to highlight our “sincerity,” such as placing related information in the upper part of Web pages.

- ② We will endeavor to solve social issues through the cosmetics business. To help reconstructing the areas and people affected by the Great East Japan Earthquake, we launched the “ITSUMO Project” to provide support to help the earthquake survivors restore their normal lives. We are also going to consider what social contribution efforts we can offer in overseas markets, which will be taken into account in “rebuilding the ORBIS brand” globally.

Subject

Presenting Information in an Effective and Appealing Manner

2

To ensure that customers recognize the value of and feel an attachment to the ORBIS brand, we must present our information effectively so that the brand value is well reflected.

Opinions and Advice from Stakeholders

- ① Parent-and-child participatory programs, such as factory tours, and other social activities offered by ORBIS should be publicized in a more appealing and easily recognizable manner. Seeking greater exposure of such activities by using mass media is also important. (Miura)



ORBIS's Responses

- ① We will seek better methodologies to increase the recognition of ORBIS's activities. For example, we are considering a virtual factory tour of ORBIS's cosmetics manufacturing processes on our Web site.

Subject 2 Presenting Information in an Effective and Appealing Manner

Opinions and Advice from Stakeholders

- ② It is important to consider measures to gain increased attention to the information provided by ORBIS, such as disclosing the names of ORBIS employees when they are providing information (Adachi)
- ③ Overseas, there are cases where questions from consumers are answered by dedicated staff with their names being revealed and the results are disclosed in the form of Frequently Asked Questions (FAQ). The individual's power to send out information via SNS (community-type website which promotes the connection between people) or other such means deserves attention and should be utilized more actively. (Yamada)



ORBIS's Responses

- ② We are considering having employees identify themselves when responding to inquiries. Inquiries about particular products are responded by the employees who were in charge of developing those products.
- ③ We are considering ways to enable interactive communication via SNS.

Subject 3 How to Better Respond to Customers' Requests

3

It is important to enhance the "ability to respond" to increasingly diversified customer requests.

Opinions and Advice from Stakeholders

- ① The "R" in "CSR" stands for "responsibility," which I believe consists of "response" and "ability." The "ability to respond" means the ability to "Comply with or Explain" when responding to requests from consumers. In other words, it is the ability to comply with those requests or to explain why they cannot be satisfied. Recently, companies are increasingly asked to be accountable rather than to blindly follow customer (consumers) requests. (Adachi)



ORBIS's Responses

- ① We will produce more opportunities via the Web site or other media for management to speak about the ideal status of ORBIS and address the accountability of ORBIS's corporate activities. Regarding our "ability to respond," we will examine such ability particularly from the perspective of "sincerity" and try to enhance it.
- ② ORBIS receives about 90,000 customer comments on a yearly basis. They are examined by management, shared with the entire company and divided into those that concern "customer demand" and those that reflect social sensing,* to be handled accordingly. We will have regular opportunities to receive feedback on the needs of society from external experts, and send out our information with such needs in mind.

* Social sensing is to identify and accommodate the demands of consumers on the whole when responding to feedback from customers rather than viewing such concerns as only the voice of a particular customer. Social sensing ability is increasingly necessary.

After the Stakeholder Dialogue

The stakeholder dialogue gave us a good opportunity to hear objective views from people outside the company. From the influential experts who participated in the dialogue, we obtained valuable advice on enhancing Web content and improving telephone skills, as well as developing social sensing abilities and accommodating social demands. Currently, ORBIS is rebuilding its own brand.

Various opinions we heard during this dialogue will help us enhance the ability to send out our message and information effectively to acquire more customers who feel an attachment to the ORBIS brand.

Report on the Second Stakeholder Dialogue

Discussion Theme **POLA**

Continuing to Be a Cheerleader for Women

As a cheerleader for women, POLA's AAA (Anti-Aging Alliance) Declaration is the message that POLA provides deeper, wider and stronger support for all women who wish "to be beautiful" forever through its alliance with customers, business partners and society.

The second Stakeholder Dialogue was held to see how POLA's AAA activities are recognized by society and consumers, determine the perception of achievements in the past year and obtain the views of influential experts from the perspective of consumers as to whether any opportunities for further growth were missed.



AAA Declaration: stands for Anti-Aging Alliance Declaration.

For having confidence in oneself and loving future oneself more, increasing one's enthusiasm for life a little at a time, POLA believes, is the true nature of anti-aging. Arts, technology, intelligence, sensibility and people. The more you are exposed to the real thing, the more beautiful you can be in body and heart. For the sake of all women who desire to "be beautiful at any time and forever," POLA hopes to find sympathetic and responsive partners in various fields and create opportunities to come up with original and genuine ideas together with them.

Date, Time and Place of the Dialogue and Participants

Date and Time: Wednesday, November 9, 2011
3 p.m.–5 p.m.

Place: POLA Gotanda No. 2 Building, No. 3
Conference Room on the basement floor

Participants:

● On behalf of stakeholders (influential experts)

Kikuko Yano President, cafe-globe.com

Keiko Fukuzawa Journalist
Senior Director, Japan Association
for the Advancement of Working
Women

Naoki Atsumi Expert Member of Gender Equality
Conference, Cabinet Office of
Japan

● On behalf of POLA

Takako Konishi Executive Vice President

Miki Oikawa General Manager of Product
Planning Division

Seiko Sueyoshi General Manager of Sales Planning
Division

Shiori Yamamoto Personal Division

● Facilitator

Hiroko Ozawa Ernst & Young ShinNihon LLC

Note: The titles of the participants are as of the date when the dialogue was held.

Participants on behalf of stakeholders



Kikuko Yano
President, cafeglobe.com



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Journalist
Senior Director, Japan Association
for the Advancement of Working
Women



Naoki Atsumi
Expert Member of Gender Equality
Conference, Cabinet Office,
Government of Japan

Subjects of Discussion and Significant Responses

At the second Stakeholder Dialogue, a discussion was held on the following three subjects.

Subject The Intended Message of the AAA Declaration

- 1 The AAA Declaration's message to make women's lives more cheerful should be promoted to acquire wider recognition.

Opinions and Advice from Stakeholders

- ① The "Anti" in "Anti-Aging Alliance" can produce a negative impression. Developing the notion of "Accept," or positive thinking about aging, is important and such a notion should be projected more strongly. (Fukuzawa)
- ② In times past, elderly women had few opportunities to take an active part in society. Therefore, society did not have an image of women in their 50s or 60s who had aged beautifully. The message of AAA should be projected in a way to emphasize the importance of taking pride in aging and the "beauty" of such life. (Fukuzawa)



POLA's Responses

- ① In fact, there were pros and cons about using the negative word "Anti" during our internal discussions. Your advice has clarified the true intent of AAA, which is to "accept" aging. The word "Anti" was consciously chosen to project such a message. Since our intension is just "Accept," we should make further efforts to project our true intent more effectively.
- ② Through the AAA initiative, we will send a message, the "beautiful of life," focusing on the beauty of people who enjoy active lifestyles, irrespective of their age.

Subject Framework for the AAA Declaration

- 2 It is necessary to build a framework as to what kind of women are to be targeted and what kind of support should be provided to them.

Opinions and Advice from Stakeholders

- ① I suggest enlarging the scope of women targeted by the AAA initiative. For example, how about "cheering up" women who have the following backgrounds?
Example: Female athletes who do not put on makeup to participate in their sport/Women who engage in heavy physical work or other jobs dominated by men/Women who hang out at societies with serious gender-based discrimination. (Atsumi/Fukuzawa)



POLA's Responses

- ① It is necessary to clarify to whom and how the AAA support should be delivered. Entering the second year of the AAA initiative, we will more clearly define a range of women to be targeted and seek better ways to provide appropriate support. We will organize our AAA efforts for each target group of women with different backgrounds and seek phased progress of the initiative.

Subject 2 Framework for the AAA Declaration

Opinions and Advice from Stakeholders

- ② The AAA efforts should make women feel “cheered up.” For example, such efforts might include introducing a quota system that requires a certain ratio of women to be included in managerial positions and having a role model for women in managerial posts. (Yano)



POLA's Responses

- ② Recently, approaches to the value of “work and life” have become increasingly diverse. An increasing number of men and women not only seek promotions but also wish to express their individuality in the way they work. To support, or improve the morale of, employees with various senses of value, we need to present an extensive range of role models. We are considering specific measures to ensure that employees can feel “cheered up.”

Subject 3 How to Disseminate the Message of the AAA Declaration

3

It is required that various kinds of media be used to disseminate the message, thereby promoting efforts to support women.

Opinions and Advice from Stakeholders

- ① How about delivering the message through an extensive range of media, while managing it in an integrated manner to ensure the uniformity of the message? For example, you could provide the message through magazines, social media or many other means, and eventually concentrate the information in the AAA page on the Web site. (Yano)



POLA's Responses

- ① We have already provided the message of the AAA Declaration through newspaper ads and magazines, and engaged in cultural, artistic and charitable activities and various other internal and external events and seminars to support women. However, our efforts are not enough. We will continue to disseminate the message of the AAA Declaration through various media and to engage in extensive programs to support women.

- ② How about having each employee of POLA—who is the person closest to customers—work to deliver the concept of the AAA Declaration?
Examples: Experts, such as beauty advisers and researchers, provide tips on preserving beauty. Female employees who embody the AAA concept are selected as ambassadors to speak about their lifestyles, ways of thinking, eating habits and other good practices for acquiring beauty. (Atsumi/Fukuzawa)

- ② By having POLA employees speak about AAA, we will provide information on POLA's diverse personnel system, the promotion of female employees to higher positions and female employees taking an active role in door-to-door sales.

After the Stakeholder Dialogue

POLA's engagement in efforts to support, or improve the morale of, women started with the first POLA lady in Kyoto in 1937. Over the past 70 years, POLA has generated job opportunities for millions of women and supported them, while achieving the growth of POLA itself. As more and more women play an active role in society, their work and lifestyles are becoming increasingly diverse and experiencing great changes.

POLA's activities to support women have also undergone great changes. We are now exploring ways to advance the support efforts to a higher level through alliance-based activities, instead of discrete efforts done separately. We will reexamine the valuable advice from the stakeholder Dialogue and make continued efforts to provide better support for women in a manner unique to POLA.

Feature 2

Progress after the Great East Japan Earthquake

On March 11, 2011, the Great East Japan Earthquake hit an extensive area of eastern Japan, affecting numerous people, and many still endure lifestyle inconveniences. Since immediately after the disaster, the POLA ORBIS Group has provided extensive support, ranging from manpower and monetary donations to the delivery of the basic necessities of life. POLA took the initiative in selling the specialty products of the afflicted areas.

ORBIS launched the “ITSUMO Project” to help the survivors restore their normal lives. Some employees volunteered individually to join in the reconstruction support efforts. Various CSR activities focusing on social issues were carried out as detailed below.

Damage to the Group and Our Responses

(1) Casualties

The Group confirmed that one Group employee was injured, although his/her family was safe. Regrettably, however, we lost one sales office manager and 12 POLA ladies and 21 remain missing those people are business partners. We would like to express our heartfelt condolences to these victims and their families.

(2) Damage to Facilities

■ Headquarters and Other Business Offices

- Damage to the head offices and other business offices of the Group companies was small, including the occurrence of some cracks. Meanwhile, the Mito Education Center in the POLA Eastern Tokyo Area was forced to relocate its office due to land subsidence caused by liquefaction.

■ Sales Offices

- Sales offices operated by POLA's business partners amount to around 4,500 throughout Japan; seven offices were completely destroyed and 15 were partially destroyed. Evacuation from 12 offices was forced due to the nuclear accidents at the Fukushima Daiichi Nuclear Power Plant. To support the reconstruction of these offices, we responded by simplifying the procedures to return the affected products and creating a special loan system.
- Of around 110 ORBIS THE SHOP stores throughout Japan, the service of five stores was temporarily suspended, but they were all able to resume operations by early May 2011. In addition, we suffered from the temporary suspension of two department stores in the afflicted area, but they had resumed operations by March 26, 2011.

■ Production and Research Bases

- Two plants (Shizuoka and Fukuroi) and one R&D center (Yokohama) of POLA CHEMICAL INDUSTRIES and two plants (Fujimino and Tokorozawa) of KAYAKU, a production subsidiary of POLA PHARMA, were damaged. However, the damage was minimal, and they were able to continue normal operations.

■ Logistics Center

- The ORBIS Hanyu Distribution Center (Saitama Prefecture) suffered damage to warehouse ceilings, products falling off storage racks in the warehouse and damage to picking lines. As a result of adequate backup, all such damage was returned to a normal state.

The Group's Support for the Afflicted Areas

(1) Support Goods

POLA and ORBIS, core companies of the Group, took the initiative in offering support goods to nine locations, including Onagawa-cho and Tome-shi, Miyagi Prefecture. The support goods, which amounted to around 190,000 items, included the following.

From POLA	Hair-care and sanitary goods:	about 55,000 pieces
	Women's underwear:	about 30,000 items
	Food (powdered soup):	about 51,000 pieces
From ORBIS	Hair-care goods:	about 10,000 items
	Women's clothes:	about 9,100 items
	Cosmetics and food:	about 36,500 items



Relief goods collected from many areas were loaded onto a truck



Two four-ton trucks loaded with relief goods leaving the POLA Gotanda building

(2) Monetary Donations

- Donations through the Japanese Red Cross Society: ¥156,386,934 in total

Donations from the Group companies:	¥30,000,000
Voluntary donations from employees and executives:	¥53,326,934
Donations of a certain percentage of POLA's sales in March and April 2011:	¥73,060,000

- Donations to POLA's business partners: ¥35,623,156 (as of May 17, 2011)

(3) Support through the Sale of Specialty Products of the Afflicted Areas

Asking for the Cooperation of Customers to Support the Affected Areas

At POLA, the Direct Sales & Exhibition Sales Team under the Diversification Sales Department took the initiative in supporting the sale of specialty products produced in the affected areas. Taking the opportunity of POLA's exhibition and sales events starting in July 2011 throughout Japan, we put about 20 items on sale, including bags and accessories made of materials available in Miyagi and Iwate prefectures and Yaki Kiri Tansu (a paulownia chest of drawers), a specialty of Miyako, Iwate Prefecture. These efforts were designed to help restore industries and create job opportunities in the affected areas.



Tansu, a specialty product of disaster-affected Miyako, was on sale

Praying for the Industrial Reconstruction of the Affected Areas

I resided in Sendai until July 2011, so I was there when the disaster occurred. Seeing the heavily affected industries, I was looking for anything that I could do to help the situation. The selling of specialty products of the affected areas was realized with the companywide cooperation of POLA to cheer up the people in the areas and help the reconstruction of industries and employment. With the blessing of many related parties and customers, the event was successful, delivering POLA's sincere intent to help people in the affected areas.



Naoya Kano

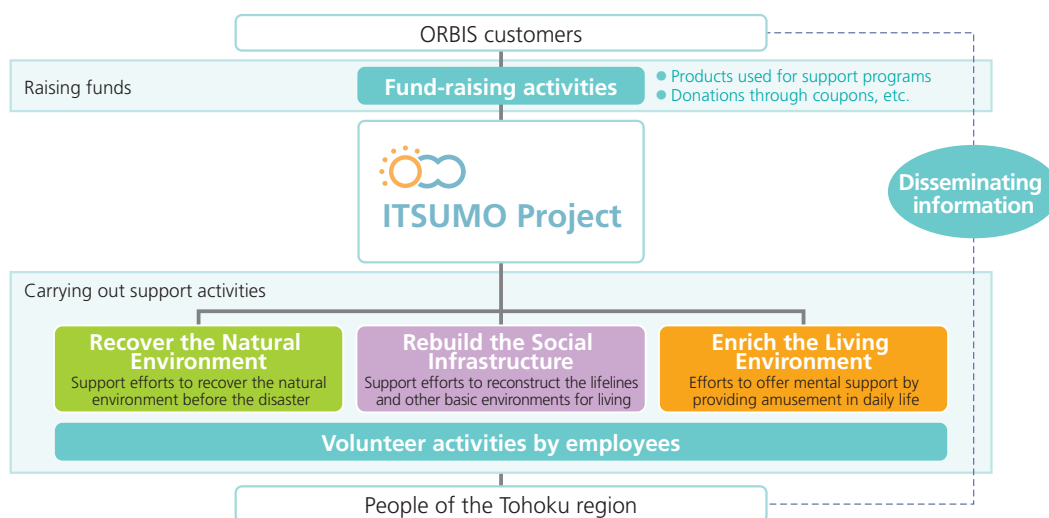
Direct Sales &
Exhibition Sales Team
under Diversified
Business Promotion
Division of POLA

(4) ORBIS “ITSUMO Project”

To support the reconstruction of the disaster-affected areas, ORBIS operates the “ITSUMO Project Fund” by raising funds in various ways, such as donating 10 yen per sale of one item of designated products and part of the sale proceeds from limited sale products, soliciting mail-order customers to donate ORBIS product coupons in place of monetary donations and donating points over the counter at ORBIS stores.

The funds thus raised are used to finance ORBIS’s three lines of support activity: “Recover the Natural Environment,” “Rebuild the Social Infrastructure” and “Enrich the Living Environment.” As of December 31, 2011, the total amount of funds raised reached ¥67,227,084. Opinions on and suggestions for the “ITSUMO Project” are welcome at ORBIS’s Web site.

[Overview of the ITSUMO Project]



Project Example: Painting the Walls of Makeshift Housing

As an effort of the “ITSUMO Project”, we supported the “Art for House Project” through JustGiving Japan™. As an effort in Ishinomaki, Miyagi Prefecture, in September 2011, vivid and heart-warming art was painted on the expressionless walls of makeshift housing units.



Hoping for Continued Support as a Good Partner

Sympathizing with the philosophy of JustGiving, the employees of ORBIS have supported us by engaging in fund-raising efforts through JustGiving Japan™. After the Great East Japan Earthquake, they supported the “Art for House Project” through JustGiving to help rebuild “normal” living environments in the affected areas. This project is designed to help regain the warmth and colors of “normal life” by painting the expressionless walls of makeshift housing units. I would greatly appreciate the continued cooperation of ORBIS as our good partner.



Daigo Sato
Chairman, JustGiving Japan™

Engagement by Employees and Business Partners

Hope cheers you up.

In the wake of the Great East Japan Earthquake, employees of the POLA ORBIS Group have voluntarily engaged in an extensive range of support efforts in cooperation with the Group's business partners.

This page covers only a few examples of concerted efforts by group companies, departments and individuals.

Helping People On Site in the Affected Areas

In accordance with the POLA ORBIS Group Action Platform, which requires the fulfillment of responsibilities as a "corporate citizen through social contributions", people in the POLA ORBIS Group are engaged in support efforts for the disaster-affected areas using their own expertise. A few examples are shown here.

Applying Hand and Facial Massages to Persons in Makeshift Housing

Under the leadership of Kazuko Hashiguchi, General Manager of the Higashi Yamazaki Sales Branch in the Kyoto area of POLA, 33 volunteers formed a team and gave hand and facial massages to people living in makeshift housing at five locations in Sendai City, Miyagi Prefecture. As associates in the southern Tohoku area had distributed leaflets in advance at the site, a long line of people had formed before the start of the event. The volunteers received many words of gratitude and "smiles" from the people who came to have massages.



Hand massages were being applied

Just Looking Ahead

After repeated meetings to discuss what we could do, we decided to provide hand and facial massages to people in the affected areas. The plan was designed to increase attention to the people in Tohoku to help support their recovery efforts. Actually, however, it was we who were deeply moved and encouraged by the strong-minded and positive attitudes of the Tohoku people. We intensified our gratitude for being "blessed with life" and pledged to keep looking ahead at all times.



Kazuko Hashiguchi
Higashiyamazaki
Sales Branch, Kyoto

"FAIRY JAPAN POLA" Held a Charity Show to Support the Recovery Efforts

The Japanese national rhythmic gymnastics team, "FAIRY JAPAN POLA," to which POLA provides beauty support, held a charity show on May 22, 2011, to support reconstruction efforts in the affected areas. In addition to performing, the team gave advice on rhythmic gymnastics to 500 junior high and high school students who had to discontinue their practice due to the disaster.



FAIRY JAPAN POLA shares joy with children as a commemorative photo was taken after the charity show

Courage and Hope

Having seen the disaster devastate our communities, leaving piles of debris, we were deeply discouraged, thinking we might not be able to continue rhythmic gymnastics. However, we were truly delighted by the visit of Japan's leading rhythmic gymnastics athletes to our school, which brought us courage and hope although we suffered from immeasurable damages, including the destruction of our gymnasium and the loss of our homes. The relationship continued thereafter, enabling our club athletes to make surprising progress.



Atsuko Matsuura, the teacher in charge of the rhythmic gymnastics club at Takasago Junior High School in Sendai City, and the club members

Helping People on Site in the Affected Areas

Delivering Support Goods to Rikuzen Takata

Takako Ito, a POLA PHARMA employee, formed a private support group for Rikuzen Takata City with her 21 associates who belonged to the same sports club associated with the city. With the cooperation of the associates and their friends, the group delivered unused clothes kept in closets and other support goods bought with the money they saved.



The needs of local people are reflected in disaster volunteer efforts

Continued and Long-term Approach Is Essential

Some members of our sports club lost their lives in the disaster, and the surviving members are leading difficult lives. Out of my sincere wish to help, I visited the affected areas six times to do volunteer work and to deliver goods in short supply for living in makeshift housing. Although it is said that the restoration of the affected areas will take more than 10 years, indifference to the areas seems to be growing and the memory of the disaster is starting to fade. People in the affected areas have concerns about being forgotten. I will continue to engage in the volunteer efforts in cooperation with the people around.



Takako Ito
POLA PHARMA

Distribution of Hot Food and Massage Service

Masako Ishikawa, an ACRO employee, visited Ishinomaki with her 30 friends in April 2011. Getting there and back took them 14 hours by chartered bus. With the cooperation of ORBIS, they delivered around 5,000 items of skincare products and shampoo, as well as clothes and daily necessities. As volunteers, they also engaged in the distribution of hot food and arranged for the provision of massage services by professional therapists.



A scene of hot food being distributed

With the Help of Friends, Extended Support Was Given Using My Connections

I confirmed what was needed at an evacuation site by directly asking an acquaintance who was living at one of those sites in Ishinomaki Junior High School. Based on that information, we approached some companies to provide clothes for adults and children, skincare goods and other items. The response was much better than expected. Currently, we are engaged in the "Sewing Machine (Support Economic Independence) Project" operated by "Fumbaro Eastern Japan Project" to promote employment and income generation for women in the affected areas.



Masako Ishikawa
ACRO

Support the Affected Areas through Band Performances

Takashi Tsunenari, a KAYAKU employee, launched a project with his friends to support the disaster-affected people through a band performance and music. They held a live concert and donated sales of the concert tickets. The concert ended successfully, and Tsunenari was able to reconfirm the bond with his colleagues who supported him at their workplace, in addition to forming a "bond" with the audience. The money collected through fund-raising efforts and income from ticket sales totaled ¥115,228, which was donated in full.



Message flag with messages written at the concert

Starting with Something I Can Do, Together with Friends

With the cooperation of band members and a volunteer team at my workplace, I had an extremely valuable experience. The message flag was filled with messages from children to senior citizens. I feel overwhelmed with gratitude.



Takashi Tsunenari
KAYAKU

Tasks to Be Tackled in the Future

The sudden and unexpected occurrence of the disaster has left many tasks for us to address.

Lessons from the disaster must not be forgotten, and reflections through the experience should be turned to good effect to build a more disaster-resistant society.

The lessons and results we obtained from the disaster are as follows.

- ① With its many sales bases being affected, POLA provided an extensive range of support under the leadership of its disaster response headquarters. However, preparedness of the POLA ORBIS Group could be improved by such as enhancing manuals to coordinate response activities on the group-wide basis.
- ② Damage to some of our partner companies resulted in altering our plans for the release of new products and other plans. To prepare for possible disasters in the future, we formulated a Business Continuity Plan (BCP), including a method for initial responses in case of possible disaster, to ensure the continuation of business operation. At POLA CHEMICAL INDUSTRIES, efforts have begun to establish a business continuity plan in cooperation with its supply chain.
- ③ We reviewed our initial responses, and some of those responses were found to need improvement. For example, we explored measures to ensure sufficient supplies for an emergency and better support for people unable to return home.
- ④ Due to the occurrence of unexpected nuclear power plant accidents, planned power outages and power-saving efforts became significant issues. Although the government asked large and small corporate users and consumers to cut power consumption by 15%, the Group achieved greater power saving that even exceeded its own target of 25%. These saving efforts will continue.

Business Continuity Plan (BCP)

Fortunately, damage caused by the Great East Japan Earthquake to the POLA ORBIS Group did not present a considerable obstacle to the continuation of its business operations. However, the disaster has made us reconfirm the importance of ensuring the integrity of our initial responses to possible large-scale disasters, such as confirming the safety of employees and making decisions about returning employees home.

In June 2011, the POLA ORBIS Group started investigating the status of BCPs at major group companies to identify problems and work out solutions. The fundamental review of the BCPs has been completed, and we will henceforth verify and enhance the effectiveness of the renewed BCPs through repeated disaster drills.



Fire and evacuation drills performed after the disaster, through which the importance of initial responses was reconfirmed

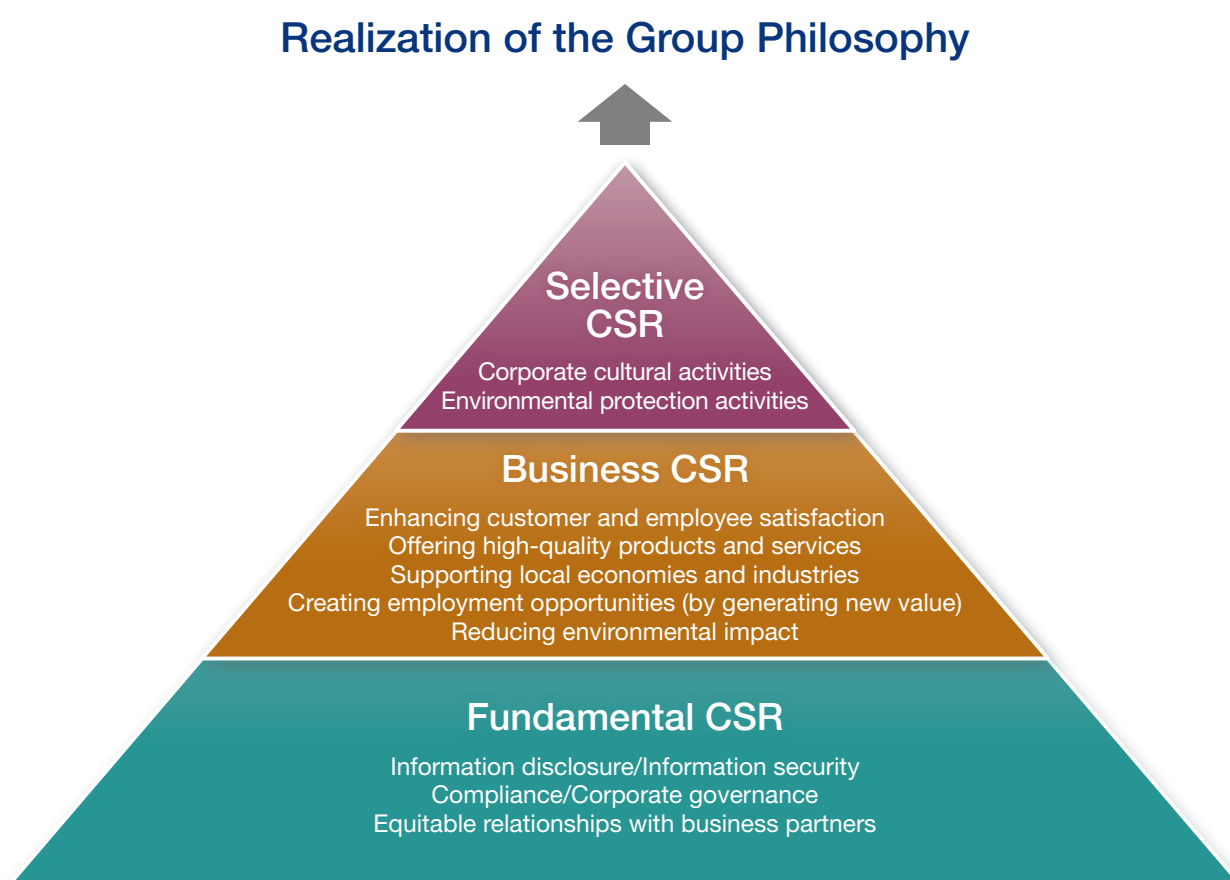


Disaster drill held by the Ginza Dori Association

CSR Activities of the POLA ORBIS Group

Three Specific Areas of CSR Activities

The POLA ORBIS Group Carries out its CSR Activities in Three Specific Areas



Three Specific Areas of the POLA ORBIS Group's CSR Activities

Fundamental CSR

Fundamental activities that all companies should carry out, such as compliance with laws, regulations and public morals, corporate governance related to the Group's operating structure, and information disclosure to meet corporate standards of accountability.

Business CSR

Programs implemented through our core business and in cooperation with stakeholders to support sustainable development, such as enhancing customer and employee satisfaction, providing high-quality products and services, supporting local economies and industries, and creating employment opportunities by generating new value.

Selective CSR

Active corporate culture and environmental protection programs that make significant contributions to society and enrich our core business.

Report on Fundamental CSR Activities

Fundamental CSR

Securing and Retaining Public Trust

The POLA ORBIS Group makes all-out efforts to further strengthen management foundation in accordance with the basic policy for compliance-based management by establishing a highly transparent corporate governance structure.

(Summary of fundamental CSR activities in 2011)

Theme	Planned activities addressed in 2011	Major achievements in 2011	Self-evaluation	Major activities plan in 2012
Reinforcing compliance	Promote the understanding of CSR	<ul style="list-style-type: none"> Distributed the "CSR Handbook" to deepen employees' awareness of the POLA ORBIS Group Action Platform and the CSR Charter, solicited a written pledge from all group employees to uphold certain standards of the CSR and held informational meetings Implemented a Group CSR Award commendation system 	★★	<ul style="list-style-type: none"> To encourage the holding of "CSR Handbook" informational meetings To continuously conduct the Group CSR Award commendation
	Strengthen risk management	<ul style="list-style-type: none"> Established a risk-reduction plan and conducted follow-up on it 		<ul style="list-style-type: none"> To reduce risk by continuously conducting follow-up of companywide risk management
	Enhance and develop CSR training	<ul style="list-style-type: none"> Conducted the CSR implementation training for new employees (at the CSR office of each Group company) Conducted a training to learn about compliance and an comprehension test for newly appointed persons in charge of worksite compliance promotion and the staff of the CSR offices (July 11 - August 22) Conducted a training to learn about compliance and an comprehension test for persons promoted to managerial posts (July 11 - August 22) Conducted a CSR training for local staff of POLA (China) (November 24 and December 16) Held a CSR and Compliance lecture meeting (on the theme of "Insider Trading"; September 2 - 20) Conducted CSR and Compliance e-Learning sessions (on the themes of "How to Understand CSR," "What Can We Learn from the Great East Japan Earthquake?," "Insider Trading" and "What Makes a Good Worksite Environment?" (August 22 - September 30) 		<ul style="list-style-type: none"> To continuously conduct CSR and Compliance trainings through stratified training programs, lecture meetings, e-learning sessions, etc.
	Monitoring	<ul style="list-style-type: none"> Conducted the "Employee Attitude Survey on Compliance" and the "Employee Satisfaction Survey" (June 9 - 23) Promoted awareness and operation of the Help Line system <p>Prepared the next-year improvement plan based on the monitored results and the feedback on companywide risk management</p>		<ul style="list-style-type: none"> To continuously conduct the "Employee Attitude Survey on Compliance" and the "Employee Satisfaction Survey" To further promote awareness of the Help Line system To further reinforce the risk management system
Reinforcing information security	Thoroughly manage information assets	<ul style="list-style-type: none"> Took inventory to assess the current status of personal information (twice/year) Thoroughly managed corporate information (e.g., enhanced control of external storage media) 4th renewal of the PrivacyMark (ORBIS) Conducted an external information security analysis (November 28 - December 14: five Group companies) 	★★	<ul style="list-style-type: none"> To continuously conduct assessments of personal information To conduct external information security analyses beyond the five Group companies

(Self-evaluation) ★★★ : Well done ★★ : Just a bit more effort is needed ★ : More effort required

Report on Business CSR Activities

Business CSR

Fulfilling Our Social Responsibility through Our Core Business Activities

The POLA ORBIS Group strives to provide high-quality products and services in compliance with the Basic Policy on Quality Assurance in the pursuit of in-depth business so that the Group can fulfill its social responsibility through its core business activities.

(Summary of business CSR activities in 2011)

Theme	Planned activities addressed in 2011	Major achievements in 2011	Self-evaluation	Major activities plan in 2012
Improving customer satisfaction	Reinforce the Group quality assurance system	<ul style="list-style-type: none"> Reinforced the Group quality assurance system through the Subcommittee on Quality Assurance 	★★	<ul style="list-style-type: none"> To further reinforce Group-wide quality assurance
	Improve the capacity to respond to customer needs	<ul style="list-style-type: none"> Conducted the Customers' Satisfaction Survey and integrated the feedback into the next-year plan Conducted an external evaluation using survey calls (survey of customer center's response quality through phone calls by investigators acting as customers) 		<ul style="list-style-type: none"> To continuously conduct the Customer Satisfaction Survey
	Develop products and services in which feedback from customers is integrated	<ul style="list-style-type: none"> Developed products in which feedback from customers is integrated 		<ul style="list-style-type: none"> To continuously develop products and services in which feedback from customers is integrated
Cooperating with suppliers and business partners	Strengthen collaboration with suppliers and business partners	<ul style="list-style-type: none"> Reinforced support for business partners Strove to improve customer satisfaction in cooperation with suppliers 	★★★	<ul style="list-style-type: none"> To continuously cooperate with suppliers and business partners
Improving employee satisfaction	Upgrade the work environment by revitalizing women	<ul style="list-style-type: none"> Held a working mothers' meeting (October) with the theme of "Coexistence of Job and Child-Rearing" (POLA) Increased the ratio of female managerial staff (a year-over-year 13.1% increase for the overall Group) 	★★	<ul style="list-style-type: none"> To further raise the ratio of female managerial staff
	Create workplaces where employees can easily work by improving their work-life balance	<ul style="list-style-type: none"> Conducted campaigns to edify the concept of work-life balance by reducing overtime work and spreading the Refresh Vacations system within the overall Group Reduced monthly average overtime hours (a year-over-year 16% decrease in the overall Group) Improved the usage rate of the annual average paid vacation days (a year-over-year 6% increase in the overall Group) 		<ul style="list-style-type: none"> To further improve the work-life balance To reduce overtime hours and raise the usage rate of paid vacation days
	Enhance the education system for human resource development	<ul style="list-style-type: none"> Supported the career development of employees (held an executive development course and the Future Research workshop) 		<ul style="list-style-type: none"> To further enhance the career development of employees
Promoting better understanding of our corporate activities by shareholders and investors	Maintain good communications with shareholders and investors	<ul style="list-style-type: none"> Returned profits to shareholders, depending on operating performance Held various explanatory meetings for investors 	★★★	<ul style="list-style-type: none"> To enhance the continuous return of profits to shareholders To increase and upgrade explanatory meetings for investors
Environmental considerations	Environmental care at offices	<ul style="list-style-type: none"> Reduced CO₂ emissions by 23.2% at offices after the Great East Japan Earthquake 	★★★	<ul style="list-style-type: none"> To continuously take eco-friendly measures at offices
	Environmental care in the production sector	<ul style="list-style-type: none"> Reduced CO₂ emissions by 5% at the cosmetics manufacturing factories relative to 2009 levels Achieved the relevant eco-friendly standards (those for ingredients and container packaging) in the overall Group (POLA, ORBIS, pds, etc.) 		<ul style="list-style-type: none"> To introduce renewable energy To achieve eco-friendly standards
Cooperating with society	Revitalize local communities and industries	<ul style="list-style-type: none"> Contributed to local industry through the development of original materials by drawing on special local products (ACRO) 	★★★	<ul style="list-style-type: none"> To continuously develop businesses via cooperative relationships with local communities
	Contribute to local communities	<ul style="list-style-type: none"> Contributed to local communities by providing cosmetic volunteers, the moving salon business, etc. Contributed to local communities by the production sector (e.g., environmental education, etc.) 		<ul style="list-style-type: none"> To continue contributory activities for local communities

(Self-evaluation) ★★★ : Well done ★★ : Just a bit more effort is needed ★ : More effort required

Improving Customer Satisfaction

Toward in-depth business starting from the customers' standpoint

Basic Policy on Quality Assurance

The POLA ORBIS Group considers “customers’ satisfaction” as its top priority and provides high-quality and high-performance products that are suitable for each Group company’s brand so that customers can safely use its products without anxiety.

1. We seriously respond to customer feedback and strive to further improve the quality of our products while keeping in mind customer satisfaction as our top priority.
2. We strive to manufacture and sell products that are available for customers’ safe use with the proven benefits and safety underpinned by the latest science.
3. We strive to ensure the satisfactory quality of our products through their entire life cycle from the product planning stage to the end-user.
4. We comply with laws and regulations in all aspects of our corporate activities and strive to research, manufacture and sell our products in cooperation with policies outlined by public administrative bodies.
5. Our management strives to establish a highly transparent management structure to practice the most appropriate quality assurance.

Reinforce the Group Quality Assurance System

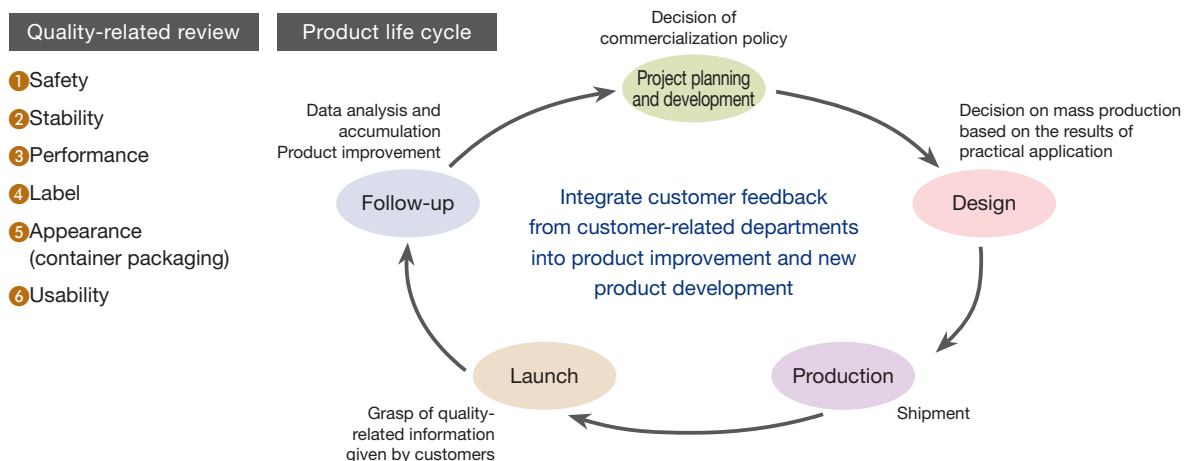
To further ascertain the trust in and effectiveness of its quality assurance system, the Subcommittee on Quality Assurance was established as an internal organization across the Group within the Group CSR Committee, in accordance with the Basic Policy on Quality Assurance. The subcommittee consists primarily of the QA supervisors of the respective Group companies and engages in the following tasks: 1) streamlining Group-wide responses to quality assurance, as well as the control environment that entails various regulations, codes and rules; 2) identifying quality-related issues; and 3) following up on the quality assurance system, monitored results and improvement plan of each Group company. The subcommittee’s efforts in this line are intended to improve CSR activities in the overall Group.

Meanwhile, each Group company reviews and improves various quality-related manuals including “Appropriate Project Planning and Development, Manufacturing Control and Quality Control,” “Treatment of Quality Troubles” and “Responses to Customers’ Opinions and Requests.” Each Group company also self-checks the operation of its own quality assurance system and regularly reports quality-related issues to its management board.

Quality Assurance Activities through the Entire Life Cycle of Products

We have established a systematic quality assurance structure including the “Quality Review Meeting” and the “Production Design Evaluation Meeting”. In particular, we endeavor to grasp quality-related, after-sales information to further increase customer satisfaction via quality improvement, as required.

[Quality Assurance System of the POLA ORBIS Group]



Improve the Capacity to Respond to Customer Needs

We collect various opinions and requests from customers at diverse opportunities such as the Customer Relations Office, phone calls to the call center, questionnaires and roundtable talks. In addition, to swiftly adopt the feedback from customers, each Group company strives to improve its customer contact function and develop appropriate human resources and customer-oriented organizations to quickly integrate customer feedback into business activities.

The Mechanism to Utilize Customer Feedback in Business Activities Has Been Realized (POLA)

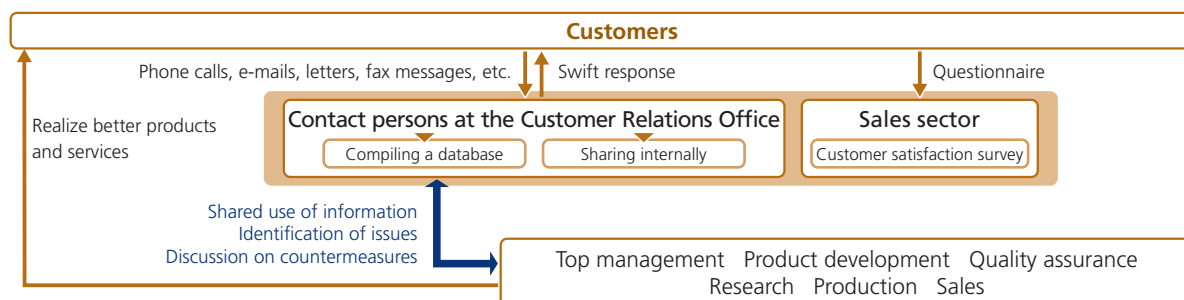
We promote a mechanism that allows the swift provision of information to the product planning, R&D and production sectors so as to integrate customers' opinions and requests in our products and/or services. From such feedback, we have implemented various improvements to product design, functional improvement, the amelioration of ingredients and/or containers and the optimization of product labels and ads.

In addition, we randomly conduct an in-depth, customer satisfaction survey to ask about customers' desires and cosmetic consciousness, as well as requests to POLA. In 2011, we received responses from 1,150 customers. Such customer feedback is shared internally and positively used for several applications.



Customer Relations Office, where staff handle phone calls, e-mails and letters from customers to realize better products and services

[Customer's voice feedback mechanism]



Striving to Upgrade Telephone Skills (ORBIS)

To upgrade the telephone skills of our operators at the call center, we take various measures to improve their service quality, including an external survey using evaluation calls, a telephone skills competition, a CS specialist qualification test and customers' questionnaires.

In 2011, we received the Excellence Prize at the "Corporate Telephone Skills Contest (in the Call Center area) for the Southern Tokyo Area", which was organized by the Japan Telecom Users Association. We also achieved the top position for three consecutive years in the "Nikkei Business After-Sales Service Satisfaction Rankings (Internet shopping)". In addition, in a customer satisfaction survey conducted by Service Productivity & Innovation for Growth, we earned the top position in terms of customer satisfaction in the Internet shopping and mail-order industrial areas.



ORBIS call center where specialists in telephone skills sincerely respond to calls from customers

Utilizing Customer Feedback to Improve Products and Services (decencia)

Effective countermeasures are discussed monthly among each team after sharing customer feedback collected via phone calls from the call center. We not only submit proposals for improvement but also share complimentary messages from customers to provide better products and services.

In 2011, we invited some customers to the new product rollout as an opportunity to present our new products as early as possible. Many comments were received from customers, for example, "I could feel an increasing familiarity with decencia."



Customers invited to the new product rollout

Cooperating with Suppliers and Business Partners

Pursuing growth together with our partners

Strengthen Collaboration with Suppliers and Business Partners

The POLA ORBIS Group strives to increase sales result in corporation with door-to-door sales persons (business partners) and tenants for store sales through the exchange of information and trainings.

Support Approximately 130 Thousand “POLA ladies” to Encourage Their Long-term Commitment (POLA)

POLA area managers who are in charge of 24 sales areas nationwide and 130 thousand POLA ladies have established an excellent partnership to deliver customers with heartfelt services and superior products.

The POLA ladies are allowed to program their sales activities according to their own convenience so that they can work as long as possible given such life-cycle events as marriage, childbirth and child-raising. In addition, we support employment opportunities and further participation in society for women by streamlining educational curriculums to master the necessary techniques and expertise for body care, makeup and aesthetic treatments.



The POLA ladies of the POLA THE BEAUTY (PB) store, who support customers' beauty as POLA business partners

VOICE On the Road to Success Together with colleague

**Faster
and bigger,
move ahead!**

Mami Sugiura
Nagoya Area
Sales Branch Manager,
PRIME sales office,
Nagoya



I have been the head of a sales office for 23 years. This period has featured many failures and learning experiences. My mother, who was also a senior POLA lady, was most influential. When I was a child, she often encouraged me by saying, “You cannot do because you don’t try to do.” As an experienced senior in the POLA life, my mother’s words have always been my goal.

The year before last, we had the first general manager in her 20s in POLA history in our sales office. Seeing her in action, I can easily understand that she is capable of reaching her outstanding goals. I now feel that I must embrace change and strive to extend the fellowship circle.

Excerpt from her pledge at the POLA National Convention (in Hawaii)

Lead to the Improvement of Customer Satisfaction in Cooperation with Stores (ORBIS)

ORBIS’s customer service was highly acclaimed again this year at the customer service contests at shopping centers (SCs) operated by leading distributors. We won second place at the “SC Customer Service Role Playing Contest (Chugoku and Shikoku Regional Convention)” and received the Jury’s Special Award at the “Kinki Regional Convention” of the contest, both of which were organized by the Japan Council of Shopping Centers.

Furthermore, according to an investigative evaluation using investigators acting as store customers to screen the quality of customer service, our seven tenant stores were ranked at the top position, including our store in AEON MALL Kashihara Aruru (of 248 stores) and the one in LaLaport YOKOHAMA (of 233 stores).



ORBIS THE SHOP has approximately 110 stores throughout the country. Staffers work to ensure that customers can shop comfortably at all times.

Improving Employee Satisfaction

Expecting every employee to enjoy active work

Upgrade the Work Environment by Revitalizing Women

The POLA ORBIS Group supports not only female customers in all respects but also female employees so that each of them can continue to develop. The Group is confident that any corporation in which gender and other barriers are removed can maintain sustained growth.

AAA Activity to “Increase the Number of Beautiful and Forward-looking Female Employees” (POLA)

After the “Anti-Aging Alliance (AAA) Declaration” was released, POLA took measures to allow female employees themselves to address their lives in a beautifying and forward-looking manner. In October 2011, a lunch meeting with 32 working mothers who work at the head office was held with the theme of “Coexistence of Job and Child-Rearing.” We thus focus on streamlining the workplace to make it easier for women to work there.

Such efforts include cosmetic seminars for employees for skin care and makeup and the provision of “TFT^{*1} AAA collaborative menus”, which feature low calories and cosmetic effects, at the staff canteen.



Practicing massage and makeup techniques

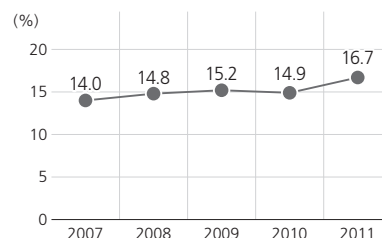
^{*1} TABLE FOR TWO (TFT) campaign: Since the autumn of 2007, the Group has participated in the TFT activity, whereby ¥20 per menu item is automatically donated to help feed schoolchildren in Africa if an employee requests a specified healthy menu item at any of the staff canteens of the Group companies.

Focus on Creating an Environment to Encourage the Long-term Commitment of Female Employees

The POLA ORBIS Group is active in expanding the arena for female employees who have strong willingness and competency, as well as the extension of a female recruitment framework and recruitment at high managerial positions. To this end, we strive to create a work environment where female employees can fully demonstrate their abilities regardless of gender, nationality, midcareer employment and/or age.

The ratio of female managerial staff in the overall Group increased from 14.0% in 2007, during which the POLA ORBIS HOLDINGS structure started, to 16.7% in 2011.

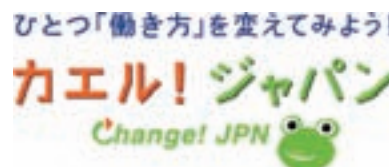
[Change in the ratio of female managerial staff]



Create Workplaces Where Employees Can Easily Work by Improving Their Work-life Balance

Enhanced Use of the Refresh Vacations^{*2} System and Promotion of the No-Overwork Campaign

The “Refresh Vacations system”, which was first implemented by POLA in 2008, has been subsequently applied to the Group companies. At ORBIS, scheduled vacation days became available to employees with the introduction of the Refresh Vacations system. The usage rate of the annual average of paid vacation days in the Group rose from 49.9% in 2010 to 53.9% in 2011. The Group also participated in the “Change! JPN (JAPAN)” campaign to discourage overtime work and the No-Overwork campaign including “Berusa’s Day” (POLA), on which employees were encouraged to leave work immediately at the ringing of the dismissal bell. As a result, the monthly average of overtime hours declined by 2.5 hours from 15.4 hours/person in 2010 to 12.9 hours/person in 2011.



^{*2} Refresh Vacations: A system under which employees can take long-term vacations of about one week through a combination of paid vacation days, predetermined company holidays, public holidays and two days of another form of vacation days.

Promoting Better Understanding of Our Corporate Activities by Shareholders and Investors

Increasing corporate value by sustaining growth

Long-Term Vision Formulated

To deliver new growth and boost the Group's corporate value, we have formulated a long-term vision that sets financial targets for the period until 2020. We aim to leverage our strengths in direct marketing and research and development to accelerate the development of the Group's overseas presence, centered on flagship brands, and ultimately become a global enterprise in the field of "beauty and health" while achieving stable growth in Japan.

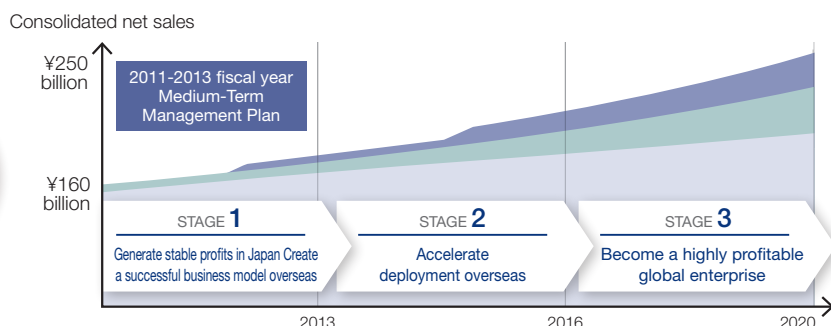
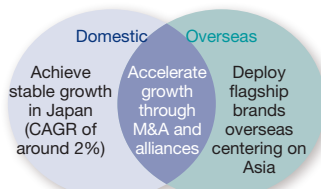
Long-Term Vision — Goal for 2020 —

Consolidated net sales:
¥250 billion or more

Operating margin:
13%–15% (Top level in the industry)

Overseas sales ratio:
20% or more

[Long-Term Vision
—management indicator—]



Maintain Good Communications with Shareholders and Investors

The POLA ORBIS Group recognizes social responsibility as a publicly listed company and strives to ensure active communications with shareholders and investors.

Returning Profits to Shareholders and Special Benefits to Shareholders

We aim to pay a stable dividend of ¥40 per share with increases in line with earnings performance. We introduced an interim dividend for fiscal 2011 and paid an annual dividend of ¥45 per share (comprising an interim dividend of ¥20 and a year-end dividend of ¥25). In addition, as a special benefit to shareholders, we offer shareholders' points (1 point corresponds to approximately ¥100) to those shareholders who hold at least one unit (100 shares) of POLA ORBIS HOLDINGS shares, depending on the number of shareholdings and shareholding years. The eligible shareholders may select their favorite products from several options to raise their awareness of the Group's operations.

Explanatory Meetings for Investors Increased and Improved

In addition to results briefings and separate interviews with institutional investors, we actively visit investors in Japan and overseas. We also endeavor to improve our IR activity including feedback on questions and opinions from investors to management.

Meanwhile, we held explanatory meetings for individual investors in cooperation with securities companies. In addition, we strive to conduct IR activity that focuses on the Group's originality including meetings held exclusively for women.

Environmental Considerations

Handing down the beautiful Earth to the next generation

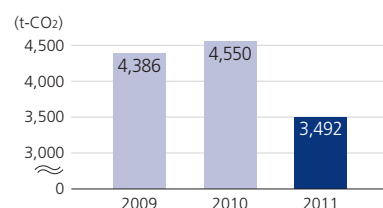
POLA ORBIS Group Environmental Policy

1. We strive to reduce environmental impact throughout the life cycle of products.
2. We strive to make continuous improvements and prevent contamination to the extent technically and economically possible by setting environmental goals.
3. We strive to develop environment-friendly products, save resources, conserve energy and minimize waste at our establishments in order to preserve and improve the global environment.
4. We comply with the laws, municipal bylaws and agreements with local governments (prefectures, cities, towns and villages), as well as voluntary standards, etc.
5. We strive to coexist with local communities and society and promote environmental preservation and improvement activities.

Environmental Care at Offices

The POLA ORBIS Group promotes the reduction of energy usage at the offices of the respective Group companies in compliance with the POLA ORBIS Group Environmental Policy. CO₂ emissions at offices in 2011 were 3,492 tons, a year-over-year decline of 23.2%, reflecting the cooperation of employees for energy conservation and electricity-saving from the implementation of the No-Overtime Day. Electricity saving after the earthquake by the overall Group considerably contributed to this positive result.

[Change in CO₂ emissions at offices of the POLA ORBIS Group]

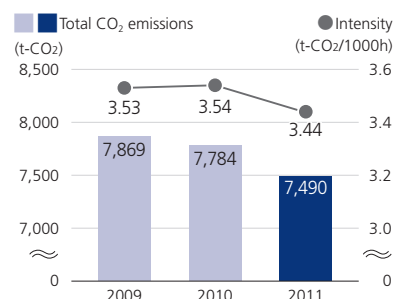


Environmental Care in the Production Sector

The production sector of the Group established the "Energy Committee" in control of energy management effective from 2010. In anticipation of the national target of a "50% reduction in CO₂ emissions by 2050," the committee aims to achieve the target of a "25% reduction in CO₂ emissions" by 2020 in the overall production sector.

In 2011, we started a specific study on implementing a photovoltaic power generation system.

[Change in CO₂ emissions for production (Combined for the Fukuroi and Shizuoka Factories)]



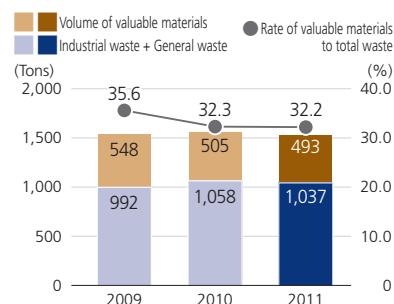
CO₂ Emissions Reduction Achieved by Introducing New Technology and Equipment

We implemented the "LEE Formula" to drastically increase energy efficiency for heating/cooling raw materials, enabling a 30% reduction in CO₂ emissions via this formula per manufacturing lot. We intend to increase the number of cosmetics items covered by this formula. The Shizuoka Factory of POLA CHEMICAL INDUSTRIES INC. implemented high-efficiency multiple-type air-conditioning equipment for its office building, thereby reducing CO₂ emissions at the facility by approximately 30 tons.

Recycling of Waste Plastics

The production sector promotes the recycling of waste (reuse of waste into valuable resources). Conventionally, waste plastics generated from our factories were scrapped in a lump. However, since 2007, they have been sorted by the quality of the materials (e.g., PP, PE, PS, etc.) to be reused as valuable resources. Initially, they were segregated into three types: stretch film, PP band and tube container. The segregation now has been extended to 10 types. The recycled volume of waste plastics was 17.3 tons in 2011 compared with 14.7 tons in 2007, thereby contributing to the creation of a recycling-based society.

[Changes in waste volume and the rate of valuable materials to total waste (Combined for the Fukuroi and Shizuoka Factories)]



Cooperating with Society

Fulfilling responsibility to local communities and society through its business activities

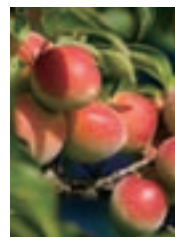
Supporting Local Economies and Industries

The POLA ORBIS Group continues to take initiatives to contribute to the revitalization of local communities and industrial development by proactively leveraging traditional technology, local industries and domestically produced materials through its business activities.

Cooperate with Local Producers from the Development and Adoption of Materials (ACRO)

Since 2009, ACRO has strongly promoted social contributions through its “THREE”-brand cosmetics. In the product development field, we are developing raw materials for cosmetics that take advantage of domestic materials in cooperation with local producers by leveraging materials and lesser-known special local products.

We promoted the proactive development and adoption of domestic raw materials under the concept of “Japanese patrimonial vegetables draw out women’s beauty.” As a result in 2011, we launched “Hand & Arm Cream AC,” which includes four botanical ingredients—Pleurotus Cornucopiae mushroom extract (produced in Hokkaido), Prunus Mume fruit water (produced in Wakayama), Citrus Junos seed oil (produced in Kochi) and Alpinia Speciosa Leaf water (produced in Okinawa). It was highly evaluated by “MAQUIA” magazine and received the Best Cosme Award in the Body sector.



“Prunus Mume fruit water”, which is obtained by distilling ume vinegar made from ume prum (Nanko-Ume), a special local product of Wakayama, is used.

Skincare Development Standards for “THREE”, Leveraging Excellent Raw Materials in Japan

The “THREE” brand has adopted stringent voluntary standards to supply safe and reliable products. Based on the concept of “Shindofuji (human lives and health are supported by the ground that grows foodstuffs)” and “Chisanchisho (local consumption of locally produced products)”, we develop and adopt materials that are carefully grown by reliable producers as the ingredients of our products. We also abide by policies such as “Actively use organically authorized materials,” “Don’t use genetically modified materials” and “Don’t use synthetic fragrances and artificial colorants.” Consequently, 88% of our products on average derive from natural materials.



The THREE-branded Hand & Arm Cream AC combines domestic botanical waters, including Prunus Mume fruit water and shell ginger water, and hot spring water.

Contribute to Local Communities

Offering the Pleasure of Shopping to Regions via the Moving Salon Bus (POLA)

The “moving salon” business, which uses a large bus remodeled into a traveling stall, is welcomed by customers in local districts. This business sells jewelry and luxury fashion goods throughout the nation. As the bus goes directly to the vicinity of customers’ living area, people in areas without department stores or high-end boutiques can enjoy shopping inside the bus. The interior space offers a luxurious atmosphere, and the assortment of products is carefully prepared by taking into account the season and consumer needs in the target district.

In 2011, the salon bus moved around 54 spots nationwide from Miyazaki Prefecture at the southern end of Japan to Aomori Prefecture at the opposite end of Japan. At Hitachiota City in Ibaraki Prefecture, the first stop of the year, more than 100 customers came despite a heavy rain. We have received positive feedback from many customers who anxiously await the arrival of the moving salon bus.



Appearance of the moving salon bus

Contribute to Local Communities

The POLA ORBIS Group shares a variety of activities with residents in local communities through the business activities of the respective Group companies to build spiritually richer and better communities in which to live.

Cosmetic Volunteers at Nursing Care Facilities and Hospitals (POLA)

We promote cosmetic volunteer activities at nursing care facilities and hospitals using aesthetic treatments and makeup techniques. For example, at the Sakane Hospital in Kishiwada City, Osaka, seven volunteer staffers offer cosmetic lessons in response to the hospital's request to help revitalize long-term inpatients, some of them stay more than 10 years, via exchanges with outsiders for skincare and makeup services.

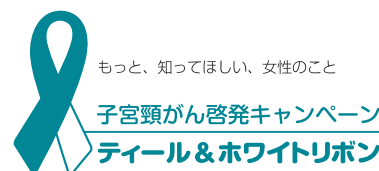
Looking at the smiles on the faces of the inpatients, all the participants felt that beautification has the "power to make women vigorous, cheerful and forward-looking."



Staff giving cosmetic guidance from the point of view of an inpatient eyes

Support Women's Healthy and Beautiful Way of Life with a Skin Check Service (POLA)

In 2010, inspired by the spontaneous activity of POLA ladies, we started supporting the "Teal & White Ribbon" cervical cancer enlightenment campaign. Starting with the passion of "doing something useful for someone else," our project now contributes to enhancing the awareness of the need for medical examinations for cervical cancer by donating ¥10 per skin check for customers as part of an AAA activity that supports women who desire to live beautiful lives and become beautiful. The total donation amounted to ¥6.8 million at the end of the year, and we received a letter of appreciation from the secretariat of the governing body.



VOICE Let's Protect Women from a Curable Cancer

Make women more brilliant via a grass-roots effort to inform them of the need for medical examinations



Hiromi Kawamura
Chairperson, Teal & White Ribbon Project Association (NPO)

It is said that 10,000 women have cervical cancer, and 2,000–3,000 of them die every year. In fact, I was one of these patients. Despite the fact that cervical cancer is the sole cancer preventable with a vaccine, medical treatment has lagged because of a medical examination rate as low as about 20% and the vaccine only recently being available in Japan. At the recent POLA National Convention, which was held to publicly recognize those POLA ladies with excellent sales results, we heard many comments saying, "I often recommend a medical examination to my customers." I believe this program is an excellent initiative in that it allows people to get involved in social activities through a ¥10 donation per skin check by persuading customers of the need to get the medical examinations for cancer.

Honorable Recognition Was Made Internally of Several Excellent Initiatives to Address Social Issues (POLA ORBIS Group CSR Awards)

The "POLA ORBIS Group CSR Awards" are intended to pay tribute to the efforts of the departments, groups and individuals positively engaged in CSR activities, support such activities and make them known publicly inside the Group. In fiscal 2011, a President's Award, an Award of Excellence and several other awards were presented. The Group paid tribute to several Group companies and individuals in association with the support activity regarding the Great East Japan Earthquake.

[Fiscal 2011 (5th) POLA ORBIS Group CSR Awards]

Award	Theme	Reason for awarding
President's Award	Continuous Business CSR Activity of "THREE" (ACRO)	As for the "THREE" brand, the awarded activity recognized the importance of lesser-known natural materials in Japan. The development and adoption of some raw materials for cosmetics in cooperation with local producers have considerably contributed to revitalizing local communities.
Award of Excellence	Activity highly appreciated by customers through the provision of high-quality business materials using the moving salon bus	The activity has proven successful by dispatching staff with goods to regional cities where it is sometimes difficult for residents to access convenient shopping, for example, due to closure of a department store. The service has contributed to raising customers' pleasure of shopping and revitalizing local communities.

Report on Selective CSR Activities

Selective CSR

Offering What We Can Do for Society

The POLA ORBIS Group continues to support a wide variety of initiatives to enrich society and people in such areas as culture & arts, social contribution and environmental protection.

(Summary of selective CSR activities in 2011)

Theme	Planned activities addressed in 2011	Major achievements in 2011	Self-evaluation	Major activities plan in 2012
Promoting social contribution activities	Culture & arts support activities	<ul style="list-style-type: none"> Exhibition and publication activities by the POLA Research Institute of Beauty and Culture Support to the Pola Foundation for the Promotion of Traditional Japanese Culture Support to the Pola Art Foundation 	★★	To continue supporting various social contribution activities
	Social contribution and environmental protection activities	<ul style="list-style-type: none"> Participated in the TABLE FOR TWO activity (a year-over-year increase of 15% in donations) ORBIS Conducted a reforestation activity POLA Conducted the Mt. Fuji Cleanup campaign; approximately 580 kg of rubbish was collected 		

(Self-evaluation) ★★★ : Well done ★★ : Just a bit more effort is needed ★ : More effort required

Culture & Arts Support Activities

Offering the people the pleasures of culture and art

Making Arts Familiar

The POLA Museum Annex (Ginza, Tokyo) holds special free entry exhibitions featuring artwork in the POLA Collection and modern art throughout the year. Events held in 2011 included The “Fragrance of Perfume Bottles Exhibition” to introduce artwork in the POLA Museum of Art’s collection and diversified exhibitions. In addition, at the POLA Museum of Art Exhibition 2011—Soshun (Early Spring), young artists who had been granted subsidies for overseas training by the Pola Art Foundation presented their artistic results.



Poster of The Fragrance of Perfume Bottles Exhibition

Support a Foundation Engaged in the Promotion of Traditional Japanese Culture

Received Highly Recommended for Excellent Visual Educational Materials and an Eibunren Award (Pola Foundation for the Promotion of Traditional Japanese Culture)

Planned, supervised and edited by the Pola Foundation for the Promotion of Traditional Japanese Culture, the “Kaga-Zogan (inlaid with metal): The World of Beauty—Creating a New Tradition—by Mamoru Nakagawa” received the “2011 Highest Award and the Minister of Education and Science Award as Highly Recommended for Excellent Visual Educational Materials” and the “Award for Outstanding Performance in Social Communications at the Eibunren Award 2011.” Highly Recommended for Excellent Visual Educational Materials refers to the educational materials selected for the purpose of improving the production and utilization of video educational materials in the classroom from among those submitted for screening and examined by a jury of academic experts; (related parties of school, social and vocational education; and representatives of pertinent organizations and organs). Highly acclaimed was our attempt to record the power of tradition beyond generations and borders without being limited to the elaborate recording of the artistic skills of a living national treasure.



“Kaga-Zogan (inlaid with metal): The World of Beauty—Creating a New Tradition—by Mamoru Nakagawa” is offered free of charge.

VOICE Mamoru Nakagawa Edited the “Kaga-Zogan (inlaid with metal): The World of Beauty—Creating a New Tradition—”

Bring traditional culture to the present day and to the world

Masami Shiraishi
Director, Yamanashi Prefectural Museum of Art



As for traditional culture, it is not enough to simply protect antiquities. I think it is necessary for us to renew or remake traditional culture so that it becomes passable in the present-day world. Mamoru Nakagawa has a solid stance of creating new modern art based on a traditional culture through his original techniques and further transmitting Japanese culture to the world. I therefore want to help him contribute to the development of traditional Japanese culture. I believe the Pola Foundation has an important role to play based on its recognition of the groundwork of Japanese culture.

Social Contribution and Environmental Protection Activities

Creating a society where human pride and affluence can be shared

Each and Every Employee Actively Addresses Social Contribution Programs

Support the Fight against Starvation in Developing Countries

Since the autumn of 2007, the Group has participated in the “TABLE FOR TWO (TFT) activity”, whereby ¥20 per menu item is automatically donated to help feed schoolchildren in Africa if an employee requests a specified healthy menu item at any of the staff canteens of the Group companies. By the end of 2011, we could deliver enough food for 200,794 children with a total donation of ¥4,015,880 (including a matching gift*). The donation is being used to provide food for schoolchildren in Rwanda, Uganda, Ethiopia and other countries in Africa.

* Matching gift: A donation system in which the company matches the amount donated by its employees



Children in Ruhiira village in Uganda, which is supported by the TFT program, prayed for the reconstruction of Japan.

Photo: TABLE FOR TWO (TFT)

Let's Make Japan's Beautiful Heritage the World Heritage

Cleanup of Mt. Fuji in Shizuoka, the Birthplace of POLA (POLA)

As part of the “Mecha Mecha Yoi Kaisha Ni Shitai Campaign” that started in 2007, we continue to conduct cleanup activities at Mt. Fuji, for which there is a nationwide effort to register Mt. Fuji on the World Heritage List. On a day in November 2011, 136 employees participated in a cleanup. Under the guidance of Nonprofit Organization MT. FUJI CLUB members, the employee participants in four groups collected rubbish for two hours while walking along a national road. Approximately 580 kg of rubbish, composed of flammable garbage, empty cans, etc., was collected in 100 bags.



Cleanup activity at Mt. Fuji together with Nonprofit Organization MT. FUJI CLUB members

Third-Party Opinions

We received the following opinion relative to the various CSR activities that are addressed by the POLA ORBIS Group.



Eiichiro Adachi

Counselor, The Japan Research Institute, Limited
Head of ESG Research Center

In charge of industrial surveys and evaluation of enterprises from the CSR viewpoint, centering on countermeasures for environmental issues. Provides corporate information to financial institutions. Has written books such as "Introductory Environmental Management" (2009). A Japan-based expert in the working group for ISO26000 until May 2009.

I hereby submit a third-party opinion with regard to the CSR activities of the POLA ORBIS Group and its information disclosure from the standpoint of providing corporate information to financial institutions for socially responsible investment. My opinion is based on my understanding of this report and information accessible from Group-related Web sites.

First, I would like to pay my respects to the Group's efforts to offer opportunities to listen to the expectations of various stakeholders including shareholders in the first fiscal year of its stock listing on the First Section of the Tokyo Stock Exchange. At the Stakeholder Dialogue, I truly felt great enthusiasm about "Upgrade our company" among all the in-house participants of the Group companies.

I believe the significance of reinforcing CSR is clear for the Group. In addition to the substantially increased social responsibility as a publicly listed company, you have set forth a long-term vision of achieving an overseas sales ratio of 20% or more in 2020. Even in 2011, several individual overseas enterprises joined the Group. As described above, your stakeholders such as employees, business partners and customers will be increasingly diversified in the future.

I therefore hope that the Group holds firm to its basic stance of making the Stakeholder Dialogue central to its CSR activities. In this context, how about the idea of aggressively inviting people who are associated with the effects below, based on a recognition that CSR refers to "the responsibility to be assumed by a corporation against the various effects exerted by the decisions and activities thereof on society and the environment"? The Group's CSR is different from other companies in that its CSR activities are classified into three specific areas: "fundamental", "business" and "selective". In this report, the planned activities and achievements for 2011 and the activity plans for 2012 are disclosed by specific area and self-evaluation is mentioned. In the future, however, it would be desirable for the progress to be evaluated by the Stakeholder Dialogue.

The decision to extend CSR activities in line with the ISO26000 standards is timely. However, management of the Group should note that it would be somewhat unreasonable to check and classify the "desirable" actions, which are integrated into the standards, into only the two categories of "Well done" and "Not done" to prepare for subsequent internal implementation. It is important for the Group

that every Group company specifies the effects to be exerted on society and the environment in accordance with the goal of becoming a global enterprise in the field of "beauty and health". The process of discussions in specifying the effects above should be emphasized and the spontaneity and the gradual progress with regard to the CSR activities of each Group company must be taken into account. As a consequence of these procedures, the priority of various CSR activities of the Group will naturally become evident in a definite manner.

The specific framework of your CSR activities in line with the ISO26000 standards did not emerge clearly in the information disclosed in this report. Yet, I expect the Group's original initiatives to be established from the viewpoint of growing the positive effects of its business activities while avoiding or mitigating negative effects. To cite an instance, CSR in the case of leveraging natural materials as cosmetic raw materials is deemed important. Meanwhile, it is considered that the human resources support to about 130,000 POLA ladies is an area on which people would place more expectations. I would like to express my expectations for the Group to extend and upgrade its approach on these aspects, as well as further disclosure.

At the end of the report is a feature titled "Progress after the Great East Japan Earthquake." Reading through this feature, I had the impression that the Group has a corporate climate of respecting initiative, spontaneity and individuals. CSR for a corporation can be effective only with each individual's sensibility and interests toward the general public as one of its essential foundations. I remember one employee's comment, "Although 10 or more years will be required for the devastated areas to recover, I feel the disaster has nothing to do with me and has already become a remote memory." I suspect that the Group frankly accepts this kind of selective individual emotion but expect the Group to become a leading company that motivates continuing support for reconstruction by subliming such individual emotions to the corporate intent.

This comment does not express a judgment as to whether this report has been precisely measured or calculated, or whether important matters have been presented without omission in accordance with the standards generally accepted as fair and appropriate for the preparation of environmental reports, etc.

Editor's Postscript

In the "CSR Report 2012", the Group included the results of a Stakeholder Dialogue meeting held for the first time (Feature 1), in response to the Third-Party Opinion outlined in the previous year's edition. Although we might not have fully satisfied the points mentioned by influential experts, we have made a step forward to listen to outsiders' opinions. Furthermore, we did everything in our power as a corporate citizen to support the victims of the Great East Japan Earthquake (Feature 2). The overall Group thus strove to upgrade its CSR activities in the meaning that each and every employee in the Group tries to consider and address social issues through the aforementioned activities.

We will continue to make a Group-wide leap forward in our CSR activities. We would therefore appreciate your cooperation in responding to the questionnaire.

Finally, we want to take this opportunity to thank all the suppliers, business partners and concerned parties of the relevant NPOs/NGOs for their cooperation.

CSR Promotion Div. POLA ORBIS HOLDINGS INC.

