

## Summary of Financial Results

### For the First Half of the Fiscal Year Ending December 31, 2012 (Consolidated)

These financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan. The following English translation is based on the original Japanese-language document.

July 30, 2012

#### **POLA ORBIS HOLDINGS INC.**

Listing:	Tokyo Stock Exchange, First Section (Code No.: 4927)	
URL:	http://www.po-holdings.co.jp/	
Representative:	Satoshi Suzuki, President	
Contact:	Naoki Kume, Vice President, Finance	Tel: +81-3-3563-5517
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Start of Cash Dividend Payment:	September 13, 2012	
Supplemental Materials Prepared for Quarterly Financial Results:	Yes	
Conference Presentation for Quarterly Financial Results:	Yes (for analysts)	

(Amounts less than one million yen have been truncated)

#### **1. Consolidated Performance for the First Half of Fiscal 2012 (January 1, 2012–June 30, 2012)**

##### **(1) Consolidated Operating Results (Six Months Ended June 30)**

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2012 First Half	86,407	9.5	5,652	2.1	6,008	0.8	2,785	(6.8)
FY2011 First Half	78,937	(1.1)	5,534	3.1	5,962	15.0	2,989	50.6

Note: Comprehensive income: ¥2,584 million (3.1%) for the First Half of FY 2012;  
¥2,668 million (— %) for the First Half of FY 2011

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2012 First Half	50.38	50.37
FY2011 First Half	54.08	—

##### **(2) Consolidated Financial Position**

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2012 Second Quarter	197,786	158,273	80.0	2,861.23
FY2011	193,027	157,057	81.3	2,839.36

Reference: Equity capital: FY2012 Second Quarter: ¥158,180 million; FY2011: ¥156,971 million

#### **2. Dividends**

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2011	—	20.00	—	25.00	45.00
FY2012	—	25.00	—	—	—
FY2012 (Forecast)	—	—	—	25.00	50.00

Note: Revisions to the cash dividends forecast announced most recently: none

#### **3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2012**

(January 1, 2012–December 31, 2012)

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2012	182,000	9.2	14,200	10.5	14,700	10.3	7,200	(10.4)	130.24

Note: Revisions to the consolidated performance forecast announced most recently: yes



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## 1. Qualitative Information on Consolidated Performance for the First Half of Fiscal 2012

### (1) Qualitative Information on Consolidated Operating Results

In the first half of the fiscal year ending December 31, 2012 (January 1, 2012–June 30, 2012), the Japanese economy recovered gradually from the effects of the Great East Japan Earthquake in March 2011. However, the situation remains uncertain, with the risk that domestic business conditions could worsen as a result of economic slowdown overseas and a stock market slump due to the European fiscal crisis, as well as prolonged yen appreciation and other factors.

Trends within the domestic cosmetics market have been relatively firm, especially in the area of skincare cosmetics, and look set to remain on a similar trajectory from this point onward. The overseas cosmetics market showed signs of weakness, particularly in Europe, owing in part to the European fiscal crisis. However, sales in Asia, especially in China and India, are expected to continue growing at a moderate pace.

Within this market environment, Pola Orbis Group (the “Group”) entered the second year of its three-year management plan launched in 2011, and persisted in its efforts to improve the profitability of domestic flagship brands while raising the profile of brands under development. At the same time, the Group continued to expand into overseas markets, completing the acquisition of Jurlique International Pty Ltd, an Australian cosmetics company in February.

As a result of the above, the Group achieved the following consolidated operating results for the first half of fiscal 2012.

<u>Operating Results Overview</u>		(Millions of yen)		
Six Months Ended June 30				
	2011	2012	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥78,937	<b>¥86,407</b>	¥7,470	9.5
Operating Income	5,534	<b>5,652</b>	118	2.1
Ordinary Income	5,962	<b>6,008</b>	46	0.8
Net Income	¥ 2,989	<b>¥ 2,785</b>	¥ (204)	(6.8)

Operating Results by Segment

Net Sales (Segment Sales to External Customers)		(Millions of yen)		
Six Months Ended June 30				
	2011	2012	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥73,271	<b>¥80,691</b>	¥7,420	10.1
Real Estate	1,552	<b>1,444</b>	(108)	(7.0)
Others	4,113	<b>4,271</b>	158	3.9
Total	¥78,937	<b>¥86,407</b>	¥7,470	9.5

  

Segment Income (Loss) (Operating Income [Loss])		(Millions of yen)		
Six Months Ended June 30				
	2011	2012	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥4,520	<b>¥4,887</b>	¥367	8.1
Real Estate	659	<b>627</b>	(32)	(4.9)
Others	144	<b>(12)</b>	(156)	—
Reconciliations of Segment Income (Note)	209	<b>149</b>	(59)	(28.7)
Total	¥5,534	<b>¥5,652</b>	¥118	2.1

Note: Reconciliations of segment income refer to elimination of profits arising from inter-company transactions and expenses not allocated to reportable segments. Please see note 2 in “1. Information about Net Sales and Profit (Loss) by Reportable Segment” on page 10 and 11 for the details of reconciliations of segment income during the period.

Beauty Care

The Beauty Care segment consists of the flagship brands *POLA* and *ORBIS*; the brands under development—*pd*, *FUTURE LABO*, *ORLANE*, *decencia*, and *THREE*; and the overseas brand *H2O PLUS*, and *Jurlique*.

In the POLA-brand business, efforts are focused on creating sales channels matched to market needs through the development of department store outlets and customer-attracting POLA THE BEAUTY stores, which integrate cosmetics, consulting and esthetic treatments. Efforts are also directed toward boosting customer satisfaction through measures to enhance the sales techniques and consulting skills of sales partners. In the domestic market, the Group conducted a skin-whitening marketing campaign, with the February launch of the new *WHITE SHOT CX*. The Group also introduced makeup and skincare products in the *B. A SUMMER* series in March and April respectively, targeting the aging effects of summer weather. In doing so, the Group pressed ahead with product launches and sales promotions tailored to specific seasons. In overseas markets, the Group was successful with sales promotions and expanded operations in Thailand and Hong Kong. As a result of the above, the performance of the POLA-brand business surpassed that in the corresponding period a year earlier.

In the ORBIS-brand business, the Group strove to increase the rate of repeat purchases and improve profitability, partly through renewing skincare cosmetics products, bolstering internet sales and streamlining sales costs. Within the domestic market, products such as *EXCELLENT ENRICH* series, which was launched at the end of 2011, and *AQUA PEELING GEL*, which went on sale in April, sold well. Sales promotions and other activities for sunscreen and skin-whitening products suited to specific seasons were also successful. Efforts in overseas markets focused on improving store efficiency and reinforcing systems with a view to renewing the online shopping website in China. As a reflection of the above, the ORBIS-brand business generated stronger results than in the corresponding quarter of the previous year.

Sales of brands under development and overseas brands exceeded year-earlier levels. This reflected strong domestic sales of *THREE* and *FUTURE LABO*, an Asia-centered expansion of the *H2O PLUS* brand acquired in July 2011, and the inclusion of earnings from the *Jurlique* brand, purchased in February 2012.

As a result of the above, net sales—sales to external customers—generated by the Beauty Care segment for the first half of fiscal 2012 reached ¥80,691 million, edging up 10.1% year on year, while operating income totaled ¥4,887 million, up 8.1%.

Real Estate

The Real Estate segment concentrates on the leasing of office buildings in cities. Efforts are currently directed toward sustaining rent levels but leaning more toward higher rents and raising occupancy rates by creating attractive office environments. Another area of emphasis is the rental residential properties business. This business spotlights new-model condominiums perfect for families with young children. During the first half, performance slowed year on year, reflecting the downward trend of rents within the overall leasing market, which offset an intensified sales drive to maintain rents and attract tenants.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment for the first quarter of fiscal 2012 totaled ¥1,444 million, down 7.0% year on year, while operating income reached ¥627 million, down 4.9%.

Others

The Others segment comprises the pharmaceuticals and building maintenance businesses. Note that the printing businesses included in the Others segment in the same quarter a year earlier was withdrawn from the third quarter of fiscal 2011.

The pharmaceuticals business draws on results accumulated by Group companies in research related to cosmetics and quasi-pharmaceuticals to develop and sell new drugs. Thus far, two products—*Lulicon*, an antifungal agent for topical application, and *DIVIGEL*, a treatment for menopausal symptoms—have successfully been brought to market. In addition, existing ethical pharmaceuticals, such as the laxative *Alosenn* and dermatological drugs, have been supplied to medical institutions, including university hospitals throughout Japan. During the first half, the Group continued sales activities, including visits to medical institutions, with a special focus on the field of dermatology. This led to a steady expansion of *Lulicon*'s market share, and results surpassed the year-earlier level.

The building maintenance business caters primarily to the needs of Group companies. In the first half, the Group engaged in sales activities to sign up new customers and expand orders from outside the Group, ensuring an increase in orders received and a considerable year-on-year improvement in performance.

As a reflection of the above, net sales—sales to external customers—generated by the Others segment totaled ¥4,271 million, up 3.9% year on year, while the operating loss amounted to ¥12 million, versus operating income of ¥144 million in the same period a year earlier.

**(2) Qualitative Information on Consolidated Financial Position**

As of June 30, 2012, total assets stood at ¥197,786 million, up 2.5%, or ¥4,759 million from December 31, 2011. The primary increases were ¥11,779 million in goodwill mainly arising from the acquisition of Jurlique International Pty Ltd, ¥11,326 million in intangible assets—other, ¥1,407 million in merchandise and finished goods, ¥1,142 million in buildings and structures, and ¥7,806 million in short-term investments in securities due to the investment of surplus capital. The main decrease was ¥29,397 million in cash and deposits used to fund the acquisition of Jurlique International Pty Ltd.

Total liabilities amounted to ¥39,513 million, up 9.9%, or ¥3,543 million from December 31, 2011. Primary increases were ¥1,536 million in income taxes payable, ¥1,142 million in notes and accounts payable—trade, owing partly to the acquisition of Jurlique International Pty Ltd., and ¥1,115 million in current liabilities—other due to the recording of summer bonuses payable.

Net assets amounted to ¥158,273 million, up 0.8%, or ¥1,215 million from December 31, 2011. The primary increase that contributed to net assets was net income of ¥2,785 million, and the main decrease was ¥1,382 million in dividends from retained earnings.

**(3) Qualitative Information on Consolidated Performance Forecast**

To reflect the strong first-half performance, the Company has made the following upward revisions to the consolidated performance forecast announced on May 1, 2012.

## Revisions to the Consolidated Performance Forecast for Fiscal 2012

	(Millions of yen, Except Per Share Data and Percent Change)				
	Year Ending December 31				
	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Previous Forecast (A)	¥182,000	¥13,800	¥14,300	¥7,000	¥126.62
<b>Current Forecast (B)</b>	<b>182,000</b>	<b>14,200</b>	<b>14,700</b>	<b>7,200</b>	<b>130.24</b>
Amount Change (B - A)	—	400	400	200	—
Percent Change (%)	—	2.9	2.8	2.9	—
Actual Result for Fiscal 2011	¥166,657	¥12,853	¥13,322	¥8,039	¥145.43

(Information for reference)

## Cumulative Results for Fiscal 2011

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥35,477	¥78,937	¥119,946	¥166,657
Operating Income	1,165	5,534	8,784	12,853
Ordinary Income	1,462	5,962	9,108	13,322
Net Income	¥ 594	¥ 2,989	¥ 5,475	¥ 8,039

## Quarterly Operation Results for Fiscal 2011

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥35,477	¥43,459	¥41,009	¥46,710
Operating Income	1,165	4,366	3,250	4,069
Ordinary Income	1,462	4,496	3,146	4,214
Net Income	¥ 594	¥ 2,395	¥ 2,485	¥ 2,564

**2. Summary Information (Notes)****(1) Changes in Significant Subsidiaries during the Current Period**

For the first quarter of fiscal 2012, the procedure for investing in Pola Orbis Jurlique Holdings Pty Ltd and Pola Orbis Jurlique Pty Ltd was finalized. As a result, the two companies were included in the scope of consolidation. Jurlique International Pty Ltd was also included in the scope of consolidation following the acquisition of its all outstanding shares.

**3. Quarterly Consolidated Financial Statements****(1) Consolidated Balance Sheets**

(Millions of yen)

	FY2011 December 31, 2011	FY2012 Second Quarter June 30, 2012
<b>Assets</b>		
Current assets		
Cash and deposits	¥ 50,679	¥ 21,282
Notes and accounts receivable – trade	20,719	20,464
Short-term investments in securities	18,412	26,218
Merchandise and finished goods	9,664	11,071
Work in process	1,648	1,487
Raw materials and supplies	4,351	5,049
Other	5,686	6,475
Allowance for doubtful accounts	(69)	(104)
Total current assets	111,093	91,944
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,134	17,277
Land	20,761	22,364
Other, net	12,523	14,021
Total property, plant and equipment	49,420	53,663
Intangible assets		
Goodwill	3,583	15,363
Other	8,553	19,880
Total intangible assets	12,137	35,243
Investments and other assets		
Investments in securities	13,582	9,690
Other	6,958	7,411
Allowance for doubtful accounts	(165)	(166)
Total investments and other assets	20,376	16,935
Total non-current assets	81,933	105,842
Total assets	¥193,027	¥197,786

(Millions of yen)

	FY2011 December 31, 2011	FY2012 Second Quarter June 30, 2012
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	¥ 2,894	¥ 4,036
Short-term loans payable	1,500	1,634
Income taxes payable	1,806	3,343
Provision for bonuses	1,561	1,061
Other	16,026	17,141
Total current liabilities	23,788	27,217
Non-current liabilities		
Provision for retirement benefits	6,795	6,579
Other	5,384	5,715
Total non-current liabilities	12,180	12,295
Total liabilities	35,969	39,513
<b>Net assets</b>		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	90,718	90,718
Retained earnings	59,469	60,872
Treasury stock	(2,199)	(2,199)
Total shareholders' equity	157,988	159,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(35)	106
Deferred gain or loss on hedges	9	—
Foreign currency translation adjustments	(991)	(1,318)
Total accumulated other comprehensive income	(1,017)	(1,211)
Subscription rights to shares	—	13
Minority interests	86	79
Total net assets	157,057	158,273
Total liabilities and net assets	¥193,027	¥197,786

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
Consolidated Statements of Income

(Millions of yen)

	Six Months Ended June 30	
	FY2011 (January 1, 2011– June 30, 2011)	FY2012 (January 1, 2012– June 30, 2012)
Net sales	¥78,937	¥86,407
Cost of sales	15,204	17,744
Gross profit	63,733	68,662
Selling, general and administrative expenses		
Sales commission	21,268	21,905
Promotion expenses	7,453	8,157
Advertising expenses	3,273	3,377
Salaries, allowances and bonuses	8,725	9,850
Provision for bonuses	796	872
Provision for point program	1,448	1,424
Other	15,233	17,422
Total selling, general and administrative expenses	58,199	63,010
Operating income	5,534	5,652
Non-operating income		
Interest income	251	245
Dividend income	20	20
Foreign exchange gain	112	68
Other	127	96
Total non-operating income	511	431
Non-operating expenses		
Interest expense	27	32
Equity in losses of affiliates	—	24
Other	56	18
Total non-operating expenses	83	75
Ordinary income	5,962	6,008
Extraordinary income		
Reversal of provision for directors' retirement benefits	—	119
Other	2	2
Total extraordinary income	2	121
Extraordinary loss		
Loss on disposal of non-current assets	192	89
Loss on disaster	428	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	954	—
Other	35	9
Total extraordinary loss	1,610	99
Income before income taxes	4,353	6,030
Income taxes – current	2,679	4,074
Income taxes – deferred	(1,313)	(819)
Total income taxes	1,366	3,254
Income before minority interests	2,986	2,775
Minority interests in net loss of consolidated subsidiaries	(3)	(9)
Net income	¥ 2,989	¥ 2,785

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six Months Ended June 30	
	FY2011 (January 1, 2011– June 30, 2011)	FY2012 (January 1, 2012– June 30, 2012)
Income before minority interests	¥2,986	¥2,775
Other comprehensive income		
Valuation difference on available-for-sale securities	(133)	142
Deferred gain or loss on hedges	(51)	(9)
Foreign currency translation adjustments	(133)	(323)
Share of other comprehensive income of associates accounted for using equity method	—	(1)
Total other comprehensive income	(318)	(191)
Quarterly comprehensive income	2,668	2,584
Comprehensive income attributable to owners of the parent	2,669	2,591
Comprehensive income attributable to minority interests	¥ (1)	¥ (6)

**(3) Going Concern Assumptions**

Not applicable for the first half of fiscal 2012 (January 1, 2012–June 30, 2012)

**(4) Segment Information**

I. First Half of Fiscal 2011 (January 1, 2011–June 30, 2011)

1. Information about Net Sales and Profit (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Statements of Income (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥73,271	¥1,552	¥74,824	¥4,113	¥78,937	—	¥78,937
Intersegment Sales or Transfers	72	347	419	3,296	3,716	¥(3,716)	—
Total	73,344	1,899	75,244	7,409	82,654	(3,716)	78,937
Segment Income (Loss)	¥ 4,520	¥ 659	¥ 5,179	¥ 144	¥ 5,324	¥ 209	¥ 5,534

- Notes:
1. "Others" comprises business operations that are not categorized as reportable segments and include the pharmaceuticals, building maintenance and printing businesses.
  2. The segment income reconciliation of ¥209 million includes intersegment transaction eliminations of ¥1,133 million minus corporate expenses of ¥923 million, not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.
  3. Segment income is adjusted for operating income reported in the quarterly consolidated statements of income.

2. Information about Impairment Loss of Non-current Assets and Goodwill by Reportable Segment  
(Significant Impairment Loss of Non-current Assets)

None

(Significant Changes in Goodwill)

None

## II. First Half of Fiscal 2012 (January 1, 2012–June 30, 2012)

## 1. Information about Net Sales and Profit (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Statements of Income (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥80,691	¥1,444	¥82,135	¥4,271	¥86,407	—	¥86,407
Intersegment Sales or Transfers	40	314	354	1,433	1,788	¥(1,788)	—
Total	80,732	1,758	82,490	5,705	88,195	(1,788)	86,407
Segment Income (Loss)	¥ 4,887	¥ 627	¥ 5,515	¥ (12)	¥ 5,503	¥ 149	¥ 5,652

- Notes:
1. "Others" comprises business operations that are not categorized as reportable segments and include the pharmaceuticals and building maintenance.
  2. The segment income reconciliation of ¥149 million includes intersegment transaction eliminations of ¥1,208 million minus corporate expenses of ¥1,059 million, not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.
  3. Segment income is adjusted for operating income reported in the quarterly consolidated statements of income.

## 2. Information about Assets by Reportable Segment

There were significant changes in the amount of assets by reportable segment in the first half of fiscal 2012 compared with the end of fiscal 2011. The summary information is as follows:

In the Beauty Care segment, the amount of segment assets increased by ¥30,059 million, arising from the establishment of Pola Orbis Jurlique Holdings Pty Ltd and Pola Orbis Jurlique Pty Ltd, the addition of Jurlique International Pty Ltd and its 11 subsidiaries as consolidated subsidiaries through the acquisition of all outstanding shares in Jurlique, and some other factors.

## 3. Information about Impairment Loss of Non-current Assets and Goodwill by Reportable Segment

The Significant Impairment Loss of Non-current Assets

None

Significant Changes in Goodwill

In the Beauty Care segment, new goodwill was recorded due to the addition of Jurlique International Pty Ltd and its 11 subsidiaries as consolidated subsidiaries through the acquisition of all outstanding shares in Jurlique as of February 3, 2012.

Due to this development, the amount of goodwill increased ¥12,050 million in the first half of fiscal 2012.

**(5) Significant Changes in Shareholders' Equity**

None