POLA ORBIS HOLDINGS

Summary of Financial Results

For the Nine Months of the Fiscal Year Ending December 31, 2011 (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.

October 31, 2011

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

Filing Date of Quarterly Securities Report: November 14, 2011
Start of Cash Dividend Payment: –
Supplemental Materials Prepared for Quarterly Financial Results: Yes
Conference Presentation for Quarterly Financial Results: None

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the Nine Months of FY2011

(January 1, 2011 – September 30, 2011)

(1) Consolidated Operating Results (Nine Months Ended September 30)

(Percentage figures show year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2011 Nine Months	119,946	0.1	8,784	4.1	9,108	9.0	5,475	44.8
FY2010 Nine Months	119,886	1.3	8,440	23.1	8,357	13.0	3,780	21.2

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2011 Nine Months	99.05	—
FY2010 Nine Months	73.72	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2011 Third Quarter	189,662	154,398	81.4	2,791.27
FY2010	187,771	153,104	81.5	2,767.55

Reference: Equity capital: FY 2011 Third Quarter: ¥154, 312 million FY 2010: ¥153,001 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2010	—	0.00	—	40.00	40.00
FY2011	—	20.00	—		
FY2011 (Forecast)				25.00	45.00

Note: Revisions to the cash dividends forecast in the quarter under review: None

3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2011

(January 1, 2011 – December 31, 2011)

(Percentage figures show 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
FY2011	165,600	0.2	12,400	1.1	12,900	5.3	7,400	4.4	133.85

Note: Revisions to the consolidated performance forecast in the quarter under review: Yes

4. Other Information (For more details, see “2. Other Information” on page 7.)

(1) Changes in significant subsidiaries during the current quarter : Yes
Newly established: POLA CHINA BEAUTY CO., LTD.
Newly acquired: H2O PLUS HOLDINGS, LLC
H2O PLUS, LLC
CSW H2O Holdings, Inc.

Note: This item indicates whether there were changes in specific subsidiaries resulting in changes in the scope of consolidation during the current quarter.

(2) Adoption of simplified accounting procedures and specific accounting procedures : Yes

Note: This item indicates whether simplified accounting procedures and specific accounting procedures have been adopted in preparing quarterly consolidated financial statements.

(3) Changes in accounting policies, procedures, and presentation methods
1) Changes associated with revision of accounting standards : Yes
2) Changes other than (3)-1) : None

Note: This item indicates whether there were changes in accounting policies, procedures, and presentation methods for the preparation of quarterly consolidated financial statements stated in “Changes to the Basis for the Preparation of Quarterly Consolidated Financial Statements.”

(4) Number of shares issued and outstanding (common stock)
1) Number of shares issued and outstanding at the end of each period (including treasury stock)
At September 30, 2011 57,284,039 shares
At December 31, 2010 57,284,039 shares
2) Number of shares of treasury stock at the end of each period
At September 30, 2011 2,000,000 shares
At December 31, 2010 2,000,000 shares
3) Average number of shares issued and outstanding in each period
Nine months ended September 30, 2011 55,284,039 shares
Nine months ended September 30, 2010 51,284,039 shares

Information Regarding the Quarterly Review Procedures

This quarterly financial report is not included in the scope of the quarterly review procedures pursuant to the Financial Instruments and Exchange Act (the “Act”). At the time of disclosure of this report, review procedures for the quarterly financial statements pursuant to the Act, have not been completed.

Explanation of Appropriate Use of Performance Projections and Other Special Items

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties. For performance projections, see “1, Qualitative Information on Consolidated Performance for the Nine Months of FY2011 - (3) Qualitative Information on Consolidated Performance Forecast” on page 6.

Table of Contents

1. Qualitative Information on Consolidated Performance for the Nine Months of FY2011

(1) Qualitative Information on Consolidated Operating Results

During the nine months—January 1, 2011 through September 30, 2011—of fiscal 2011, ending December 31, 2011, the Japanese economy continued to suffer the lingering affects of the Great East Japan Earthquake. However, increases in exports and production activities were accompanied by a gradual rebound in consumer sentiment, and this recovery trend is expected to continue. Nevertheless, the outlook is still uncertain, with the risk of a slowdown due to electric power shortages and radioactive contamination issues since the earthquake and tsunami, in addition to other factors such as Europe’s financial crisis and ongoing yen appreciation.

In the domestic cosmetics market, the downturn in consumer spending that followed the earthquake and tsunami seems to have bottomed out, and demand trends are resuming a slow but upward path. In overseas cosmetics markets, expansion seems likely to continue, in view of the ongoing growth in internal demand within Asia, especially in China and India.

Navigating this market environment with a three-year management plan just launched this fiscal year, the Group endeavored to accurately identify changes on the business horizon, improve the profitability of domestic flagship brands and raise the profile of brands under development. From this third quarter, the Group's consolidated statements include the operating results of H2O PLUS HOLDINGS, LLC, a US cosmetics company acquired in July. During the same month, consolidated subsidiary POLA INC. established its second overseas subsidiary in China, as the Group pushed ahead with its aggressive expansion into overseas markets.

The Group also sold all of the stock in its commercial printing company in July, with the aim of channeling management resources into the Beauty Care segment.

As a result of the above, the Group achieved the following consolidated results for the nine months of fiscal 2011.

Operating Results Overview (Millions of yen)

	Nine Months Ended September 30			
	2010	**2011**	Year-on-Year: Amount Change	Year-on-Year: Percent Change (%)
Net Sales	¥119,886	**¥119,946**	¥ 60	0.1
Operating Income	8,440	**8,784**	344	4.1
Ordinary Income	8,357	**9,108**	751	9.0
Net Income	¥ 3,780	**¥ 5,475**	¥1,694	44.8

Operating Results by Segment

Net Sales (Segment Sales to External Customers) (Millions of yen)

	Nine Months Ended September 30			
	2010	**2011**	Year-on-Year Amount Change	Year-on-Year Percent Change (%)
Beauty Care	¥110,984	**¥111,140**	¥155	0.1
Real Estate	2,310	**2,336**	26	1.1
Others	6,591	**6,469**	(121)	(1.8)
Total	¥119,886	**¥119,946**	¥ 60	0.1

Segment Income (Operating Income) (Millions of yen)

	Nine Months Ended September 30			
	2010	**2011**	Year-on-Year Amount Change	Year-on-Year Percent Change (%)
Beauty Care	¥6,903	**¥7,178**	¥275	4.0
Real Estate	964	**997**	33	3.4
Others	55	**343**	287	519.6
Reconciliations of segment income (Note)	516	**264**	(252)	(48.8)
Total	¥8,440	**¥8,784**	¥344	4.1

Note: Reconciliations of segment income refer to elimination of profits arising from the inter-company transactions, and expenses not allocated to the reportable segments. Please see note 2 in "2.Information about Net Sales and Profit (Loss) by Reportable Segment" on page 15 for the details of reconciliations of segment income during the period.

Effective from the first quarter of fiscal 2011, the Group adopted the management approach described in "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and has divided the Group's businesses into two reportable segments: "Beauty Care" and "Real Estate." Consequently, previously disclosed segments "Cosmetics Business" and "Fashion Business" are now included under "Beauty Care," and "Pharmaceuticals Business" and "Other Business" are included under "Others."

Actual business results for the nine months of fiscal 2010 have been stated according to current reportable segment classifications.

Beauty Care

The Beauty Care segment hinges on flagship brands ***POLA*** and ***ORBIS*** and five brands under development—***pdc***, ***Future Labo***, ***Orlane Japon***, ***decencia*** and ***THREE***. During the third quarter, the Group added ***H2O PLUS***, a new brand, to its lineups.

In the POLA-brand cosmetics business, efforts were 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, counseling and esthetic treatments. Efforts were also directed toward boosting customer satisfaction through measures to enhance the sales techniques and counseling skills of store staff. The August launch of the ***B.A RED*** series with the aim of expanding the market base, and the September renewal of ***B.A THE MAKE*** as part of a continuing drive to bolster existing product series, led to a year-on-year increase of domestic sales. The ***B.A RED*** series also performed well in overseas markets, contributing to sharp year-on-year sales growth, despite the impact of a stronger yen. In July, the Group established an overseas subsidiary, which was consolidated, in Shenyang, China with a view to developing door-to-door sales operations.

In the POLA-brand fashion business, sales of lifestyle and healthcare products, as well as body fashion products (mainly underwear and nightwear) were brisk. However, a slump in jewelry and apparel sales, combined with other factors, led to a year-on-year decline.

In the ORBIS-brand cosmetics business, the Group strove to raise the ratio of repeat business and improve profitability, partly through renewals of skincare cosmetics products and the bolstering of online sales.

Although the ***NEW WHITENING*** series launched in July generated firm sales, attracting customers to stores remained a tough challenge for retail store sales, with a result that domestic sales declined year on year. In overseas markets, the Group made full-fledged efforts to expand, including the launch of online sales in China during July. However, overseas sales shrank year on year, as South Koreans remained reluctant to purchase Japanese products owing to concerns about rumored radioactive contamination after the disaster.

In the ORBIS-brand fashion business, sales grew year on year, owing in part to strong sales of ladies functional undergarments launched in July.

Brands under development posted higher sales than in the corresponding period a year ago, mainly due to robust sales of products under the ***THREE*** and ***pdc*** labels. In addition, the ***H2O PLUS*** brand performed well in China, Hong Kong, Taiwan and other parts of Asia, as well as in North America, leading to year-on-year sales growth.

As a result of the above, net sales—sales to external customers—by the Beauty Care segment for the nine months of fiscal 2011 reached ¥111,140 million, edging up 0.1% year on year, while operating income totaled ¥7,178 million, up 4.0%.

Real Estate

The Real Estate segment concentrates on the leasing of office buildings in major cities. Efforts are currently directed toward at least sustaining rents 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, which the segment got involved in the previous fiscal year. This business spotlights new-model condominiums perfect for families with young children. During the nine months of fiscal 2011, requests for reduced rents continued and office building occupancy rates remained low compared with the same period of the previous year. However, the Group made steady progress with tenancy contracts for rental apartments and other redeveloped properties, with a result that segment performance improved year on year.

As a result of the above, net sales—sales to external customers—by the Real Estate segment for the nine months of fiscal 2011 totaled ¥2,336 million, up 1.1% year on year, while operating income reached ¥997 million, up 3.4%.

Others

The Others segment comprises the pharmaceuticals and building maintenance businesses. In July, all of the stock in the consolidated subsidiary P.O. MEDIA SERVICE INC. was sold outside the Group. With this move, the Group withdrew from commercial printing.

The pharmaceuticals business draws on results accumulated by Group companies in research related to cosmetics and quasi-pharmaceuticals to develop and sell new drugs for dermatological conditions. So 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***, have been supplied to medical institutions, including universities, hospitals and private practices throughout Japan. During the nine months of fiscal 2011, an increase in ***Lulicon*** buyers and brisk sales of generic drugs resulted in year-on-year growth.

The building maintenance business caters primarily to the needs of Group companies. During the nine months of fiscal 2011, efforts included the stepping up of sales activities to sign up new customers and expand orders from outside the Group. However, a decrease in orders due to the earthquake and tsunami resulted in a year-on-year decline.

As a result of the above, net sales—sales to external customers—by the Others segment for the nine months of fiscal 2011 totaled ¥6,469 million, down 1.8% year on year, while operating income reached ¥343 million, up 519.6% year on year.

(2) Qualitative Information on Consolidated Financial Position

As of September 30, 2011, total assets stood at ¥189,662 million, up 1.0%, or ¥1,890 million, from December 31, 2010, the end of the previous fiscal year. Key increases were ¥7,277 million in short-term investments in securities following the purchase of bond securities and cash trusts, ¥4,375 million in goodwill and ¥4,217 million in other intangible assets arising from the acquisition of H2O PLUS HOLDINGS, LLC, and ¥1,207 million in other investments and assets. Key decreases were ¥9,205 million in cash and deposits, and ¥5,466 million in investments in securities.

Total liabilities amounted to ¥35,263 million, up 1.7%, or ¥596 million, from December 31, 2010. Key increases were ¥2,426 million in non-current liabilities, other due to the booking of asset retirement obligations associated with adoption of Accounting Standard for Asset Retirement Obligations and ¥1,415 million in income taxes payable due to the elimination of losses brought forward. Key decreases were ¥2,914 million in current liabilities, other due to a decline in unpaid sales commissions, and ¥419 million in provision for retirement benefits.

Net assets amounted to ¥154,398 million, up 0.8%, or ¥1,294 million, from December 31, 2010. The key increase came from quarterly net income of ¥5,475 million, and the key decrease came from the application of ¥3,317 million to distribute cash dividends.

Consolidated Cash Flows

The balance of cash and cash equivalents as of September 30, 2011 was ¥28,547 million, down 25.6%, or ¥14,959 million, from the end of the previous fiscal year. The status of cash flows from operating activities, investing activities and financing activities for the nine months of fiscal 2011, as well as noteworthy increases and decreases to these cash flows are described below.

Cash flows from operating activities

Net cash provided by operating activities dropped 33.2% from the corresponding period a year ago to ¥8,010 million. The primary components contributing to increased cash were ¥7,398 million in income before income taxes, ¥3,858 million in depreciation and amortization, a ¥2,171 million decrease in notes and accounts receivable - trade, and a ¥954 million non-cash adjustment associated with the adoption of Accounting Standard for Asset Retirement Obligations. Major components leading to decreased cash were a ¥2,570 million decrease in other liabilities owing partly to a decrease in unpaid sales commissions, ¥2,285 million in income taxes paid for enterprise and local taxes and a ¥1,145 million increase in inventories.

Cash flows from investing activities

Net cash used in investing activities declined 53.7% from the corresponding period a year ago, to ¥19,101 million. This decrease mainly reflects the fact that proceeds of ¥28,261 million from the sale and redemption of short-term investments in securities offset a large portion of the ¥29,291 million used to purchase short-term investments in securities and the ¥6,439 million used to purchase investments in securities paralleling the application of surplus capital in line with investment plans, in addition to the ¥8,923 million in purchase of investments in subsidiaries due to the acquisition of H2O PLUS HOLDINGS, LLC.

Cash flows from financing activities

Net cash used in financing activities rose 218.0% from the corresponding period a year ago to ¥3,706 million. The main reason for this sharp increase was the application of ¥3,062 million to distribute cash dividends.

(3) Qualitative Information on Consolidated Performance Forecast

The domestic cosmetics market which has recovered from the earthquake and tsunami swifter than expected, the equity-method stake in US company H2O PLUS HOLDINGS, LLC, and proceeds from the sale of shares in P.O. MEDIA SERVICE INC., have prompted the Group to revise upward the consolidated performance forecast for the full fiscal year (announced on July 29, 2011). As a result, the Group is now projecting net sales of ¥165,600 million, versus ¥162,000 million previously; operating income of ¥12,400 million, versus ¥11,100 million; ordinary income of ¥12,900 million, versus ¥11,600 million; and net income of ¥7,400 million, versus ¥7,300 million.

Revision to Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2011
(January 1, 2011 – December 31, 2011) (Millions of yen, except per share data and percentage figure)

	FY2011				
	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Previous Forecast (A)	¥162,000	¥11,100	¥11,600	¥7,300	¥132.05
Revised Forecast (B)	**165,600**	**12,400**	**12,900**	**7,400**	**133.85**
Amount Change (B－A)	3,600	1,300	1,300	100	—
Percent Change (%)	2.2	11.7	11.2	1.4	—
Ref.: Actual Results for Year Ended December 31, 2010	¥165,253	¥12,270	¥12,247	¥7,086	¥137.36

(Information for reference)
FY2010 Cumulative Results (Millions of yen)

	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥35,893	¥79,838	¥119,886	¥165,253
Operating Income	1,201	5,369	8,440	12,270
Ordinary Income	1,362	5,184	8,357	12,247
Net Income	¥ 578	¥ 1,984	¥ 3,780	¥ 7,086

FY2010 Results by Quarter (Millions of yen)

	Q1	Q2	Q3	Q4
Net Sales	¥35,893	¥43,944	¥40,047	¥45,367
Operating Income	1,201	4,168	3,070	3,830
Ordinary Income	1,362	3,821	3,173	3,890
Net Income	¥ 578	¥ 1,406	¥ 1,795	¥ 3,305

2. Other Information

(1) Changes in Significant Subsidiaries

For the third quarter, H2O PLUS HOLDINGS, LLC, H2O PLUS, LLC and CSW H20 Holdings, Inc., were included within the scope of consolidation, as a result of the Group acquiring equity stakes.

In addition, for the same period, the newly established POLA CHINA BEAUTY CO., LTD was included in the scope of consolidation.

(2) Outline of Adoption of Simplified Accounting Procedures and Specific Accounting Procedures

1) Simplified accounting procedures

a. Valuation of inventories

The value of inventories at the end of the third quarter is calculated using a rational method, based on physical inventories at the end of the second quarter, rather than physical inventories at the end of the third quarter of fiscal 2011.

b. Depreciation of non-current assets

For non-current assets that are depreciated using the declining-balance method, the depreciation expense is computed by the proportional distribution of the depreciation expense for the fiscal year.

c. Calculation of income taxes and deferred tax assets and liabilities

POLA ORBIS HOLDINGS (the "Company") and certain consolidated subsidiaries perform additions/subtractions and tax deductions for important items only to compute the amount of income taxes payable.

The recoverability of deferred income tax assets is determined using the forecasts for future performance and tax planning used for the previous fiscal year, as it is considered that there have been no significant changes in the operating environment and no significant temporary differences have occurred since the end of the previous fiscal year.

2) Special accounting procedures for the preparation of the quarterly consolidated financial statements

Not applicable

(3) Outline of Changes in Accounting Policies, Procedures, and Presentation Methods

1) Changes to the basis of preparing quarterly consolidated financial statements

Adoption of accounting standards related to asset retirement obligations

Effective from the first quarter of fiscal 2011, the Group adopted "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008).

As a result of these changes, operating income and ordinary income declined by ¥50 million, respectively, and income before income taxes decreased by ¥1,004 million.

2) Changes in presentation method

Consolidated statements of income

With the adoption of "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, issued on March 24, 2009), which is based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), the line item "Income before minority interests" was used in the nine months of fiscal 2011.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2011 Third Quarter September 30, 2011	FY2010 December 31, 2010
Assets		
Current assets		
Cash and deposits	**¥ 25,472**	¥ 34,678
Notes and accounts receivable – trade	**17,470**	19,543
Short-term investments in securities	**39,446**	32,169
Merchandise and finished goods	**10,750**	9,421
Work in process	**1,699**	1,644
Raw materials and supplies	**4,469**	4,276
Other	**6,365**	5,570
Allowance for doubtful accounts	**(59)**	(74)
Total current assets	**105,615**	107,230
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	**16,425**	17,136
Land	**21,833**	22,296
Other, net	**12,575**	12,217
Total property, plant and equipment	**50,834**	51,651
Intangible assets		
Goodwill	**4,375**	—
Other	**8,357**	4,140
Total intangible assets	**12,732**	4,140
Investments and other assets		
Investments in securities	**12,072**	17,538
Other	**8,570**	7,363
Allowance for doubtful accounts	**(163)**	(151)
Total investments and other assets	**20,479**	24,750
Total non-current assets	**84,046**	80,541
Total assets	**¥189,662**	¥187,771

(Millions of yen)

	FY2011 Third Quarter September 30, 2011	FY2010 December 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable – trade	**¥ 3,233**	¥ 3,549
Short-term loans payable	**1,500**	1,753
Income taxes payable	**2,533**	1,118
Provision for bonuses	**2,310**	1,653
Other	**12,634**	15,548
Total current liabilities	**22,212**	23,623
Non-current liabilities		
Provision for retirement benefits	**6,887**	7,306
Other	**6,163**	3,737
Total non-current liabilities	**13,050**	11,044
Total liabilities	**35,263**	34,667
Net assets		
Shareholders' equity		
Common stock	**10,000**	10,000
Capital surplus	**90,718**	90,718
Retained earnings	**56,905**	54,746
Treasury stock	**(2,199)**	(2,199)
Total shareholders' equity	**155,424**	153,265
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	**14**	210
Foreign currency translation adjustments	**(1,126)**	(475)
Total valuation and translation adjustments	**(1,111)**	(264)
Minority interests	**85**	103
Total net assets	**154,398**	153,104
Total liabilities and net assets	**¥189,662**	¥187,771

(2) Consolidated Statements of Income

(Millions of yen)

	Nine Months Ended September 30	
	FY2010 Nine Months (January 1, 2010 – September 30, 2010)	**FY2011 Nine Months (January 1, 2011 – September 30, 2011)**
Net sales	¥119,886	**¥119,946**
Cost of sales	23,981	**23,400**
Gross profit	95,904	**96,546**
Selling, general and administrative expenses		
Sales commissions	31,422	**31,518**
Promotion expenses	11,965	**12,081**
Advertising expenses	5,197	**5,071**
Salaries, allowances and bonuses	12,206	**12,454**
Provision for bonuses	1,897	**1,925**
Provision for point program	1,380	**1,271**
Other	23,393	**23,439**
Total selling, general and administrative expenses	87,464	**87,762**
Operating income	8,440	**8,784**
Non-operating income		
Interest income	231	**387**
Dividend income	20	**20**
Other	232	**195**
Total non-operating income	484	**603**
Non-operating expenses		
Interest expense	76	**40**
Foreign exchange losses	383	**166**
Other	106	**72**
Total non-operating expenses	567	**279**
Ordinary income	¥ 8,357	**¥ 9,108**

(Millions of yen)

	Nine Months Ended September 30	
	FY2010 Nine Months (January 1, 2010 – September 30, 2010)	**FY2011 Nine Months (January 1, 2011 – September 30, 2011)**
Extraordinary income		
Gain on sales of non-current assets	¥ 538	—
Reversal of foreign currency translation adjustments	215	—
Gain on sales of subsidiaries' stocks	—	**¥ 529**
Other	67	**28**
Total extraordinary income	821	**558**
Extraordinary losses		
Loss on disposal of non-current assets	152	**290**
Loss on advanced depreciation deduction of non-current assets	517	—
Impairment loss	32	**572**
Loss on disaster	—	**425**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**954**
Other	124	**24**
Total extraordinary losses	827	**2,267**
Income before income taxes	8,351	**7,398**
Income taxes – current	2,025	**4,277**
Income taxes – deferred	2,638	**(2,344)**
Total income taxes	4,664	**1,933**
Income before minority interests	—	**5,465**
Minority interests in net loss of consolidated subsidiaries	(93)	**(10)**
Net income	¥3,780	**¥5,475**

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine Months Ended September 30	
	FY2010 Nine Months (January 1, 2010 – September 30, 2010)	**FY2011 Nine Months (January 1, 2011 – September 30, 2011)**
Cash flows from operating activities		
Income before income taxes	¥ 8,351	**¥7,398**
Depreciation and amortization	3,622	**3,858**
Impairment loss	32	**572**
Amortization of goodwill	60	**58**
Gain on sales of subsidiaries' stocks	—	**(529)**
Gain on sales of non-current assets	(20)	—
Loss on disposal of non-current assets	152	**290**
Loss on disaster	—	**425**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**954**
Decrease in allowance for doubtful accounts	(53)	**(5)**
Decrease in provision for retirement benefits	(283)	**(333)**
Increase in provision for bonuses	885	**671**
Decrease in provision for point program	(137)	**(408)**
Increase (decrease) in other provision	38	**(19)**
Interest and dividend income	(251)	**(408)**
Interest expense	76	**40**
Foreign exchange losses	287	**140**
Reversal of foreign currency translation adjustments	(215)	—
Decrease in notes and accounts receivable – trade	1,601	**2,171**
Decrease (increase) in inventories	738	**(1,145)**
Increase (decrease) in notes and accounts payable – trade	130	**(162)**
Increase (decrease) in consumption taxes payable	350	**(351)**
Increase in other assets	(171)	**(350)**
Decrease in other liabilities	(2,323)	**(2,570)**
Other	31	**(20)**
Subtotal	12,901	**10,277**
Interest and dividends received	224	**444**
Interest paid	(75)	**(59)**
Income taxes paid	(1,056)	**(2,285)**
Payments for loss on disaster	—	**(367)**
Net cash provided by operating activities	¥11,994	**¥8,010**

(Millions of yen)

	Nine Months Ended September 30	
	FY2010 Nine Months (January 1, 2010 – September 30, 2010)	**FY2011 Nine Months (January 1, 2011 – September 30, 2011)**
Cash flows from investing activities		
Payments into time deposits	¥ (972)	**¥(1,288)**
Proceeds from withdrawal of time deposits	2,278	**985**
Purchase of short-term investments in securities	(29,143)	**(29,291)**
Proceeds from sales and redemption of short-term investments in securities	11,321	**28,261**
Purchase of property, plant and equipment	(3,167)	**(1,506)**
Proceeds from sales of property, plant and equipment	53	—
Purchase of intangible assets	(900)	**(1,186)**
Purchase of investments in securities	(20,500)	**(6,439)**
Proceeds from sales of investments in securities	5	**5**
Payments for disposal of non-current assets	—	**(348)**
Purchase of long-term prepaid expenses	(54)	**(53)**
Payments for lease and guarantee deposits	(249)	**(106)**
Proceeds from collection of lease and guarantee deposits	143	**175**
Purchase of investments in subsidiaries	—	**(8,923)**
Proceeds from sales of investments in subsidiaries	—	**629**
Other	(55)	**(13)**
Net cash used in investing activities	(41,242)	**(19,101)**
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	70	**(255)**
Cash dividends paid	(1,025)	**(3,062)**
Cash dividends paid to minority shareholders	(3)	—
Repayments of lease obligations	(207)	**(387)**
Net cash used in financing activities	(1,165)	**(3,706)**
Effect of exchange rate changes on cash and cash equivalents	(50)	**(162)**
Net decrease in cash and cash equivalents	(30,465)	**(14,959)**
Cash and cash equivalents at beginning of period	68,817	**43,507**
Cash and cash equivalents at end of period	¥38,352	**¥28,547**

(4) Going Concern Assumptions

Not applicable

(5) Segment Information

a) Business Segment Information (Millions of yen)

	Nine Months Ended September 30, 2010							
	Cosmetics	Fashion	Pharmaceuticals	Real Estate	Others	Subtotal	Elimination or Corporate	Consolidated
Net Sales								
(1) Sales to External Customers	¥102,065	¥8,934	¥5,027	¥2,310	¥1,548	¥119,886	—	¥119,886
(2) Intersegment Sales and Transfers	35	0	—	489	4,350	4,874	¥(4,874)	—
Total	102,100	8,934	5,027	2,799	5,898	124,760	(4,874)	119,886
Operating Income (Loss)	¥ 7,285	¥(514)	¥ (294)	¥ 964	¥ 266	¥ 7,707	¥ 732	¥ 8,440

Notes: 1. Business segments are classified for internal management purposes.

2. Primary products for each business segment:

(1) Cosmetics: Cosmetics (***B.A.*** series, ***APEX-i***, ***AQUA FORCE, Clear***, ***Pure Natural***, ***White Diamante***, ***Sowan Hypnotique***, “***Tsutsumu***” series, ***THREE***), health foods (***KENBISANSEN***)

(2) Fashion: Ladies’ underwear (***Sofical***), ladies’ apparel (***amian, Crea+mure***), jewelry (***LA VIE D’OR***)

(3) Pharmaceuticals: Pharmaceutical products (***Lulicon Cream 1%, Lulicon Solution 1%, Alosenn***)

(4) Real Estate: Office buildings for lease

(5) Others: Printing and building maintenance

b) Geographical Segment Information

Geographical segment information is omitted, as net sales of the domestic segment account for more than 90% of the total sales of all segments for the nine months ended September 30, 2010.

c) Overseas Sales

Overseas sales are omitted, as overseas sales account for less than 10% of the consolidated net sales for the nine months ended September 30, 2010.

(Segment Information)

1. General Information about Reportable Segments

A reportable segment is a component of the Group, for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group primarily develops, manufactures and markets cosmetics products and related products. It promotes a multi-brand strategy of holding a range of brands and winning market shares for each of its high-profile brands in order to satisfy the diversifying needs of its customers based on their values. Comprehensive strategies are planned and products are marketed by each brand name in Japan and overseas. In addition to its cosmetics business, a variety of businesses are conducted to contribute to the Group’s profits.

Therefore, reportable segments consist of the Beauty Care business, the Group’s core business, and the Real Estate business, which indirectly supports the Group’s core business.

The Beauty Care business manufactures and markets cosmetics and health foods and sells fashion items (women’s underwear, women’s apparel and jewelry) under the following brand names: ***POLA, ORBIS, pdc, FUTURE LABO, ORLANE JAPON, decencia, THREE, and H2O PLUS***. The Real Estate business is engaged in the leasing of office buildings and residential properties.

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

(Millions of yen)

	Nine Months Ended September 30, 2011						
	Reportable Segments			**Others (Note 1)**	**Subtotal**	**Reconciliations (Note 2)**	**Amount Recorded in the Consolidated Statements of Income (Note 3)**
	Beauty Care	**Real Estate**	**Subtotal**				
Net Sales							
Sales to External Customers	**¥111,140**	**¥2,336**	**¥113,477**	**¥6,469**	**¥119,946**	—	**¥119,946**
Intersegment Sales or Transfers	**89**	**503**	**592**	**4,308**	**4,901**	**¥(4,901)**	—
Total	**111,229**	**2,840**	**114,069**	**10,778**	**124,848**	**(4,901)**	**119,946**
Segment Income	**¥ 7,178**	**¥ 997**	**¥ 8,176**	**¥ 343**	**¥ 8,519**	**¥ 264**	**¥ 8,784**

Notes:
1. The Other businesses classification is not a reportable segment and contains the pharmaceuticals, building maintenance and printing businesses.
2. The segment income reconciliation of ¥264 million includes intersegment transaction eliminations of ¥1,784 million minus corporate expenses of ¥1,519 million. Corporate expenses were primarily the Company's administrative expenses not allocated to reportable segments.
3. Segment income is adjusted for operating income reported in the consolidated statements of income.

3. Information about Impairment Loss of Non-current Assets and Goodwill by Reportable Segment
Nine Months Ended September 30, 2011 (January 1, 2011 – September 30, 2011)

Significant Impairment Loss of Non-current Assets

In the Real Estate segment, a ¥548 million impairment loss was recognized for the nine months ended September 30, 2011, as the expected amounts for sale of office buildings and idle assets were lower than the carrying amounts of these assets.

Significant Change in Goodwill

A ¥4,430 million increase in goodwill was reported by the Beauty Care segment for the nine months ended September 30, 2011, following the acquisition of H2O PLUS HOLDINGS, LLC, H2O PLUS, LLC, CSW H2O Holdings, Inc. and H2O CANADA CORP. in July 2011.

(Supplementary Information)

Effective from the first quarter of fiscal 2011, the Group adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

(6) Significant Changes in Shareholders' Equity

Not applicable

(7) Business Combination

Business Combination – Acquisition of H2O PLUS HOLDINGS, LLC

On May 29, 2011, the Board of Directors of POLA ORBIS HOLDINGS INC. (the "Company") approved a definitive agreement to acquire directly and indirectly all outstanding shares of H2O PLUS HOLDINGS, LLC ("H2O PLUS"), a Chicago-based leading developer, manufacturer and marketer of sea-derived natural skincare products mainly in North America and Asia. Following the acquisition, H2O PLUS was made a wholly owned subsidiary of the Company on July 1, 2011. As a result of the transaction, CSW H2O Holdings, Inc., a pure holding company of H2O PLUS, as well as H2O PLUS, LLC and H2O PLUS CANADA CORP., two subsidiaries of H2O PLUS, have also become wholly owned subsidiaries of the Company.

1. Outline of Business Combination

1) Names and Main Businesses of Acquired Companies

a. H2O PLUS HOLDINGS, LLC

(a) Name:	H2O PLUS HOLDINGS, LLC
(b) Business:	Holding company (manufacture and marketing of cosmetics products via subsidiary)
(c) Capital:	US$35,663 thousand (At December 31, 2010)

b. CSW H2O Holdings, Inc.

(a) Name:	CSW H2O Holdings, Inc.
(b) Business:	Holding company
(c) Capital:	US$17,000 thousand (At December 31, 2010)

c. H2O PLUS, LLC

(a) Name:	H2O PLUS, LLC
(b) Business:	Manufacture and marketing of cosmetics products
(c) Capital:	US$35,663 thousand (At December 31, 2010)

d. H2O PLUS CANADA CORP.

(a) Name:	H2O PLUS CANADA CORP.
(b) Business:	Marketing of cosmetics products
(c) Capital:	C$8,802 thousand (At December 31, 2010)

2) Names of Selling Investor Groups and Individuals

a. Williams Capital Partners, L.P.

b. NMS Fund, LP

c. Directors and Former Directors of H2O PLUS

3) Reason for Business Combination

To become a highly profitable global company — the Company's long-term strategic goal — by strengthening its global business base through the acquisition of H2O PLUS, which has developed retail points of distribution in 22 countries, mainly in North America and Asia, and three other companies, as of July 1 2011.

4) Date of Business Combination

July 1, 2011

5) Legal Method Used for Business Combination

Purchase of Shares in Cash

6) Names of Companies and Percentage of Voting Rights Acquired after Business Combination

a. H2O PLUS HOLDINGS, LLC	100%
b. CSW H2O Holdings, Inc.	100%
c. H2O PLUS, LLC	100%
d. H2O PLUS CANADA CORP.	100%

7) Identification of Acquirer

POLA ORBIS HOLDINGS INC. is identified as the acquirer, as it acquired all outstanding shares of H2O PLUS HOLDINGS, LLC, directly and indirectly, and retained 100 per cent of the voting rights in H2O PLUS HOLDINGS, LLC, and three other companies.

2. Period for Which the Financial Results of the Acquired Companies are Included in the Consolidated Financial Statements

From July 1, 2011 through September 30, 2011

3. Breakdown of Acquisition Cost

Purchase consideration	Cash	¥7,797 million
Acquisition-related costs	Advisory fees	377 million
Acquisition cost		¥8,174 million

4. Amount of Goodwill Recognized, Reason for Recognition, Amortization Method and Period

a. Amount of goodwill recognized	¥4,430 million (Estimated amount)*
b. Reason for recognition	The amount of goodwill recognized is attributable to reasonable estimates of future earnings potential, including expected synergies, of the acquiree as a result of anticipated business development.
c. Amortization method and period	Using the straight-line method over 20 years.

*: At the end of the third quarter, the allocation of the acquisition cost was not completed as the fair values and the amounts identified at the acquisition date for the assets acquired and liabilities assumed following the acquisitions of H2O PLUS HOLDINGS, LLC and three other companies, had been determined only provisionally.

5. Estimated Impact on the Consolidated Results for FY2011 Assuming the Acquisition had been Completed as of the Beginning of FY2011 and Calculation Method

Net sales	¥1,461 million
Operating loss	¥(106) million

(Calculation Method and Significant Assumptions for the Estimated Amounts)

1) The estimated impact is the difference between the net sales and operating income (loss) of the acquired companies assuming the acquisition had been completed as of the beginning of fiscal 2011 and the net sales and operating income (loss) included in the quarterly consolidated statements of income. The advisory fees relating to the combination paid by H2O PLUS HOLDINGS, LLC and three other companies have not been included in the difference.

2) The estimated amounts in Japanese yen shown above are converted using the average exchange rate from January 1, 2011 through June 30, 2011 at ¥82.04 against the US dollar.

3) The estimated amounts above are not audited.