POLA ORBIS HOLDINGS

Summary of Financial Results

For the First Quarter 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.

April 28, 2011

POLA ORBIS HOLDINGS INC.

Listing: Tokyo Stock Exchange, First Section (Code No.4927)

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Start of Cash Dividend Payment: —

Supplemental Materials Prepared for Quarterly Financial Results Yes

Conference Presentation for Quarterly Financial Results: No

(Amounts less than one million yen have been rounded down)

1. Consolidated Performance for the First Quarter of fiscal 2011 (January 1, 2011 – March 31, 2011)

(1) Consolidated Operating Results (Three Months Ended March 31)

(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	%
First Quarter Fiscal 2011	35,477	(1.2)	1,165	(3.0)	1,462	7.3	594	2.8
First Quarter Fiscal 2010	35,893	3.6	1,201	62.0	1,362	36.7	578	59.8

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
First Quarter Fiscal 2011	10.76	—
First Quarter Fiscal 2010	11.28	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
First Quarter Fiscal 2011	183,198	151,235	82.5	2,733.73
Fiscal 2010	187,771	153,104	81.5	2,767.55

(Reference) Equity capital: First Quarter of Fiscal 2011: ¥151,131 million Fiscal 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
Fiscal 2010	—	0.00	—	40.00	40.00
Fiscal 2011	—				
Fiscal 2011 (Forecast)		20.00	—	25.00	45.00

(Note) Revisions to the forecast of cash dividends in the current quarter: none

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

(January 1, 2011 – December 31, 2011)

(Percentage figures show changes to the same period of the previous year.)

	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
First Half Fiscal 2011	77,500	(2.9)	4,500	(16.2)	4,700	(9.3)	2,100	5.8	37.99
Fiscal 2011	162,000	(2.0)	11,100	(9.5)	11,600	(5.3)	7,300	3.0	132.05

Note: Revisions to the forecast of consolidated performance in the current quarter: yes

4. Other Information (For more details, see "2. Other information" on page 8)

(1) Changes in significant subsidiaries during the current quarter : None

Note: This item indicates whether there were changes in specific subsidiaries due to 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, 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 March 31, 2011	57,284,039 shares
At December 31. 2010	57,284,039 shares

2) Number of treasury stock at the end of each period

At March 31, 2011	2,000,000 shares
At December 31. 2010	2,000,000 shares

3) Average number of shares issued and outstanding in each period

Three months ended March 31, 2011	55,284,039 shares
Three months ended March 31, 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 First Quarter of fiscal 2011 - (3) Qualitative Information on Forecast of Consolidated Performance" on page 7.

Table of Contents

1. Qualitative Information on Consolidated Performance for the Fiscal 2011 First Quarter

(1) Qualitative Information on Consolidated Operating Results

In the first three months of the fiscal year ending December 31, 2011 (January 1 – March 31, 2011), the domestic economy saw a moderate recovery supported by a pickup in consumer spending and an upturn in corporate earnings. However, the East Japan Earthquake on March 11 inflicted extensive damage, resulting in radioactive leaks from the Fukushima No.1 nuclear power plant and disruption to power supplies, in addition to direct damage to facilities and public infrastructure. As a result, a slowdown in production activity and weak consumer spending is now a major concern.

In the cosmetics sector, the main business field of the POLA ORBIS Group (the “Group”), shipments of cosmetics, especially those of skincare cosmetics, have been improving since the previous fiscal year, but risks in manufacturing and distribution owing to the impact of the earthquake are of particular concern. Meanwhile, cosmetics companies with an international presence may be affected by rumors about radioactive leaks, but business development in China and other high-growth emerging markets is still likely to be an important factor in the cosmetics sector going forward.

Against this market backdrop, the Group, in line with the objectives of its new three-year medium-term management plan launched in fiscal 2011, worked to boost the profitability of its domestic flagship brands and expand brands under development by responding accurately to changes in the market environment, and continued to develop its business in overseas markets. The Group also worked to resume operations at facilities damaged by the earthquake in order to minimize the impact, and provided support to those affected by the disaster. Direct damage to the Group’s facilities and assets was limited.

As a result of the above, consolidated operating results for the first quarter are as follows:

Operating Results Overview

(Millions of yen)	Three months ended March 31			
	2010	**2011**	Versus Period Ago	
			Amount Change	Percent Change
Net Sales	¥35,893	**¥35,477**	¥(415)	(1.2)%
Operating Income	1,201	**1,165**	(36)	(3.0)%
Ordinary Income	1,362	**1,462**	99	7.3%
Net Income	¥ 578	**¥ 594**	¥ 16	2.8%

Operating Results by Segment

Segment Sales to External Customers

(Millions of yen)	Three months ended March 31			
	2010	**2011**	Versus Period Ago	
			Amount Change	Percent Change
Beauty Care	¥33,182	**¥32,807**	¥(374)	(1.1)%
Real Estate	779	**775**	(3)	(0.5)%
Other	1,931	**1,894**	(37)	(1.9)%
Total	¥35,893	**¥35,477**	¥(415)	(1.2)%

Segment Income (Loss)/Operating Income (Loss)

(Millions of yen)	Three months ended March 31			
	2010	**2011**	Versus Period Ago	
			Amount Change	Percent Change
Beauty Care	¥ 592	**¥ 804**	¥211	35.6%
Real Estate	458	**319**	(139)	(30.3)%
Other	(125)	**(44)**	80	—
Reconciliations	275	**86**	(188)	(68.5)%
Total	¥1,201	**¥1,165**	¥(36)	(3.0)%

Effective from the first quarter of the year ending December 31, 2011 (fiscal 2011 first quarter), the Group adopted “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.” The accounting standard and its implementation guidance adopt the management approach as the segment reporting method.

According to this reporting method, reportable segments of the Group consist of “Beauty Care” and “Real Estate.” The previous “Cosmetics business” and “Fashion Business” classified by business are organized into the new reportable segment - “Beauty Care.” The previous “Pharmaceuticals Business” and “Other Business” are included in “Other.”

Operating results for the first three months of fiscal 2010 have been reclassified to conform to current quarter’s reportable segments for comparative purpose.

Beauty Care

The Beauty Care business is divided into the cosmetics product category and the fashion product category and primarily includes the POLA and ORBIS brands.

In the POLA cosmetics product category, the Group pushed ahead with the development of its department store outlets and POLA THE BEAUTY stores, which integrate cosmetics, counseling, and esthetic treatments, to create sales channels that match market needs and increase customer satisfaction. It also worked to enhance the sales quality and counseling skills of its sales personnel. However, domestic sales declined year on year, owing to the impact of the earthquake in March, which included damage to some sales branches, reduced business hours owing to planned power outages in East Japan, and a slowdown in POLA LADIES' sales activities due to gasoline shortages. Nevertheless, the impact of the earthquake on earnings was minimized by the February launch of new products in the ***WHITE SHOT*** series and robust sales in West Japan. Overseas, sales promotion campaigns in China and the U.S. proved successful, supporting robust sales.

In the POLA fashion product category, the Group sells women's lingerie, apparel, jewelry, and lifestyle and health products via catalogs and sales fairs. The Group actively launched new products and ran sales promotions, but the POLA fashion product category was unable to avoid the impact of the earthquake, such as a decline in the number of sales fairs held in East Japan and sluggish catalog sales.

In the ORBIS cosmetics product category, the Group worked to increase the ratio of repeat business by realigning its product range and reinforcing is online sales portal in an effort to boost profitability. The mainstay skincare series ***AQUA FORCE,*** which was re-launched in March, got off to a good start, but the distribution of products to areas near the disaster-affected region was affected by bottlenecks and damage in the supply chain, and store business hours in the Tokyo metropolitan area were reduced due to planned power outages. As a result, domestic sales declined year on year. Overseas, the Group ran sales promotions in China and Taiwan to attract new customers, and this together with strong sales of new products supported an improvement in performance year on year.

In the ORBIS fashion product category, which mainly involves the sale of women's underwear that emphasizes functionality via the mail order sales channel, the Group launched new products. However, like the ORBIS cosmetics product category, the fashion product category was unable to avoid the impact of the earthquake such as temporary bottlenecks in product distribution to areas near the disaster-affected region and customers holding off from purchasing non-essential items.

In brands under development, sales increased year on year on the back for robust sales of ***THREE*** and ***pdc*** branded products.

As a result of the above, net sales (to external customers) were ¥32,807 million, a 1.1% decrease, operating income was ¥804 million, a 35.6% increase compared with the same quarter a year earlier.

Real Estate

The Real Estate business, which primarily focuses on office buildings for lease in major cities, is working to maintain and increase rents and reduce vacancy rates by ensuring its buildings always offer tenants attractive office environments. From the previous fiscal year, the Real Estate business also began developing rental residential properties designed to be new model residences for families raising children. In the first three months of the fiscal year, the business struggled to secure new contracts, but the impact of the earthquake on portfolio properties and facilities was minimal and marketing efforts to protect rents amid declines across the industry resulted in a performance that was on par with the level in the same period a year earlier.

As a result of the above, net sales (to external customers) were ¥775 million, a 0.5% decrease, operating income was ¥319 million, a 30.3% decrease compared with the same quarter a year earlier.

Others

Other businesses include the pharmaceuticals, building maintenance and printing product categories. In the pharmaceuticals product category the Group leverages the results from its years of cosmetics research and research into the formulation of quasi-drugs to develop and sell new drugs for conditions in the dermatological field. To date, the Group has launched two new drugs on the market, ***Lulicon***, an antifungal agent for topical use, and ***DIVIGEL***, a treatment for menopausal disorder. These drug launches have been backed up by campaigns to promote their use at universities, hospitals, and medical clinics. In existing pharmaceutical drugs, the Group supplied a number of products such as laxative agent ***Alosenn*** to medical facilities nationwide. In the first three months of the fiscal year, more medical clinics and other users adopted ***Lulicon*** and the Group succeeded in expanding sales channels for generic drugs and other products. As a result, performance in the pharmaceuticals product category exceeded the level in the same period a year earlier.

Business in the building maintenance product category and the printing product category is primarily conducted with internal customers in the POLA ORBIS Group. In the building maintenance product category, in the first three months of the fiscal year, the Group aimed to increase sales from external customers by reinforcing marketing capabilities targeting new customers, but the number of new contracts failed to grow in January and February and performance was weaker than in the same period a year earlier. In the printing product category, the Group succeeded in securing new contracts and winning additional orders from existing customers, but performance was weaker than in the same period a year earlier due to the impact of the earthquake, which led to the suspension or reduction of production activities at paper makers and cut backs in the production of printed materials by customers

As a result of the above, net sales (to external customers) were ¥1,894 million, a 1.9% decrease compared with the same quarter a year earlier. Operating loss was ¥44 million compared with operating loss of ¥125 million reported in the same quarter a year earlier.

(2) Qualitative Information on Consolidated Financial Position.

As of March 31, 2011, total assets decreased 2.4%, or ¥4,573 million compared with the previous fiscal year-end to ¥183,198 million. The primary decreases in assets were a ¥8,065 million decrease in cash and deposits and a ¥4,276 million decrease in notes and receivables – trade. The primary increases were a ¥3,810 million increase in short-term investments in securities and a ¥1,890 million increase in investments in securities due to the purchase of bond securities and cash trust.

Total liabilities decreased 7.8%, or ¥2,704 million compared with the previous fiscal year-end to ¥31,963 million. The primary decreases in liabilities were a ¥2,949 million decrease in sales commission payable included in other current liabilities and a ¥790 million decrease in income taxes payable. The primary increase was a ¥1,409 million increase in asset retirement obligations included in other non-current liabilities due to the application of accounting standard for asset retirement obligations.

Total net assets decreased 1.2%, or ¥1,868 million compared with the previous fiscal year-end to ¥151,235. The changes primarily reflected net income of ¥594 million, as well as cash dividends payment of ¥2,211 million.

Consolidated Cash Flows

The balance of cash and cash equivalents as of March 31, 2011 decreased 35.7%, or ¥13,004 million compared with the previous fiscal year-end to ¥30,502 million. The primary factors for the first three months ended March 31, 2011 are as follows:

Cash flows from operating activities

Net cash flows provided by operating activities were ¥950 million, a 67.8% decrease on the same quarter a year earlier. The primary increases in net cash were income before income taxes of ¥157 million, depreciation and amortization of ¥1,201 million, decrease in notes and accounts receivable – trade of ¥4,286 million , as well as non-cash transaction of ¥954 million resulting from loss on adjustment for changes of accounting standard for asset retirement obligations. The primary decreases in net cash were decrease in sales commission payable included in other current liabilities of ¥2,762 million, decrease in income taxes payable of 1,108 million due to the payment for enterprise and local taxes, as well as increase in inventories of ¥930 million.

Cash flows from investing activities

Net cash flows used by investing activities were ¥11,863 million, a 51.1% decrease on the same quarter a year earlier. This primarily reflected the purchase for short-term investments in securities of ¥20,044 million and investments in securities of ¥5,995 million due to surplus fund investments in accordance with investment plans. Partially offsetting these uses of cash were proceeds from sales and redemption of short-term investments in securities of ¥14,935 million.

Cash flows from financing activities

Net cash flows used by financing activities were ¥2,134 million compared with ¥58 million reported at the same quarter a year earlier. The primary factor was ¥1,745 million payments for cash dividends.

(3) Qualitative Information on Forecast of Consolidated Performance

In the first three months of fiscal 2011, the domestic economy saw a moderate recovery, but a slowdown due to the East Japan Earthquake on March 11 is now a concern, owing to the impact on the economy of direct earthquake damage and a mood of self-restraint among consumers. With prospects for the end of the radioactive leaks still unclear, the outlook is likely to be more severe in the second three months of the fiscal year and beyond, owing to concerns about power shortages in the peak summer demand period, bottlenecks in production and supply chains, and deteriorating consumer sentiment.

Against this backdrop, the Group, as an organization that supplies cosmetics and other consumer products, will focus Group-wide on aiding the recovery effort in the affected region and at the same time continue to steadily conduct its business in line with the goals of its medium-term management plan. As a result of these activities, the impact of the earthquake on the Group’s full-year consolidated financial results is likely to be limited, but in light of results for the first three months and current economic conditions, the Group has revised its forecasts (announced on February 14, 2011) for consolidated financial results for the first half of the fiscal year and the full fiscal year, as shown below.

Revision to the Forecast of Consolidated Performance for the First Half of fiscal 2011

	(Millions of yen, except per share data and percent) Six months ending June 30				
	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Previous Forecast（A)	¥81,400	¥5,700	¥5,700	¥2,700	¥48.84
Current Forecast（B)	**77,500**	**4,500**	**4,700**	**2,100**	**37.99**
Amount Change (B－A)	(3,900)	(1,200)	(1,000)	(600)	―
Percent Change	(4.8)%	(21.1)%	(17.5)%	(22.2)%	―
Actual Result for six months ended June 30, 2010	¥79,838	¥5,369	¥5,184	¥1,984	¥38.70

Revision to the Forecast of Consolidated Performance for the Full Year of fiscal 2011

	(Millions of yen, except per share data and percent) Year ending December 31				
	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous Forecast（A)	¥168,100	¥12,900	¥13,000	¥7,500	¥135.66
Current Forecast（B)	**162,000**	**11,100**	**11,600**	**7,300**	**132.05**
Amount Change (B－A)	(6,100)	(1,800)	(1,400)	(200)	―
Percent Change	(3.6)%	(14.0)%	(10.8)%	(2.7)%	―
Actual Results for year ended December 31, 2010	¥165,253	¥12,270	¥12,247	¥7,086	¥137.36

(Information for reference)
Cumulative Results of Operation of Fiscal 2010 by Quarter

(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

Results of Operation of Fiscal 2010 by Quarter

(Millions of yen)

	First	**Second**	**Third**	**Fourth**
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

Not applicable

(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 first quarter is calculated using a rational method, based on physical inventories at the end of the previous fiscal year, rather than physical inventories at the end of the first quarter of fiscal 2011.

The Group has reduced the book value of certain inventories that were clearly deemed to be declining in profitability, after estimating the net selling value of such inventories.

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 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, Presentation Methods

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

Application of accounting standards related to asset retirement obligations

Effective from fiscal 2011 first quarter, 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 ¥18 million, respectively and income before income taxes decreased ¥972 million.

2) Changes in presentation

Consolidated statements of income

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

3, Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	First Quarter Fiscal 2011 March 31, 2011	Fiscal 2010 December 31, 2010
Assets		
Current assets		
Cash and deposits	**¥ 26,612**	¥ 34,678
Notes and accounts receivable – trade	**15,266**	19,543
Short-term investments in securities	**35,980**	32,169
Merchandise and finished goods	**10,092**	9,421
Work in process	**1,657**	1,644
Raw materials and supplies	**4,526**	4,276
Other	**6,254**	5,570
Allowance for doubtful accounts	**(58)**	(74)
Total current assets	**100,332**	107,230
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	**17,017**	17,136
Land	**22,296**	22,296
Other, net	**12,458**	12,217
Total property, plant and equipment	**51,773**	51,651
Intangible assets	**4,134**	4,140
Investments and other assets		
Investments in securities	**19,429**	17,538
Other	**7,694**	7,363
Allowance for doubtful accounts	**(165)**	(151)
Total investments and other assets	**26,958**	24,750
Total non-current assets	**82,866**	80,541
Total assets	**¥183,198**	¥187,771

(Millions of yen)

	First Quarter Fiscal 2011 March 31, 2011	Fiscal 2010 December 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable-trade	**¥ 3,459**	¥ 3,549
Short-term loans payable	**1,500**	1,753
Income taxes payable	**327**	1,118
Provision for bonuses	**1,774**	1,653
Other	**12,598**	15,548
Total current liabilities	**19,660**	23,623
Non-current liabilities		
Provision for retirement benefits	**7,156**	7,306
Other	**5,146**	3,737
Total non-current liabilities	**12,302**	11,044
Total liabilities	**31,963**	34,667
Net assets		
Shareholders' equity		
Common stock	**10,000**	10,000
Capital surplus	**90,718**	90,718
Retained earnings	**53,130**	54,746
Treasury stock	**(2,199)**	(2,199)
Total shareholders' equity	**151,649**	153,265
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	**37**	210
Foreign currency translation adjustments	**(554)**	(475)
Total valuation and translation adjustments	**(517)**	(264)
Minority interests	**103**	103
Total net assets	**151,235**	153,104
Total liabilities and net assets	**¥183,198**	¥187,771

(2) Consolidated Statements of Income

(Millions of yen) Three months ended March 31

	First Quarter Fiscal 2010 (January 1, 2010 - March 31, 2010)	**First Quarter Fiscal 2011 (January 1, 2011 - March 31, 2011)**
Net sales	¥35,893	**¥35,477**
Cost of sales	7,169	**6,958**
Gross profit	28,724	**28,518**
Selling, general and administrative expenses		
Sales commission	9,705	**9,662**
Promotion expenses	4,115	**3,902**
Advertising expenses	1,280	**1,259**
Salaries, allowances and bonuses	3,681	**3,846**
Provision for bonuses	961	**884**
Provision for point program	368	**339**
Other	7,409	**7,458**
Total selling, general and administrative expenses	27,522	**27,353**
Operating income	1,201	**1,165**
Non-operating income		
Interest income	63	**121**
Foreign exchange gains	89	**155**
Other	73	**64**
Total non-operating income	226	**341**
Non-operating expenses		
Interest expense	25	**14**
Office transfer expenses	30	―
Other	10	**29**
Total non-operating expenses	65	**43**
Ordinary income	1,362	**1,462**
Extraordinary income		
Reversal of allowance for doubtful accounts	6	**3**
Other	1	**0**
Total extraordinary income	7	**3**
Extraordinary losses		
Loss on disposal of non-current assets	9	**27**
Impairment loss	20	**4**
Loss on disaster	―	**277**
Loss on adjustment for changes of accounting standard for asset retirement obligations	―	**954**
Other	11	**46**
Total extraordinary losses	41	**1,308**
Income before income taxes	1,329	**157**
Income taxes – current	449	**459**
Income taxes – deferred	325	**(894)**
Total income taxes	775	**(435)**
Income before minority interests	―	**592**
Minority interests in net income of consolidated subsidiaries	(24)	**(2)**
Net income	¥ 578	**¥ 594**

(3) Consolidated Statements of Cash Flows

(Millions of yen) Three months ended March 31

	First Quarter Fiscal 2010 (January 1, 2010 - March 31, 2010)	**First Quarter Fiscal 2011 (January 1, 2011 - March 31, 2011)**
Cash flows from operating activities		
Income before income taxes	¥1,329	**¥ 157**
Depreciation and amortization	1,118	**1,201**
Impairment loss	20	**4**
Amortization of goodwill	20	—
Loss on disposal of non-current assets	9	**27**
Loss on disaster	—	**277**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**954**
Decrease in allowance for doubtful accounts	(9)	**(2)**
Decrease in provision for retirement benefits	(42)	**(150)**
Decrease in other provision	(30)	**(371)**
Interest and dividend income	(63)	**(121)**
Interest expense	25	**14**
Foreign exchange gains	(98)	**(151)**
Decrease in notes and accounts receivable – trade	3,338	**4,286**
Decrease (increase) in inventories	125	**(930)**
Increase (decrease) in notes and accounts payable – trade	46	**(102)**
Increase (decrease) in consumption taxes payable	136	**(371)**
Decrease (increase) in other assets	(34)	**122**
Decrease in other liabilities	(2,420)	**(2,762)**
Other	17	**(4)**
Subtotal	3,487	**2,074**
Interest and dividends received	33	**151**
Interest paid	(25)	**(10)**
Income taxes paid	(541)	**(1,108)**
Payments for loss on disaster	—	**(156)**
Net cash provided by operating activities	¥2,954	**¥ 950**

(Millions of yen)	Three months ended March 31	
	First Quarter Fiscal 2010 (January 1, 2010 - March 31, 2010)	**First Quarter Fiscal 2011 (January 1, 2011 - March 31, 2011)**
Cash flows from investing activities		
Payments into time deposits	¥ (405)	**¥ (422)**
Proceeds from withdrawal of time deposits	1,719	**499**
Purchase of short-term investments in securities	(10,047)	**(20,044)**
Proceeds from sales and redemption of short-term investments in securities	—	**14,935**
Purchase of property, plant and equipment	(1,281)	**(436)**
Purchase of intangible assets	(398)	**(367)**
Purchase of investments in securities	(13,860)	**(5,995)**
Purchase of long-term prepaid expenses	(15)	**(17)**
Payments for lease and guarantee deposits	(76)	**(66)**
Proceeds from collection of lease and guarantee deposits	85	**43**
Other	17	**8**
Net cash used in investing activities	(24,263)	**(11,863)**
Cash flows from financing activities		
Cash dividends paid	—	**(1,745)**
Net decrease in short-term loans payable	—	**(257)**
Repayments of lease obligations	(58)	**(121)**
Net cash used in financing activities	(58)	**(2,124)**
Effect of exchange rate changes on cash and cash equivalents	15	**33**
Net increase (decrease) in cash and cash equivalents	(21,352)	**(13,004)**
Cash and cash equivalents at beginning of period	68,817	**43,507**
Cash and cash equivalents at end of period	¥47,465	**¥30,502**

(4) Notes on Assumptions for Going Concern

Not applicable.

(5) Segment Information

a) Business Segment Information

(Millions of yen	Three months ended March 31, 2010							
	Cosmetics	Fashion	Pharmaceuticals	Real Estate	Others	Subtotal	Elimination or Corporate	Consolidated
Net Sales								
(1) Sales to External Customers	¥30,705	¥2,481	¥1,374	¥779	¥551	¥35,893	―	¥35,893
(2) Intersegment Sales and Transfers	7	0	―	155	1,444	1,606	¥(1,606)	―
Total	30,713	2,481	1,374	935	1,996	37,500	(1,606)	35,893
Operating Income (Loss)	¥ 961	¥(352)	¥(287)	¥458	¥112	¥ 891	¥ 309	¥ 1,201

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

2. Primary products for each business segment:

(1) Cosmetics (***BA*** 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 three months ended March 31, 2010.

c) Overseas Sales

Overseas sales are omitted, as overseas sales account for less than 10% of the consolidated net sales for the three months ended March 31, 2010.

(Segment Information)

1, General Information about Reportable Segments

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

Therefore, reportable segments consist of Beauty Care business – its core business and Real Estate business, which indirectly supports its core business.

The Beauty Care business manufactures and sells 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, and ACRO***. The Real Estate business is engaged in the leasing of office buildings and residential properties.

2, Information about Reported Segment Profit or Loss

(Millions of yen — Three months ended March 31, 2011

	Reportable Segments			Other (Note 1)	Subtotal	Reconciliations (Note 2)	Consolidated (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥32,807	¥775	¥33,583	¥1,894	¥35,477	—	¥35,477
Intersegment Sales or Transfers	15	173	189	1,580	1,769	¥(1,769)	—
Total	32,822	949	33,772	3,474	37,247	(1,769)	35,477
Operating Income (Loss)	¥ 804	¥319	¥ 1,123	¥ (44)	¥ 1,078	¥ 86	¥ 1,165

Note: 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 ¥86 million includes intersegment transaction eliminations of ¥561 million, minus corporate expenses of ¥ 475 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.

(Supplementary Information)

Effective from fiscal 2011 first quarter, 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