

Fiscal 2014

Supplementary Material

POLA ORBIS HOLDINGS INC.

President

Satoshi Suzuki

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Progress of the Mid-term Management Plan
4. Forecasts and Initiatives for Fiscal 2015
5. Overseas Strategy and Capital Policy
6. Appendix

Cosmetic Market

- In Japan, the reaction to the surge in demand before the tax hike cooled down in the fall. Then, the actual impact of the tax hike kicked in and weakened consumer sentiment mostly in the prestige segment.
- Unit price stopped declining in 2013, but it started to decline again from April 2014.*
- On the other hand, department stores in major cities in Japan were in good shape with boosted demands from inbound tourists. Extended tax exemption for cosmetics from October was also a tail wind for the department stores.
- The overall Chinese market showed growth, but the market competition among global and Japanese players continued to intensify. Consumption also continued to scatter towards the rural area and online channel. Costs such as labor expense and rent are on the rising trend.

*Source: Ministry of Economy, Trade and Industry

Our Group

- ORBIS performed well throughout the year with a major new product launch and new sales promotion, and became the sales driver for the Group.
- On the other hand, consumer sentiments were weakened in rural areas of Japan in the second half of the year, and had negative impact on POLA which mainly plays in prestige segment.
- In China, H2O PLUS struggled but Jurlique achieved a high level of same-store sales growth and performed strongly.
- On the consolidated basis, results were in line with the forecasts. The Group achieved increase in sales and operating income for the 5th consecutive year.

(mil. yen)	FY2013 Results	FY2014 Results	YoY		Compared with Forecasts (announced on Nov. 28)	
			Amount	%	Amount	%
Consol. net sales	191,355	198,094	6,738	3.5%	94	0.0%
Operating income	16,017	17,683	1,665	10.4%	33	0.2%
Ordinary income	17,836	19,067	1,231	6.9%	1,167	6.5%
Net income	7,318	10,382	3,063	41.9%	682	7.0%

Analysis of Consolidated P&L Changes

Net Sales to Operating Income

(mil. yen)	FY2013	FY2014	YoY	
	Results	Results	Amount	%
Consolidated net sales	191,355	198,094	6,738	3.5%
Cost of sales	38,655	39,326	671	1.7%
Gross profit	152,700	158,767	6,067	4.0%
SG&A* expenses	136,682	141,083	4,401	3.2%
Operating income	16,017	17,683	1,665	10.4%

*Selling, General and Administrative Expenses

Key Factors

- Consol. net sales** In addition to ORBIS, THREE and decencia from brands under development were the sales drivers for the domestic business.
 Jurlique supported overseas sales growth.
 Overseas sales ratio FY2013: 12.2% ⇒ FY2014: 12.8%
- Cost of sales** Improved mainly at POLA and ORBIS.
 Cost of sales ratio: FY2013: 20.20% ⇒ FY2014: 19.85%
- SG&A expenses** Labor expenses: up 1,257 mil. YoY
 Sales commissions: down ¥270 mil. YoY
 Sales related expenses: up ¥2,423 mil. YoY
 Administrative expenses: up ¥990 mil. YoY
- Operating income** Beauty care: up ¥1,755 mil. YoY

Analysis of Consolidated P&L Changes

Operating Income to Net Income

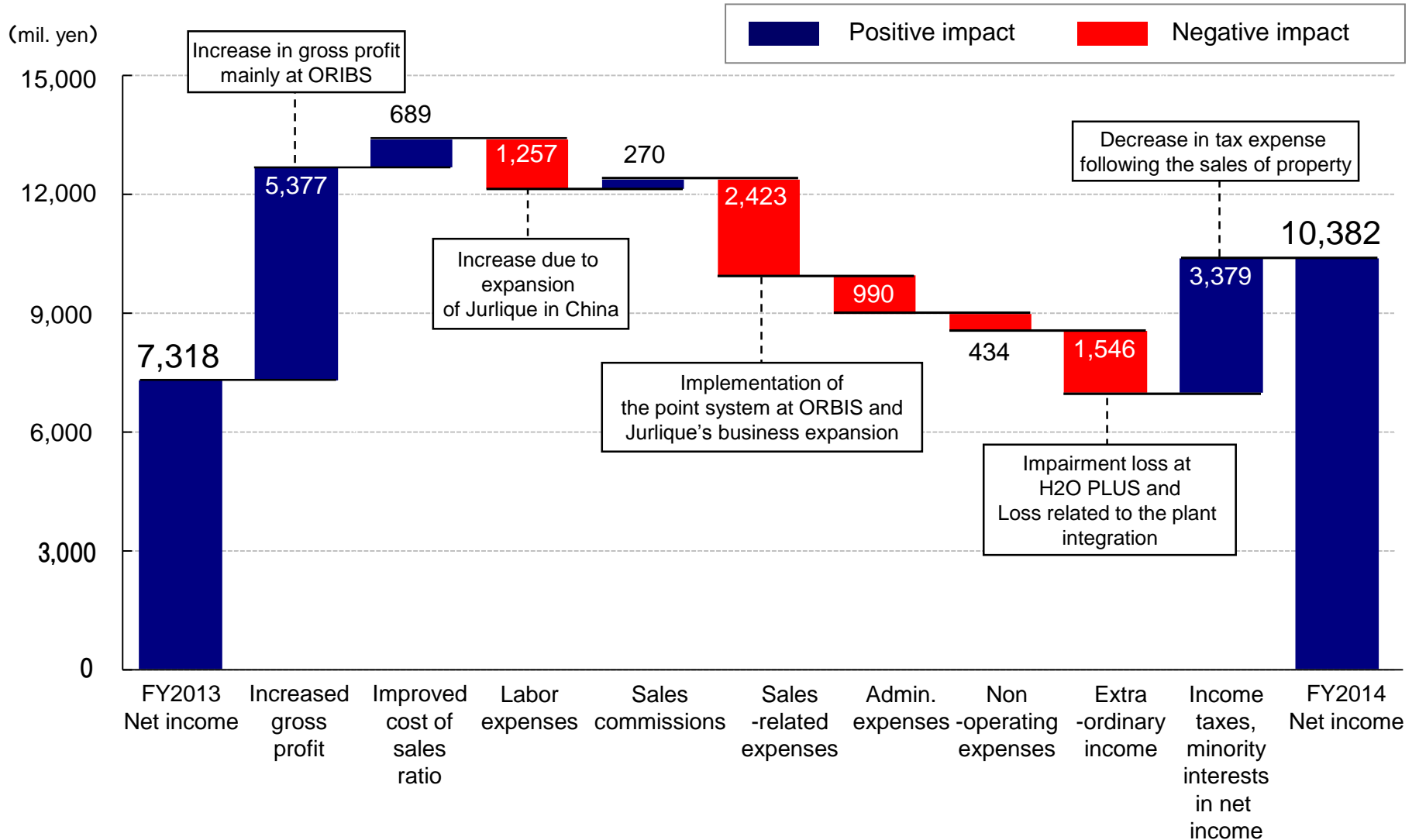
(mil. yen)	FY2013 Results	FY2014 Results	YoY	
			Amount	%
Operating income	16,017	17,683	1,665	10.4%
Non-operating income	1,972	1,684	(288)	(14.6%)
Non-operating expenses	154	301	146	94.8%
Ordinary income	17,836	19,067	1,231	6.9%
Extraordinary income	913	2,178	1,265	138.5%
Extraordinary loss	5,455	8,267	2,812	51.5%
Income before income taxes	13,293	12,978	(315)	(2.4%)
Income taxes	6,037	2,960	(3,077)	(51.0%)
Minority interests in net income / loss of consol. subsidiaries	(62)	(364)	(301)	-
Net income	7,318	10,382	3,063	41.9%

Key Factors

- Non-operating income and expenses FY2014: Foreign exchange gains ¥990 mil.
- Extraordinary income FY2014: Gain on sales of property at real estate business ¥2,143 mil.
- Extraordinary loss FY2014: Impairment loss on tangible and intangible assets at H2O PLUS ¥6,061 mil.
Loss related to the plant integration ¥1,520 mil.
- Income taxes FY2014: Decrease in tax expense following sales of property down ¥4,622 mil. YoY

Factors Impacting Net Income

ORBIS performed well throughout the year and realized huge increase in gross profit. In spite of the impairment loss at H2O PLUS, the Group achieved significant increase in net income due to the sales of property and decrease in tax expense.



1. Highlights of Consolidated Performance
2. **Segment Analysis**
3. Progress of the Mid-term Management Plan
4. Forecasts and Initiatives for Fiscal 2015
5. Overseas Strategy and Capital Policy
6. Appendix

Segment Results

(mil. yen)	FY2013 Results	FY2014 Results	YoY	
			Amount	%
Consolidated net sales	191,355	198,094	6,738	3.5%
Beauty care	178,306	184,475	6,168	3.5%
Real estate	3,035	3,179	143	4.7%
Others	10,013	10,440	427	4.3%
Operating income	16,017	17,683	1,665	10.4%
Beauty care	14,780	16,535	1,755	11.9%
Real estate	1,258	1,227	(31)	(2.5%)
Others	410	472	61	15.0%
Reconciliations	(431)	(551)	(119)	-

Summary

- Beauty care** ORBIS, Jurlique and brands under development were the sales drivers. Achieved double digit growth in operating income by improving profitability of the flagship brands, mainly ORBIS.
- Real estate** Maintained high occupancy rate and achieved increase in sales. On the other hand, operating income was flat year-on-year due to the sales of property.
- Others** Pharmaceutical business increased sales and operating income through increased number of doors and cost control. Building maintenance business also achieved increase in sales and operating income through increased number of customers.

Beauty Care Business Results by Brands

(mil. yen)	FY2013 Results	FY2014 Results	YoY	
			Amount	%
Beauty care net sales	178,306	184,475	6,168	3.5%
POLA	100,740	99,571	(1,168)	(1.2%)
ORBIS	48,163	52,302	4,139	8.6%
Jurlique	14,810	17,600	2,789	18.8%
H2O PLUS	5,488	4,876	(611)	(11.1%)
Brands under development	9,104	10,123	1,019	11.2%
Beauty care OP income	14,780	16,535	1,755	11.9%
POLA	7,951	8,583	632	7.9%
ORBIS	8,807	10,792	1,985	22.5%
Jurlique	(399)	(445)	(46)	-
H2O PLUS	(496)	(1,435)	(939)	-
Brands under development	(1,082)	(958)	123	-

Note: Consolidate operating income and loss are shown for each brand for reference purpose only (figures are unaudited)
 Results of Jurlique and H2O PLUS are shown separately from FY2014.

FY2014

- Sales was down due to the negative impact of the tax hike on the consumer sentiment in the prestige segment.
- Rural areas and customers in their 30s and 40s became cost conscious and saved up.
- Rolled out recovery measures targeting repeat customers in Q4, but annual purchase per customer was down.
- On the other hand, operating income was significantly increased through streamlined expenses and corporate costs.

Q4	Results (mil. yen)	YoY*
Net sales	99,571	(1.2%)
Operating income	8,583	7.9%

Key indicators

Number of sales offices (vs. Dec. 2013)		4,799 (up 50)
Number of PB ⁽¹⁾ (vs. Dec. 2013)		622(up 20)
Cosmetic sales ratio	PB ⁽¹⁾	37.9%
	Esthe-inn	40.4%
	D2D ⁽²⁾ and other	21.7%
Sales increase*	PB	up 4.4%
	PB (like-for-like)	up 4.1%
	Esthe-inn	down 1.1%
	D2D	down 9.7%
Annual purchase per customer*		down 4.8%
Number of new customers*		up 5.4%

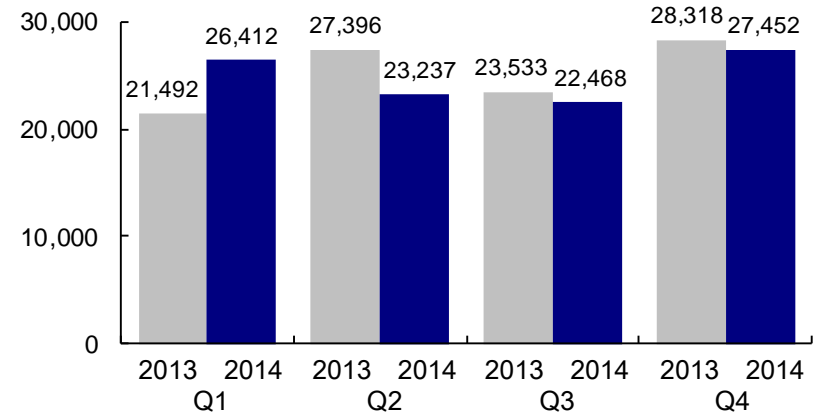
(1) PB: POLA THE BEAUTY stores (2) D2D: Conventional door-to-door
*YoY

Quarter topics

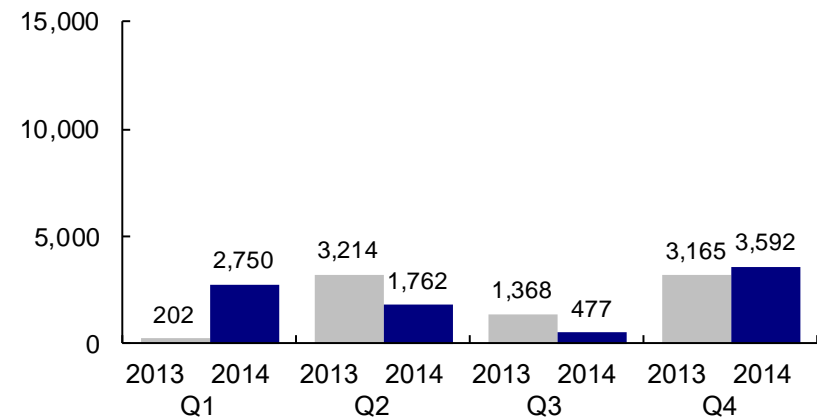
- RED B.A launched on October received Best Cosmetics Awards on Japanese magazines.



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



FY2014

- It was a great year for ORBIS. ORBIS=U launched in the beginning of the year was a huge hit, and new customer acquisition through social media before and after the tax hike were successful.
- The brand achieved excellent results in its brand rebuilding process and moved forward to the new growth phase.

Q4	Results (mil. yen)	YoY*
Net sales	52,302	8.6% (Actual 5%) ⁽¹⁾
Operating income	10,792	22.5%
Key indicators		
Sales ratio	Online	40.7%
	Other mail-order	31.5%
	Store and overseas	27.8%
Sales increase*	Online	up 18.1%
	Other mail-order	up 1.1%
	Stores and overseas	up 5.0%
Mail-order ⁽²⁾ purchase per customer*		up 7.8%
Number of mail-order customers*		up 2.1%
Mail-order skincare purchase ratio*		up 0.2%

(1) Actual sale growth excluding the impact of the point system started on September 24th.

(2) Online and other mail-order

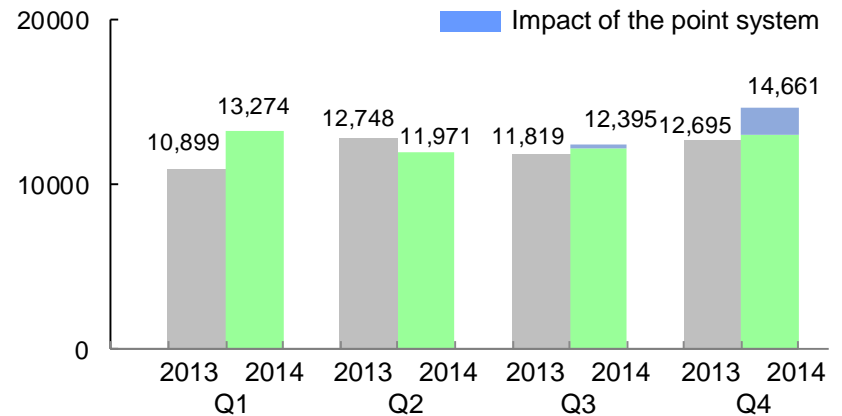
*YoY

Quarter topics

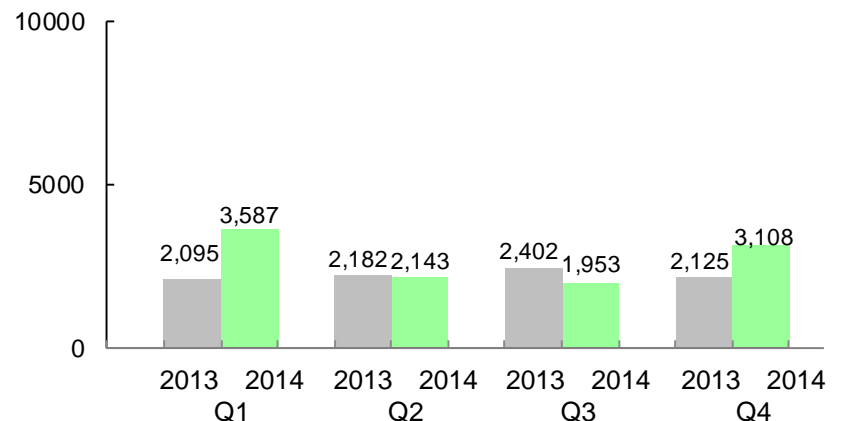
- Kicked off the new sales promotion system (point system) to realize one-to-one marketing.



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



FY2014

- In spite of the tough market environment, the brand achieved 5% growth yoy in the same-store sales in Chinese department stores by launching new products and reinforcing CRM.
- Sales was up by 18% yoy on local currency basis.
- Operating loss slightly increased due to increase in fixed cost and one-time expense along with rationalization of operating.

Q4	Results (mil. yen)	YoY ⁽¹⁾
Sales	17,600	18.8%
Operating income (before goodwill amortization)	356	(38)
Operating income	(445)	(46)
Key indicators		
Number of stores in China (vs. Dec. 2013)		103 (up 13)
Sales ratio	China	28%
	HK	15%
	Duty free stores	17%
Sales increase ⁽²⁾	China	up 35%
	HK	up 14%
	Duty free stores	up 9%

(1) For operating income YoY difference is shown in amount (mil. yen).

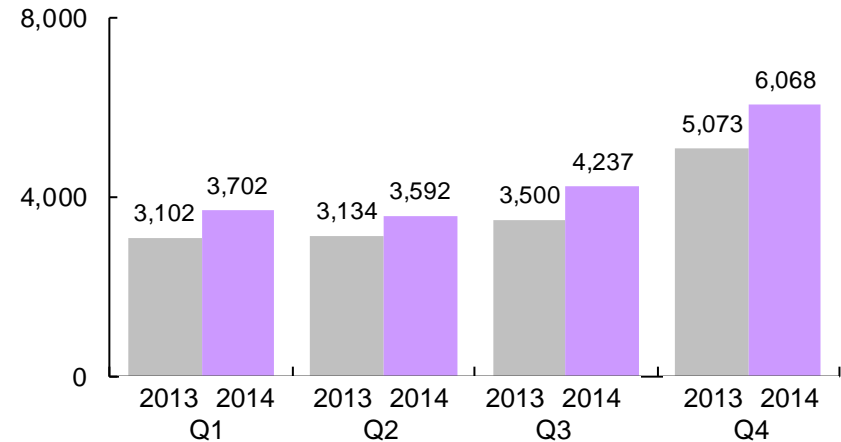
(2) Local currency basis, YoY

Quarter topics

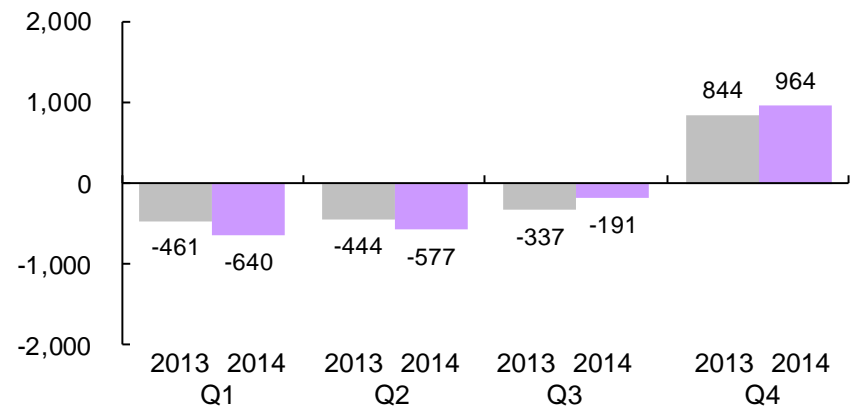
- Gift box items for the holiday season sold well.



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



FY2014

- Sales was down significantly due to the sluggish sales in China and decrease in number of sales channels in the US due to the change in the distribution strategy.
- Sales was down by 18% yoy on local currency basis.
- Operating loss significantly increased due to decrease in gross profit and increase in fixed costs.

Q4	Results (mil. yen)	YoY ⁽¹⁾
Net sales	4,876	(11.1%)
Operating income (before goodwill amortization)	(1,339)	(1,073)
Operating income	(1,435)	(939)

Key indicators

Number of doors in China (vs. Dec. 2013)		382 (down 26)
Sales ratio	China	23%
	North America	55%
Sales increase ⁽²⁾	China	down 39%
	North America	down 5%

(1) For operating income YoY difference is shown in amount (mil. yen).

(2) Local currency basis, YoY

Regarding the Impairment Loss

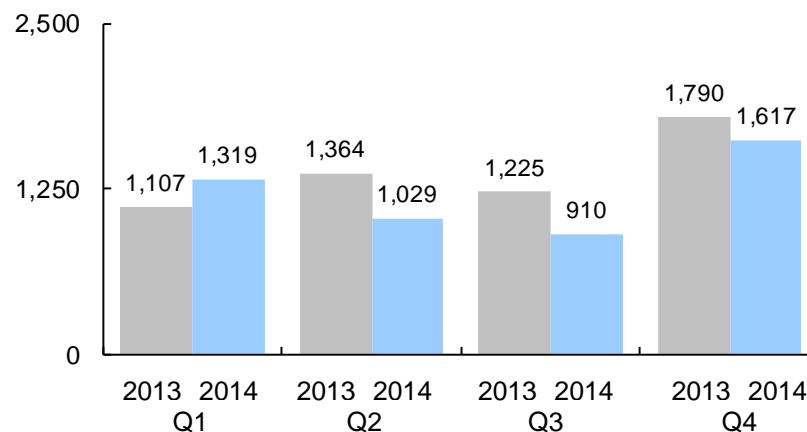
- China: In order to turnaround the sales activities, H2O PLUS reinforced the organization structure by changing management members, but it requires some time to show results.
- US: Along with the change in the mid-to-long-term brand strategy, distribution channels were reexamined. As a result, the brand withdrew from drugstore channels.
- Based on the situations mentioned above, the mid-to-long-term business plan and future cash flow for FY2015 onward were revisited. Impairment test was conducted and as a result, H2O PLUS recorded approx. ¥6,061 mil. impairment loss on tangible and intangible assets.
- From FY2015, there will be no goodwill amortization expense.

Quarter topics

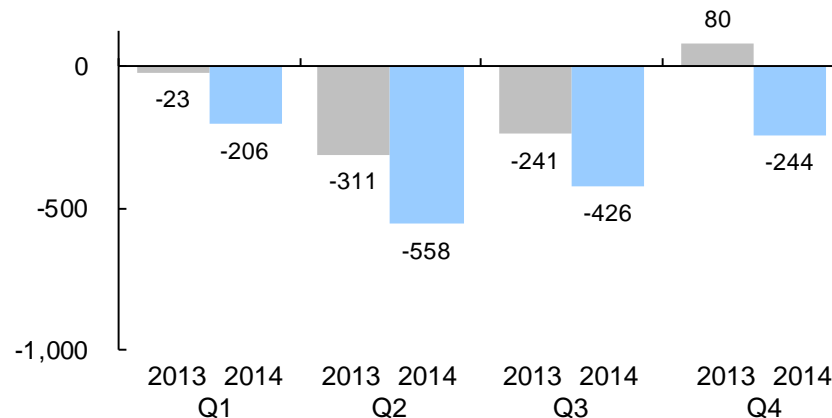
- Marine Defense Green Tea Antioxidant Toner was chosen as Editor's Pick Best Toner on totalbeauty.com



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



FY2014

- THREE and decencia performed strongly throughout the year.
- New store openings and new product launches were the key drivers for THREE.
- decencia increased the number of customers and purchase per customer by launching high-value-added products. The brand achieved break-even.
- On the other hand, pdc struggled to secure shelves at retail stores before and after the tax hike, and its sales was down yoy.

Q4		Results (mil. yen)	YoY*
Net sales		10,123	11.2%
Operating income		(958)	123
Key indicators			
THREE	Dept. store counters in Japan		28
	Other stores in Japan		28
	Overseas stores (Thailand and Taiwan)		13

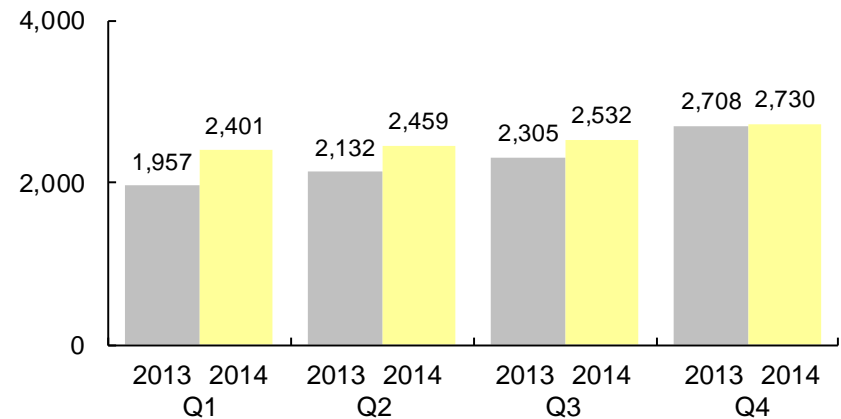
*For operating income YoY difference is shown in amount (mil. yen).

Quarter topics

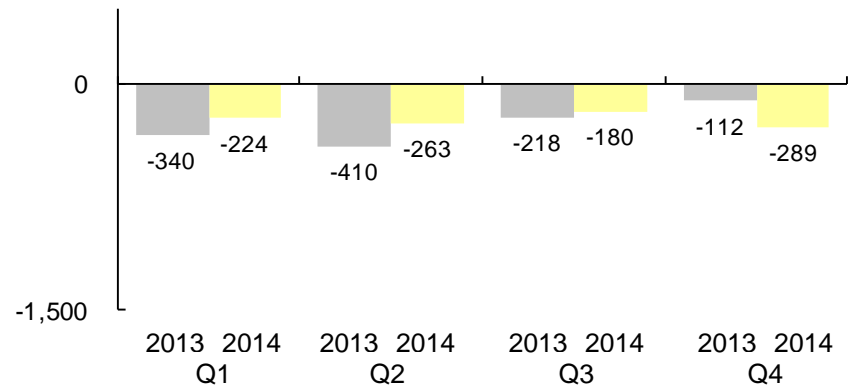
- decencia launched AYANASU AS Eye Cream on October 1st.
¥4,500 (tax excluded)



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



1. Highlights of Consolidated Performance
2. Segment Analysis
3. **Progress of the Mid-term Management Plan**
4. Forecasts and Initiatives for Fiscal 2015
5. Overseas Strategy and Capital Policy
6. Appendix

The Group is on track for FY2016 targets on the whole.

Management indicators

	Targets for FY2014 to FY2016	Evaluation	Progress
Consolidated net sales	CAGR* 3~4%	Excelled	<ul style="list-style-type: none"> ■ ORBIS achieved excellent results from its brand rebuilding process, and entered into the new growth phase ■ Jurlique achieved high level of the same-store sales growth in China
Overseas sales ratio	15% or higher in FY2016	Slightly behind	<ul style="list-style-type: none"> ■ FY2014 Overseas sales ratio 12.8% (up 0.6pt yoy) ■ Jurlique performed well, but H2O PLUS struggled
Operating income	CAGR 15% or higher	On track	<ul style="list-style-type: none"> ■ Improved cost of sales ratio and cost control at flagship brands ■ Increased online sales ratio at ORBIS
Operating income margin	11% or higher in FY2016	On track	<ul style="list-style-type: none"> ■ FY2014 Operating income margin 8.9% (up 0.6pt yoy) ■ In addition to the stable profit growth achieved by the flagship brands, the brands under development contributed by achieving sales increase and decreasing operating loss
ROE	8% or higher in FY2016	On track	<ul style="list-style-type: none"> ■ FY2014 ROE 5.9% (up 1.6pt yoy) ■ Improved through profit growth and enhanced shareholder return
Consol. payout ratio	50% or higher from FY2014	On track	<ul style="list-style-type: none"> ■ FY2014 Payout ratio 99.6%

*CAGR: compound annual growth rate

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Progress of the Mid-term Management Plan
4. **Forecasts and Initiatives for Fiscal 2015**
5. Overseas Strategy and Capital Policy
6. Appendix

Aim to achieve increase in sales and operating income for the 6th consecutive year.

(mil. yen)	FY2014	YoY	
	Results	Amount	%
Consol. net sales	198,094	6,738	3.5%
Beauty care	184,475	6,168	3.5%
Real estate	3,179	143	4.7%
Others	10,440	427	4.3%
OP income	17,683	1,665	10.4%
Beauty care	16,535	1,755	11.9%
Real estate	1,227	(31)	(2.5%)
Others	472	61	15.0%
Reconciliations	(551)	(119)	—
Ordinary income	19,067	1,231	6.9%
Net income	10,382	3,063	41.9%

FY2015	YoY		FY2015	YoY	
	Full Year	Amount		%	H1
207,500	9,405	4.7%	99,700	3,759	3.9%
193,600	9,124	4.9%	93,200	3,799	4.2%
2,900	(279)	(8.8%)	1,450	(121)	(7.7%)
11,000	559	5.4%	5,050	81	1.6%
20,000	2,316	13.1%	8,400	68	0.8%
19,000	2,464	14.9%	7,850	77	1.0%
1,100	(127)	(10.4%)	600	(65)	(9.8%)
350	(122)	(25.9%)	100	(91)	(47.9%)
(450)	101	—	(150)	148	—
20,000	932	4.9%	8,400	356	4.4%
10,500	117	1.1%	4,400	699	18.9%

	FY2014
Shareholder return	Year-end ¥87 Payout ratio 99.6% Special year-end ¥100

	FY2015 (Plan)
Shareholder return	Interim ¥70, Year-end ¥80 Payout ratio 79.0%

Assumed exchange rates: AUD1.00 = ¥96 USD1.00 = ¥118 CNY1.00 = ¥19

In Japan, along with the aging of population, demand for anti-aging products are expected to expand further. Asian markets where the Group focuses on, are expected to continue achieving high level of growth.

	FY2014	FY2015 Onward
Japan		
Overall Market	<ul style="list-style-type: none"> ■ Surge in demand before the tax hike and negative reaction after the tax hike ■ Increased demands from the inbound tourists 	<ul style="list-style-type: none"> ■ Expected market growth rate: 1~2%* ■ Consumer behaviors may differ depending on products and sales channels
Product	<ul style="list-style-type: none"> ■ Anti-aging products for middle age segment were popular 	<ul style="list-style-type: none"> ■ Demand for anti-aging products to expand further ■ Skin-whitening market to recover
Price	<ul style="list-style-type: none"> ■ Increased tax burden suppressed purchase per customer, mainly in the prestige skincare segment 	<ul style="list-style-type: none"> ■ In the short-term, FY2014 trend is expected to continue in the short-term
Channel	<ul style="list-style-type: none"> ■ Department stores in urban cities were in good shape ■ Rural areas struggled with the impact from the tax hike 	<ul style="list-style-type: none"> ■ Gaps between urban cities that can capture demands from inbound tourists and rural areas that mainly consist of housewives will widen
Overseas (Key regions for the Group)		
China	<ul style="list-style-type: none"> ■ Competition in urban city department stores intensified ■ Consumption scattered towards rural areas and different sales channels 	<ul style="list-style-type: none"> ■ Expected market growth rate: 7~8%* ■ Online market to expand further
HK	<ul style="list-style-type: none"> ■ Market growth supported by the tourists from mainland China ■ Impact from the demonstration was limited 	<ul style="list-style-type: none"> ■ Expected market growth rate: 2~3%* ■ Personnel expenses and rents to continue increasing
ASEAN	<ul style="list-style-type: none"> ■ Market expanded along with the economic growth 	<ul style="list-style-type: none"> ■ Expected market growth rate: 5~8%* ■ Singapore, Indonesia and Malaysia are promising markets
North America	<ul style="list-style-type: none"> ■ Consumer sentiment improved along with the economic recovery 	<ul style="list-style-type: none"> ■ Expected market growth rate: 1~2%* ■ Improved consumer sentiment is positive, but the market is mature

*Expected market growth (2011~2016 expected CAGR) are company estimates.

Realizing 2014 - 2016 Medium-term Management Plan

Sustain stable growth of flagship brands to lead Group earnings

POLA

Promote repeat purchases to improve annual purchase per customer.

- Renewal launches of major products in skin-whitening and anti-aging fields.
- Cultivate professional POLA Ladies by reinforcing their consulting and esthetic treatment skills.
- Streamline profit structure.



Launched on February 5th
New White Shot series
(Skin-whitening products)

ORBIS

Move forward to the business expansion phase from the structural reform phase.

- New corporate message: “Change is Beautiful”
- Realize active customer engagement through social media.
- Improve service quality for each customer through the new sales promotion system (point system)
- Renewal launch of major products.



Planned to launch on March 24th
New Clear series
(Acne treatment products)

Realizing 2014 - 2016 Medium-term Management Plan

Overseas brands contributing to profitability through high sales growth

 Jurlique

- From FY2015, Jurlique aims to contribute to the Group's profitability.
- Continue to achieve the same-store sales growth in China by launching new products and strengthening the sales skills of the retail staffs.
- Expand online channels in China and DFS channels.
- Streamline operation by consolidating corporate functions and back offices in Australia and the US.

 h2o+

- FY2015 will be the year to create the business strategies and a business platform for the brand revitalization. Consolidate global product, price, distribution and promotion strategies.
- Promote the brand story as marine derived skincare.
- Streamline operations in North America, China, and other regions.

Sales growth and monetization of brands under development

T H R E E

- Increase sales by opening new department store counters and directly operated stores in Japan, and launching new products.
- Following Thailand and Taiwan, expand into Indonesia from February. Enhance the presence in the global cosmetic market.

 decencia

- Continue to launch high-value-added products in skin-whitening and anti-aging fields for highly sensitive skin types that respond to customer needs.
- Acquire new customers and improve purchase per customer.

- POLA: Increase annual purchase per customer
- Jurlique: Start contributing to the Group's profit
- H2O PLUS: Revitalize its brand and business

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Progress of the Mid-term Management Plan
4. Forecasts and Initiatives for Fiscal 2015
5. **Overseas Strategy and Capital Policy**
6. Appendix

	Initiatives for FY2015 Onward
China	<ul style="list-style-type: none"> Operate through sales channels that are suited for each brand's image and target, with focus on profitability.
Coastal cities: Department stores and shopping malls	<ul style="list-style-type: none"> Jurlique and POLA: Improve efficiency of existing stores. H2O PLUS: Decrease operating loss by closing unprofitable stores. Promote the brand story through retail stores.
Rural cities: Department stores and shopping malls	<ul style="list-style-type: none"> Jurlique: Realize efficient expansion through wholesale to local agents.
Online	<ul style="list-style-type: none"> Jurlique and ORBIS: Accelerate expansion in the third party online shopping malls.
HK	<ul style="list-style-type: none"> Jurlique: Improve efficiency of the existing stores. POLA: Open new counters mainly in department stores.
ASEAN	<ul style="list-style-type: none"> Jurlique: Expand wholesale to local agents. THREE: Following Thailand and Taiwan, expand into Indonesia (New store launch on February 16). ORBIS: Launch products suited for the climate and customers needs in Singapore.
North America	<ul style="list-style-type: none"> H2O PLUS: Reform the brand image. Expand sales through cosmetic specialty stores. Jurlique: Rationalize corporate functions and back offices. Focus on wholesale.
DFS	<ul style="list-style-type: none"> Jurlique: Reinforce sales promotion in Asia, targeting tourists from mainland China.
Other regions	<ul style="list-style-type: none"> POLA and H2O PLUS: Operate mainly through perfumeries in Russia.

Strategy	Issue	Initiatives for FY2015 Onward
Overall Brand		
Product	<ul style="list-style-type: none"> Behind on new product launches Offers bath and body care products 	<ul style="list-style-type: none"> Launch new products infused with the Group's R&D strengths Shift its focus on skincare products
Price	<ul style="list-style-type: none"> Different by regions Retail discounts offered constantly in China 	<ul style="list-style-type: none"> Standardize global pricings to match the image of the prestige brand. Benchmark pricing: \$40 to \$50
Sales channel	<ul style="list-style-type: none"> Focus on short-term expansion of point of sales 	<ul style="list-style-type: none"> Focus on sales channels suited for the brand image Minimize the number of doors by closing unprofitable stores
Brand image	<ul style="list-style-type: none"> Different by regions 	<ul style="list-style-type: none"> Marine derived high-value-added skincare brand
Management structure	<ul style="list-style-type: none"> Sufficient trainings are not provided for retail staff and the JV partner 	<ul style="list-style-type: none"> Reinforce regional trainings and sales teams Rationalize corporate functions
Regional		
China	<ul style="list-style-type: none"> Brand image is depreciated 	<ul style="list-style-type: none"> Promote the brand story through retail stores Launch new products Close unprofitable stores and improve efficiency of the existing stores.
North America	<ul style="list-style-type: none"> Focus on bath and body care products Sold in drug stores 	<ul style="list-style-type: none"> Focus on skincare products Reorganize sales channels
Other regions	<ul style="list-style-type: none"> Slow shipments to local agents due to the brand depreciation. 	<ul style="list-style-type: none"> Expand sales by reinforcing relationships with local agents.



HIGH-SPEED FOAMING HYDRATION+



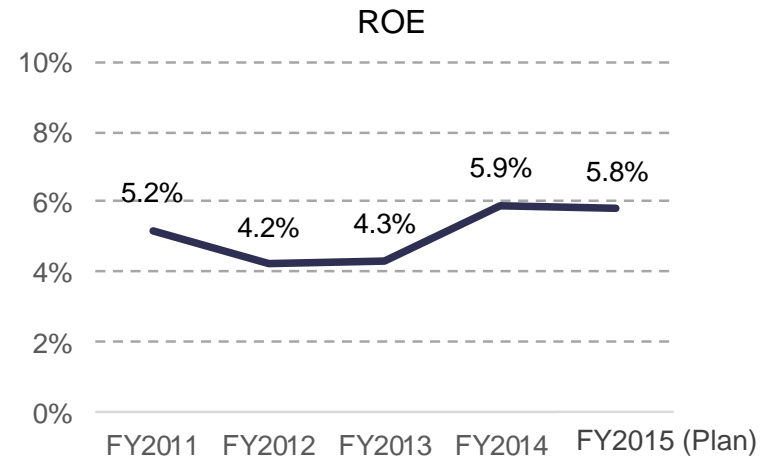
A store in Shanghai

In FY2015, H2O PLUS will revisit its overall brand strategy to improve its image, and focus on building a business platform for growth. From FY2016 onward, the brand will aim to achieve double digit sales growth and decrease operating loss.

Initiatives to improve capital efficiency

ROE 8% in FY2016 = $\frac{\text{EPS (Earnings per share)}}{\text{BPS (Book value per share)}}$

- Operating income CAGR15%
- Achieve net income growth which is higher than operating income growth
- Improve shareholder return through dividends
- Optimize balance sheet



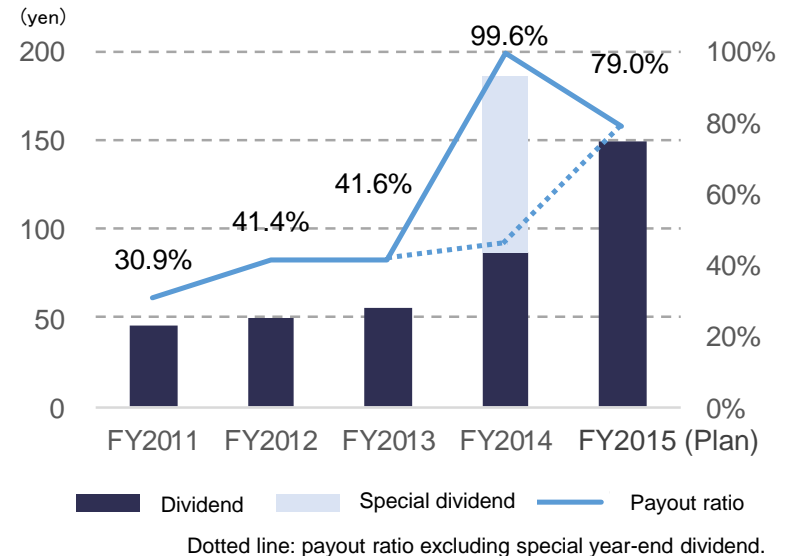
Improve Shareholder Return

【Basic Strategy】

- With a policy of consolidated payout ratio of 50% or higher, enhance shareholder return by realizing stable profit growth.
- Purchase of treasury stock is not planned in the near future to secure liquidity.

【Dividends in FY2015】

- Based on the ROE target of 8% in FY2016 and the forecasts for FY2015, dividend per share is planned to be ¥150 with payout ratio of 79.0%.



Enhance shareholder return and optimize balance sheet to improve capital efficiency.

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Progress of the Mid-term Management Plan
4. Forecasts and Initiatives for Fiscal 2015
5. Overseas Strategy and Capital Policy
6. Appendix

POLA



Skin Whitening Products
launched on February 5th

White Shot CX
(quasi-pharmaceutical products)
Regular size 25mL
¥15,000 (tax excluded)

White Shot SX
(quasi-pharmaceutical products)
Regular size 20g
¥12,000 (tax excluded)

ORBIS



Acne treatment Products
planned to launch on March 24th

Clear Wash
(quasi-pharmaceutical products)
120g
¥1,300 (tax excluded)

Clear Lotion
(quasi-pharmaceutical products)
180mL
¥1,500 (tax excluded)

Clear Moisture
(quasi-pharmaceutical products)
50g
¥1,700 (tax excluded)

Jurlique



A cleanser and a face wash
launched on January 7th

Purely Age-Defying
Nourishing Cleansing Oil
200mL
¥4,650 (tax excluded)

Herbal Recovery
Antioxidant Cleansing Mousse
150mL
¥4,250 (tax excluded)

T H R E E

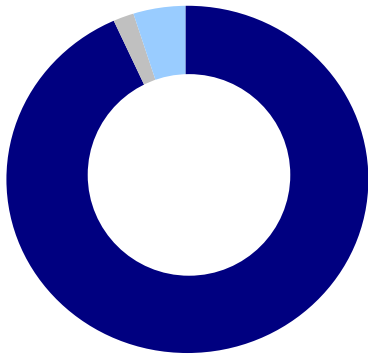


Skin Whitening Products
planned to launch on February 18th

Balancing
White Clear Essence
(quasi-pharmaceutical products)
30mL
¥10,000 (tax excluded)

Beauty care is the core business of the Group, and 9 different cosmetic brands are operated under the Group umbrella.

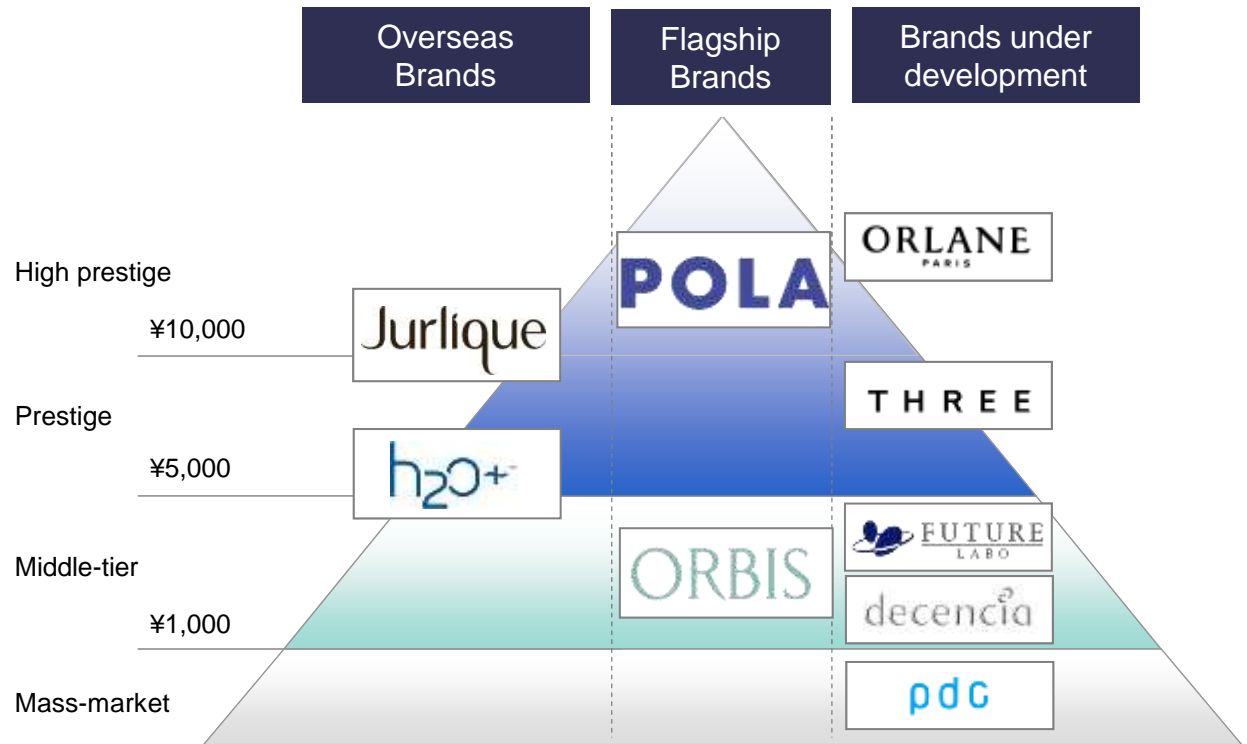
FY2014
Consol. Net Sales
¥198.1 bil.



Beauty care business 93%

Real estate business 2%

Other businesses 5%
(dermatological drugs and building maintenance business)












Our strengths

- Multi-brand strategy
- Focus on skincare products
- Flagship brands, POLA and ORBIS own and operate through their own unique sales channels



- Meeting diversified needs of customers
- High customer repeat ratio
- Strong relationships with customers

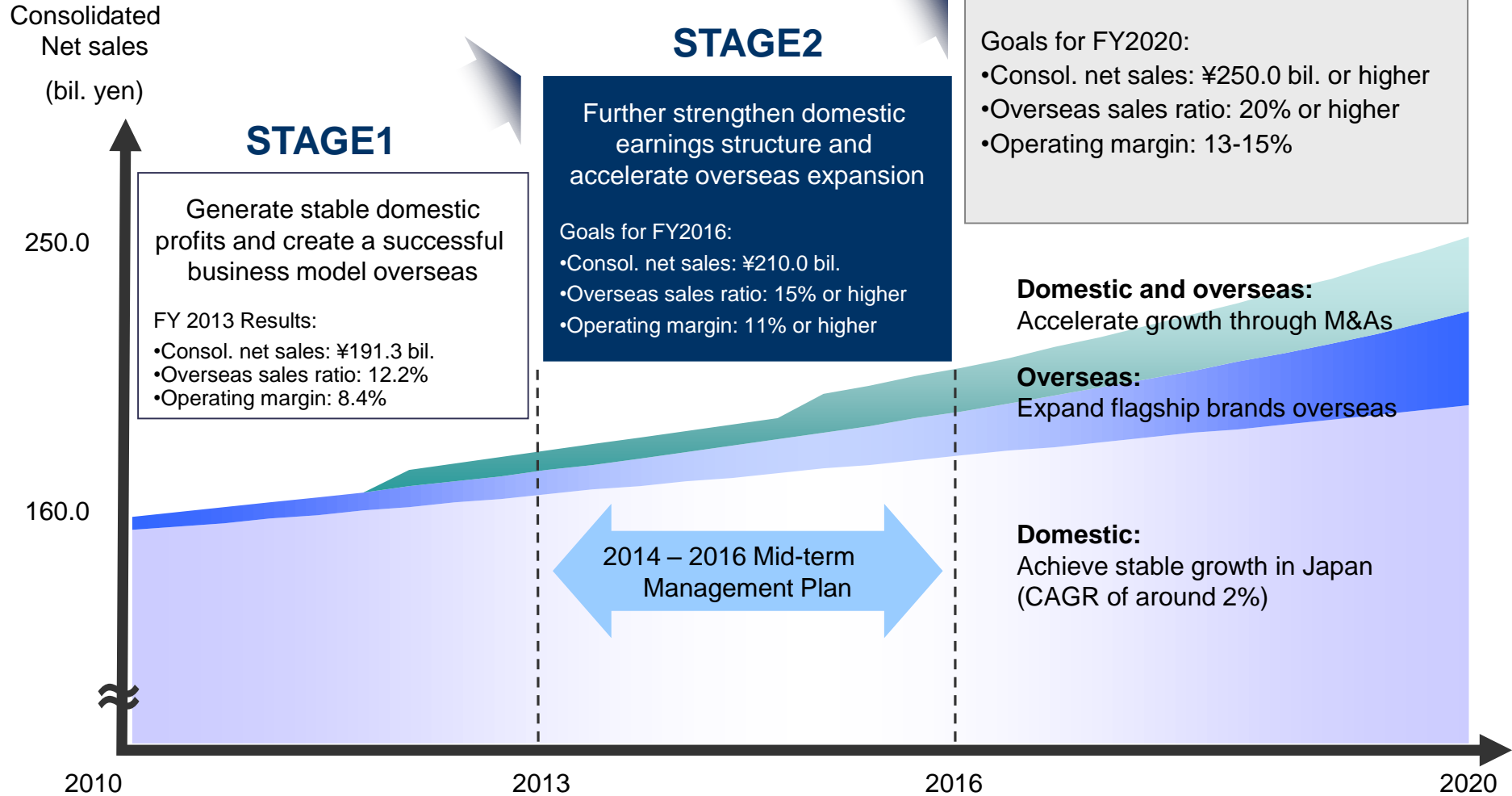
Appendix: Beauty Care Business Brand Portfolio

	Sales ratio*	Brand	Concept and products	Price	Sales channel
Flagship brands	54%		<ul style="list-style-type: none"> ■ High-prestige skincare ■ Leading-edge technology in anti-aging and skin-whitening fields 	Approx. ¥10,000 or higher	<ul style="list-style-type: none"> ■ Consignment sales through POLA LADIES: POLA THE BEAUTY (PB), Esthe-inn and conventional door-to-door ■ Directly operated counters in department stores
	28%		<ul style="list-style-type: none"> ■ Provides original-concept 100% OIL-FREE skincare products ■ Anti-aging product series to meet demands from all ages 	¥1,000~ ¥3,000	<ul style="list-style-type: none"> ■ Online ■ Catalog ■ Retail stores
Overseas brands	10%		<ul style="list-style-type: none"> ■ Prestige organic skincare brand from Australia 	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> ■ Directly operated counters and stores in department stores and shopping malls ■ Duty free stores
	3%		<ul style="list-style-type: none"> ■ Skincare products made with natural, sea-derived ingredients 	Approx. ¥4,000 not sold in Japan	<ul style="list-style-type: none"> ■ China: Department stores, shopping malls and specialty stores ■ US: Specialty stores and directly operated stores
Brands under development			<ul style="list-style-type: none"> ■ Skincare made with natural ingredients from Japan and fashion-forward make-up 	Approx. ¥5,000 or higher	<ul style="list-style-type: none"> ■ Directly operated counters in department stores
			<ul style="list-style-type: none"> ■ Affordably priced cosmetic products for mass-market 	Approx. ¥1,000	<ul style="list-style-type: none"> ■ Drug stores, GMS ■ Variety stores
	5%		<ul style="list-style-type: none"> ■ Cosmetic and other products with unique features 	¥3,000~ ¥6,000	<ul style="list-style-type: none"> ■ Mainly sold through TV shopping channels
			<ul style="list-style-type: none"> ■ Skincare for dry, sensitive skin 	¥2,000~ ¥5,000	<ul style="list-style-type: none"> ■ Online
			<ul style="list-style-type: none"> ■ High prestige anti-aging skincare cosmetics from France 	Approx. ¥10,000 or higher	<ul style="list-style-type: none"> ■ Directly operated counters in department stores ■ Specialty stores

*Sales ratio in the beauty care business as of FY2014

Corporate Philosophy

“Inspire all people and touch their hearts”



The 2nd stage of the long-term vision for 2020
 Aim to enhance the enterprise value by further strengthening domestic earnings structure, accelerating overseas expansion, and improving capital efficiency.

Consolidated net sales

- Consol. net sales: CAGR **3 to 4%**
 (¥210.0 bil. in FY2016)
- Overseas sales ratio: **15%** or higher in FY2016

Operating income

- Operating income: CAGR **15%** or higher
- Operating margin: **11%** or higher in FY2016

Capital efficiency

- Target for ROE: **8%** or higher in FY2016

Shareholder return

- Consolidated payout ratio: **50%** or higher
 from FY2014

Japan

Strategy 1. Sustain stable growth of flagship brands to lead Group earnings

Strategy 2. Sales growth and monetization of brands under development

Overseas

Strategy 3. Overseas brands contributing to profitability through high sales growth

Strategy 4. Restructure overseas expansion of flagship brands

Strategy 5. Strengthen operations (R&D, production and human resources)

Strategy 6. Improve capital efficiency and shareholder return