

Summary of Financial Results

For the Nine Months of the Fiscal Year Ending December 31, 2014 (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.

November 4, 2014

POLA ORBIS HOLDINGS INC.

Listing: Tokyo Stock Exchange, First Section (Code No.: 4927)
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 Filing Date of Quarterly Securities Report: November 14, 2014
 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 Fiscal 2014 (January 1, 2014–September 30, 2014)

(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014 Nine Months	142,019	3.4	10,367	5.7	10,869	0.2	4,879	(0.5)
FY2013 Nine Months	137,346	5.9	9,809	22.4	10,852	28.8	4,905	33.0

Note: Comprehensive income: ¥5,454 million (-22.0%) for the Nine Months of FY2014;
 ¥6,992 million (83.5%) for the Nine Months of FY2013

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2014 Nine Months	88.25	88.17
FY2013 Nine Months	88.73	88.67

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2014 Third Quarter	217,884	175,508	80.3	3,166.20
FY2013	218,005	173,887	79.5	3,133.82

Reference: Equity capital: FY2014 Third Quarter: ¥175,040 million; FY2013: ¥173,250 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2013	—	25.00	—	30.00	55.00
FY2014	—	40.00	—	—	—
FY2014 (Forecast)	—	—	—	47.00	87.00

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

3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2014

(January 1, 2014–December 31, 2014)

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2014	198,000	3.5	17,650	10.2	17,900	0.4	8,800	20.2	159.18

Note: Revisions to the consolidated performance forecast announced most recently: None

Notes to Summary Information

- (1) Changes in significant subsidiaries during the current period
(Changes in specific subsidiaries resulting in changes in the scope of consolidation) : None
- (2) Application of special accounting methods for the preparation of the quarterly consolidated financial statements : None
- (3) Changes in accounting policies, accounting estimates, and restatement
- | | |
|--|--------|
| 1) Changes in accounting policies associated with revision of accounting standards | : None |
| 2) Changes other than (3)-1) | : None |
| 3) Changes in accounting estimates | : None |
| 4) Restatements | : None |
- (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, 2014 | 57,284,039 shares |
| At December 31, 2013 | 57,284,039 shares |
| 2) Number of shares of treasury stock at the end of each period | |
| At September 30, 2014 | 2,000,000 shares |
| At December 31, 2013 | 2,000,000 shares |
| 3) Average number of shares issued and outstanding in each period | |
| Nine months ended September 30, 2014 | 55,284,039 shares |
| Nine months ended September 30, 2013 | 55,284,039 shares |

Information Regarding 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 Forecast 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, please refer to "1. Qualitative Information on Consolidated Performance for the Nine Months of Fiscal 2014 (3) Explanation of Consolidated Performance Forecast and Other Predictive Information" on page 5.

Table of Contents

1. Qualitative Information on Consolidated Performance for the Nine Months of Fiscal 2014	2
(1) Explanation of Consolidated Operating Results	2
(2) Explanation of Consolidated Financial Position	4
(3) Explanation of Consolidated Performance Forecast and Other Predictive Information	5
2. Summary Information (Notes)	5
(1) Changes in Significant Subsidiaries during the Current Period	5
3. Quarterly Consolidated Financial Statements	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	8
(3) Notes to Consolidated Financial Statements	10
(Going Concern Assumptions)	10
(Significant Changes in Shareholders' Equity)	10
(Segment Information)	10

1. Qualitative Information on Consolidated Performance for the Nine Months of Fiscal 2014

(1) Explanation of Consolidated Operating Results

During the nine months of fiscal 2014 (January 1–September 30, 2014), the Japanese economy continued on a modest recovery track amid government economic measures and monetary policies that improved the employment and income climates. Meanwhile, although the recoil against the surge in demand ahead of the consumption tax hike is gradually abating, the recovery trend in personal consumption was stagnant. Looking ahead, due attention must be paid to risk factors that could drive the economy down, such as a prolonged recoil against the surge in demand or an economic slump overseas.

In the domestic cosmetics market, the situation bears watching as the unit purchase price continued to trend downwards following the consumption tax hike. In the overseas cosmetics market, despite a trend toward continued mild expansion in the market overall, there are concerns that harsh conditions may lie ahead depending on the country or region, due to factors including economic slowdowns seen in China and elsewhere in Asia.

It was within this market environment that the POLA ORBIS Group (the “Group”) endeavored to strengthen its domestic earnings structure, accelerate overseas development, and increase corporate value by improving capital efficiency in keeping with a medium-term management plan started in the current fiscal year.

As a result of these factors, the Group achieved the following consolidated operating results for the nine months of fiscal 2014.

Consolidated net sales for the nine months of fiscal 2014 increased 3.4%, year on year to ¥142,019 million, reflecting steady performance by new products under the ORBIS brand. Operating income rose 5.7% year on year to ¥10,367 million, as the above sales gain drove gross profit higher. In addition to these results, ordinary income increased 0.2% year on year to ¥10,869 million due to a decrease in foreign exchange gains posted, and net income decreased 0.5% year on year to ¥4,879 million.

	(Millions of yen)				
	Nine Months Ended September 30				
	2013	2014	Year-on-Year		
		Amount Change	Percent Change (%)		
Net Sales	¥137,346	¥142,019	¥4,673	3.4	
Operating Income	9,809	10,367	558	5.7	
Ordinary Income	10,852	10,869	17	0.2	
Net Income	¥ 4,905	¥ 4,879	¥ (26)	(0.5)	

Operating Results by Segment

Net Sales (Segment Sales to External Customers)		(Millions of yen)		
Nine Months Ended September 30				
	2013	2014	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥127,720	¥131,944	¥4,224	3.3
Real Estate	2,266	2,379	113	5.0
Others	7,359	7,695	335	4.6
Total	¥137,346	¥142,019	¥4,673	3.4

Segment Income (Operating Income)		(Millions of yen)		
Nine Months Ended September 30				
	2013	2014	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥8,676	¥9,405	¥728	8.4
Real Estate	1,011	1,031	20	2.0
Others	351	311	(39)	(11.4)
Reconciliations of Segment Income (Note)	(229)	(380)	(150)	—
Total	¥9,809	¥10,367	¥558	5.7

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

Beauty Care

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

POLA is seeking to further boost customer satisfaction through efforts to further enhance POLA's sales-process quality such as developing new products in the anti-aging and skin-whitening fields and strengthening consulting skills. In the domestic market, with a view to expanding its share of the high-prestige cosmetics market, in July POLA launched *APEX*, anti-aging cosmetics that propose items tailored to each customer according to personal skin analysis. In overseas markets, the number of customers at department store counters increased in China, the key market. As a result, POLA recorded net sales on a level with those of the corresponding period of the previous year.

ORBIS efforts to improve a skincare-focused product offerings, reinforce online sales, and leverage new infrastructural systems to evolve customer communications methods while enhancing the efficiency of sales promotions. In the domestic market, *ORBIS=U*, launched in February as a key product strategy for the brand rebuilding, has seen steady growth both in per-capita spending and customer numbers. In overseas markets, ORBIS has continued sales promotion activities to increase brand awareness. As a result, ORBIS exceeded the net sales of the corresponding period of the previous year.

Meanwhile, as a result of strong performance of *THREE* and *decencia*, sales of brands under development were up from a year earlier.

For overseas brands, the Group endeavored to maintain high expansion and contribute to revenues and earnings, focusing on Asia as a growth driver. In September, *Jurlique* launched *Nutri-Define*, a new anti-aging series leveraging the Group's R&D expertise. *Jurlique* has expanded its business centered on the Chinese and Australian markets, and sales increased year on year. Sales declined from the previous year for *H2O PLUS*, reflecting poor sales in the Chinese market.

As a result of the factors noted above, net sales—sales to external customers—were ¥131,944 million, up 3.3% year on year, and operating income was ¥9,405 million, up 8.4% year on year.

Real Estate

The Real Estate segment concentrates on the leasing of office buildings in cities. Efforts are currently directed toward at sustaining rent levels but leaning more toward raising rents and occupancy rates by creating attractive

office environments. Another area of emphasis is the rental residential properties business. This business highlights new-model condominiums perfect for families with young children. During the nine months of fiscal 2014, net sales of the segment increased year on year, which was realized by its efforts to sustain rent levels and attract tenants.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥2,379 million, up 5.0% year on year, and operating income reached ¥1,031 million, up 2.0% year on year.

Others

The Others segment comprises the pharmaceuticals and building maintenance businesses.

The pharmaceuticals business draws on results accumulated by Group companies in research related to cosmetics and quasi-pharmaceuticals to develop and sell new drugs. During the nine months of fiscal 2014, due to the Group's continued sales activities specializing in the field of dermatology, *Lulicon*, an antifungal agent for topical application, continued to grow steadily, and sales were higher than a year earlier.

The building maintenance business primarily caters to the needs of Group companies. In the nine months of fiscal 2014, the Group engaged in sales activities to conclude contracts with new customers, resulting in higher sales than a year earlier.

As a reflection of the above, net sales—sales to external customers—generated by the Others segment totaled ¥7,695 million, up 4.6% year on year, and operating income amounted to ¥311 million, down 11.4% year on year.

(2) Explanation of Consolidated Financial Position

As of September 30, 2014, total assets stood at ¥217,884 million, down 0.1%, or ¥120 million, from December 31, 2013. Factors contributing to this decrease included the following: increases of ¥4,193 million in short-term investments in securities and ¥4,377 million in investments in securities from the management of surplus funds, ¥2,520 million in merchandise and finished goods, and ¥2,123 million in other under current assets due to the posting of short-term deferred tax assets following withdrawal from Korean operations. These were offset by decreases of ¥10,025 million in cash and deposits and ¥3,189 million in notes and accounts receivable - trade.

Total liabilities amounted to ¥42,376 million, down 3.9%, or ¥1,741 million, from December 31, 2013. Factors contributing to this decrease included an increase of ¥2,637 million in short-term loans payable associated with the bank borrowings of an overseas subsidiary, offset by decreases of ¥4,242 million in other under current liabilities primarily due to a decrease in sales commission payable, and ¥1,499 million in income taxes payable.

Net assets amounted to ¥175,508 million, up 0.9%, or ¥1,621 million, from December 31, 2013. Factors contributing to this increase included the following: net income of ¥4,879 million and an increase of ¥769 million in foreign currency translation adjustments as a result of exchange rate movements. These were partially offset by a decrease of ¥3,869 million in dividends from retained earnings.

(3) Explanation of Consolidated Performance Forecast and Other Predictive Information

The Company has made no revisions to the full-year consolidated performance forecast announced on July 30, 2014.

(Information for reference)

Cumulative Results for Fiscal 2013

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥41,238	¥91,415	¥137,346	¥191,355
Operating Income	1,601	6,305	9,809	16,017
Ordinary Income	2,144	7,335	10,852	17,836
Net Income	¥ 1,258	¥ 3,402	¥ 4,905	¥ 7,318

Quarterly Operation Results for Fiscal 2013

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥41,238	¥50,177	¥45,930	¥54,009
Operating Income	1,601	4,704	3,504	6,208
Ordinary Income	2,144	5,190	3,516	6,983
Net Income	¥ 1,258	¥ 2,144	¥ 1,502	¥ 2,413

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

None

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

(Millions of yen)

	FY2013 December 31, 2013	FY2014 Third Quarter September 30, 2014
Assets		
Current assets		
Cash and deposits	¥ 34,492	¥ 24,467
Notes and accounts receivable – trade	24,023	20,834
Short-term investments in securities	17,608	21,801
Merchandise and finished goods	12,099	14,620
Work in process	1,699	1,794
Raw materials and supplies	4,983	5,280
Other	7,779	9,902
Allowance for doubtful accounts	(150)	(110)
Total current assets	102,537	98,591
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,286	20,595
Land	22,380	22,276
Other, net	16,322	14,217
Total property, plant and equipment	56,989	57,088
Intangible assets		
Goodwill	15,856	15,542
Right of trademark	12,327	12,618
Other	9,842	9,546
Total intangible assets	38,025	37,707
Investments and other assets		
Investments in securities	14,122	18,500
Other	6,450	6,090
Allowance for doubtful accounts	(120)	(94)
Total investments and other assets	20,452	24,496
Total non-current assets	115,467	119,293
Total assets	¥218,005	¥217,884

(Millions of yen)

	FY2013 December 31, 2013	FY2014 Third Quarter September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 4,105	¥ 5,436
Short-term loans payable	1,034	3,671
Income taxes payable	3,568	2,068
Provision for bonuses	1,731	2,373
Other provision	2,731	3,121
Other	17,470	13,228
Total current liabilities	30,640	29,899
Non-current liabilities		
Long-term loans payable	1,000	1,000
Provision for retirement benefits	5,908	5,118
Other provision	67	72
Other	6,500	6,285
Total non-current liabilities	13,477	12,476
Total liabilities	44,117	42,376
Net assets		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	90,718	90,718
Retained earnings	67,941	68,950
Treasury stock	(2,199)	(2,199)
Total shareholders' equity	166,460	167,469
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	454	465
Foreign currency translation adjustments	6,335	7,105
Total accumulated other comprehensive income	6,789	7,570
Subscription rights to shares	90	127
Minority interests	546	341
Total net assets	173,887	175,508
Total liabilities and net assets	¥218,005	¥217,884

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

(Millions of yen)

	Nine Months Ended September 30	
	FY2013 (January 1, 2013– September 30, 2013)	FY2014 (January 1, 2014– September 30, 2014)
Net sales	¥137,346	¥142,019
Cost of sales	27,536	27,896
Gross profit	109,810	114,122
Selling, general and administrative expenses		
Sales commission	33,559	33,656
Promotion expenses	13,715	14,022
Advertising expenses	5,413	5,305
Salaries, allowances and bonuses	15,408	16,205
Provision for bonuses	2,209	2,239
Provision for point program	1,446	2,420
Other	28,247	29,905
Total selling, general and administrative expenses	100,000	103,754
Operating income	9,809	10,367
Non-operating income		
Interest income	315	268
Dividend income	24	5
Foreign exchange gains	631	230
Other	155	201
Total non-operating income	1,126	706
Non-operating expenses		
Interest expense	59	129
Other	24	75
Total non-operating expenses	83	205
Ordinary income	10,852	10,869
Extraordinary income		
Gain on sales of non-current assets	319	335
Other	1	1
Total extraordinary income	321	337
Extraordinary losses		
Loss on sales of non-current assets	4	16
Loss on disposal of non-current assets	158	99
Loss on business liquidation	1,026	153
Business structure improvement expenses	894	1,566
Other	16	25
Total extraordinary losses	2,099	1,860
Income before income taxes	9,073	9,345
Income taxes – current	5,645	5,839
Income taxes – deferred	(1,404)	(1,161)
Total income taxes	4,241	4,677
Income before minority interests	4,832	4,668
Minority interests in net loss of consolidated subsidiaries	(72)	(210)
Net income	¥ 4,905	¥ 4,879

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine Months Ended September 30	
	FY2013 (January 1, 2013– September 30, 2013)	FY2014 (January 1, 2014– September 30, 2014)
Income before minority interests	¥4,832	¥4,668
Other comprehensive income		
Valuation difference on available-for-sale securities	404	10
Foreign currency translation adjustments	1,749	773
Share of other comprehensive income of associates accounted for using equity method	6	1
Total other comprehensive income	2,160	786
Quarterly comprehensive income	6,992	5,454
Comprehensive income attributable to owners of the parent	7,059	5,659
Comprehensive income attributable to minority interests	¥ (67)	¥ (205)

**(3) Notes to Consolidated Financial Statements
(Going Concern Assumptions)**

None

(Significant Changes in Shareholders' Equity)

None

(Segment Information)

I. Nine Months of Fiscal 2013 (January 1, 2013–September 30, 2013)

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

							(Millions of yen)
	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Statements of Income (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥127,720	¥2,266	¥129,986	¥7,359	¥137,346	—	¥137,346
Intersegment Sales or Transfers	59	492	551	2,430	2,982	¥(2,982)	—
Total	127,779	2,758	130,538	9,790	140,328	(2,982)	137,346
Segment Income	¥ 8,676	¥1,011	¥ 9,687	¥ 351	¥ 10,039	¥ (229)	¥ 9,809

Notes: 1. "Others" comprises business operations that are not categorized as reportable segments and include the pharmaceuticals and building maintenance.

2. The segment income reconciliation of ¥(229) million includes intersegment transaction eliminations of ¥1,457 million minus corporate expenses of ¥1,687 million, not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

3. Segment income is adjusted for operating income reported in the quarterly consolidated statements of income.

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

None

(Significant Changes in Goodwill)

None

II. Nine Months of Fiscal 2014 (January 1, 2014–September 30, 2014)
 1. Information about Net Sales and Profit (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Statements of Income (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥131,944	¥2,379	¥134,324	¥7,695	¥142,019	—	¥142,019
Intersegment Sales or Transfers	61	449	510	2,525	3,035	¥(3,035)	—
Total	132,005	2,828	134,834	10,220	145,054	(3,035)	142,019
Segment Income	¥ 9,405	¥1,031	¥ 10,436	¥ 311	¥ 10,748	¥ (380)	¥ 10,367

Notes: 1. “Others” comprises business operations that are not categorized as reportable segments and include the pharmaceuticals and building maintenance.

2. The segment income reconciliation of ¥(380) million includes intersegment transaction eliminations of ¥1,314 million minus corporate expenses of ¥1,694 million, not allocated to each segment. Corporate expenses are primarily the Company’s administrative expenses not allocated to reportable segments.

3. Segment income is adjusted for operating income reported in the quarterly consolidated statements of income.

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

None

(Significant Changes in Goodwill)

None