

November 28, 2014

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Announcement Regarding Transfer of Non-current Assets, Recording of Extraordinary Loss and Revision to Full-Year Forecast

The POLA ORBIS Group hereby announces that POLA ORBIS HOLDINGS INC. (the “Company”) resolved at the Board of Directors’ meeting held on November 28, 2014, to transfer its non-current assets and record an extraordinary loss associated with its consolidated subsidiary, as outlined below, in the fourth quarter of fiscal 2014. In addition, the Company will revise its full-year consolidated performance forecast announced on November 4, 2014.

1. Transfer of non-current assets

1) Reason for the transfer of non-current assets

Although the Company has been operating the property as a rental office building since its acquisition in 1989, it decided to transfer the assets with a view to centralizing management resources and maximizing the POLA ORBIS Group’s corporate value.

2) Details of the asset to be transferred

Description and location of the asset	Transfer value	Book value	Current usage
POLA GOTANDA BUILDING No.3 8-9-5 Nishi-Gotanda, Shinagawa-ku, Tokyo, Japan Land: 1,840.57m ² and building	¥5,930 million	¥3,977 million	Rental property

3) Background of the transferee

The property shall be transferred to a domestic corporation that has no mentionable capital, personal or transactional relationship with, nor any connection as a related party to the Company. Due to the non-disclosure agreement with the transferee, the Company refrains from disclosing the name of the transferee.

4) Time schedule of the transfer

- (1) Date of resolution at the Board of Directors’ meeting: November 28, 2014
- (2) Date of the transfer agreement: November 29, 2014
- (3) Date of the transfer of the property: December 2014 (tentative)

5) Impact on business performance

In association with the transfer of the non-current assets, the Company is scheduled to record in the current fiscal year an extraordinary income and associated reduction in income taxes, amounting collectively to approximately ¥7,100 million.

2. Recording of extraordinary loss

An impairment loss on tangible and intangible fixed assets related to the Company's consolidated subsidiary H2O PLUS HOLDINGS, INC. (head quarters: Delaware, USA; "H2O PLUS") in the amount of approximately ¥6,200 million will be recorded in the fourth quarter of fiscal 2014.

In the United States, the main market, following a revision of distribution policies associated with the change in medium- to long-term brand strategies, near-term business performance has not caught up with the original plan. Meanwhile in China, the priority market, H2O PLUS has strengthened its organizational structure from the current fiscal year, such as installing a new management team familiar with the Chinese market, in an effort to shore up sales activities. However, it is expected to take a while before any concrete results are seen.

In consideration of the aforementioned circumstances, H2O PLUS reviewed the medium- to long-term business plan and future cash flow projections generated therefrom for the next fiscal year onward. An impairment test was also carried out, which resulted in the decision to record the impairment loss as noted above.

Going forward, H2O PLUS will thoroughly review its marketing strategies, including products and distribution, in an effort to enhance its brand appeal and improve its business performance.

3. Revision to the consolidated performance forecast for fiscal 2014 (January 1, 2014–December 31, 2014)

Millions of yen (except per share data and percent)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	198,000	17,650	17,900	8,800	159.18
Revised forecast (B)	198,000	17,650	17,900	9,700	175.46
Amount change (B – A)	—	—	—	900	
Percent change (%)	—	—	—	10.2%	
Actual result for fiscal 2013	191,355	16,017	17,836	7,318	132.39

Reason for revision

With the combined effect of extraordinary income associated with the transfer of non-current assets and the associated reduction in income taxes noted in Section 1 above, coupled with the extraordinary loss noted in Section 2 above, the previously announced forecast for net income has been raised by ¥900 million.

Note: Forecasts are based on information available as of the publication of this news release. Actual performance may differ from these forecasts, owing to changes in various factors.