Results for the First Quarter of Fiscal 2012: Supplementary Materials

Naoki Kume

DIRECTOR OF FINANCE/MANAGEMENT PLANNING DIV.

POLA ORBIS HOLDINGS INC.

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.

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Revisions to Fiscal 2012 Forecasts

Summary of the First Quarter of Fiscal 2012

POLA ORBIS HOLDINGS

Firm sales and operating income in existing businesses, centering on POLA and ORBIS. Jurlique results in line with expectations.
1Q consolidated operating income increased slightly due to depreciation and amortization costs relating to Jurlique's acquisition and profit decrease in the Others segment.

1Q Consolidated

Net sales: ¥38,945 million (+9.8%); Operating income: ¥1,225 million (+5.2%)

(year-on-year basis)

Existing Business

Net sales: ¥37,396 million (+5.4%); Operating income: ¥1,620 million (+39.1%)

- POLA ⇒ Net sales: 21,391million (+3.8%); Operating income: 356 million (+453 million)
  POLA THE BEAUTY (PB) driving earnings
- ORBIS ⇒ Net sales: 10,929 million (+3.2%); Operating income: 1,746 million (+23.7%)
  Improved profitability primarily due to strengthening of Internet sales and product strategy focusing on skincare

(year-on-year basis)

Jurlique

Net sales: ¥1,550 million; Operating loss: ¥394 million

- Net sales and operating income in line with expectations
- 1Q depreciation and amortization costs relating to Jurlique's acquisition : ¥448 million
  ⇒ nventory valuation differences (cost): ¥307 million;
  Non-current assets and amortization of goodwill (SG&A): ¥141 million

Note: Annual depreciation and amortization costs relating to Jurlique's acquisition expected to reach ¥1,500–1,600 million (First half: ¥1,100–1,200 million; Second half: ¥ 400–500million)

Highlights of Consolidated Performance [P&L Summary]

POLA ORBIS HOLDINGS

(Millions of yen)	FY2011 1Q Results	FY2012 1Q Results	YoY Change Amount	YoY Change Percentage (%)	Effect of Jurlique and H2O+
Net Sales	35,477	38,945	3,468	9.8%	Up ¥2,148 million
Cost of sales	6,958	8,068	1,109	15.9%	Up ¥857 million including ¥307 million in inventory valuation differences accompanying acquisition of Jurlique
Gross profit	28,518	30,877	2,358	8.3%	
Selling, general and administrative expenses	27,353	29,651	2,298	8.4%	Up ¥1,982 million including amortization of goodwill and other items
Operating income	1,165	1,225	60	5.2%	Down ¥690 million
Ordinary income	1,462	1,580	118	8.1%	
Income before income taxes	157	1,632	1,475	938.5%	Up ¥1,356 million due to improvement in extraordinary income/losses
Net income	594	721	127	21.4%	Up ¥1,349 million due to increase in income taxes

Summary of consolidated results

- Consolidated net sales ⇒ Sharp sales growth due to firm results, especially for flagship brands and consolidation of Jurlique in February.
- Operating income ⇒ Increased slightly due to depreciation and amortization costs relating to Jurlique's acquisition and profit deterioration in the Others segment
- Net income ⇒ Increased income taxes offset substantial year-on-year improvement in extraordinary income/losses.

Analysis of Consolidated P&L Changes
Net sales to Operating Income

POLA ORBIS HOLDINGS

(Millions of yen)	FY2011 1Q Results	FY2012 1Q Results	YOY Change Amount	YOY Change Percentage (%)
Net sales	35,477	38,945	3,468	9.8%
Cost of sales	6,958	8,068	1,109	15.9%
Gross profit	28,518	30,877	2,358	8.3%
Selling, general and administrative expenses	27,353	29,651	2,298	8.4%
Operating income	1,165	1,225	60	5.2%

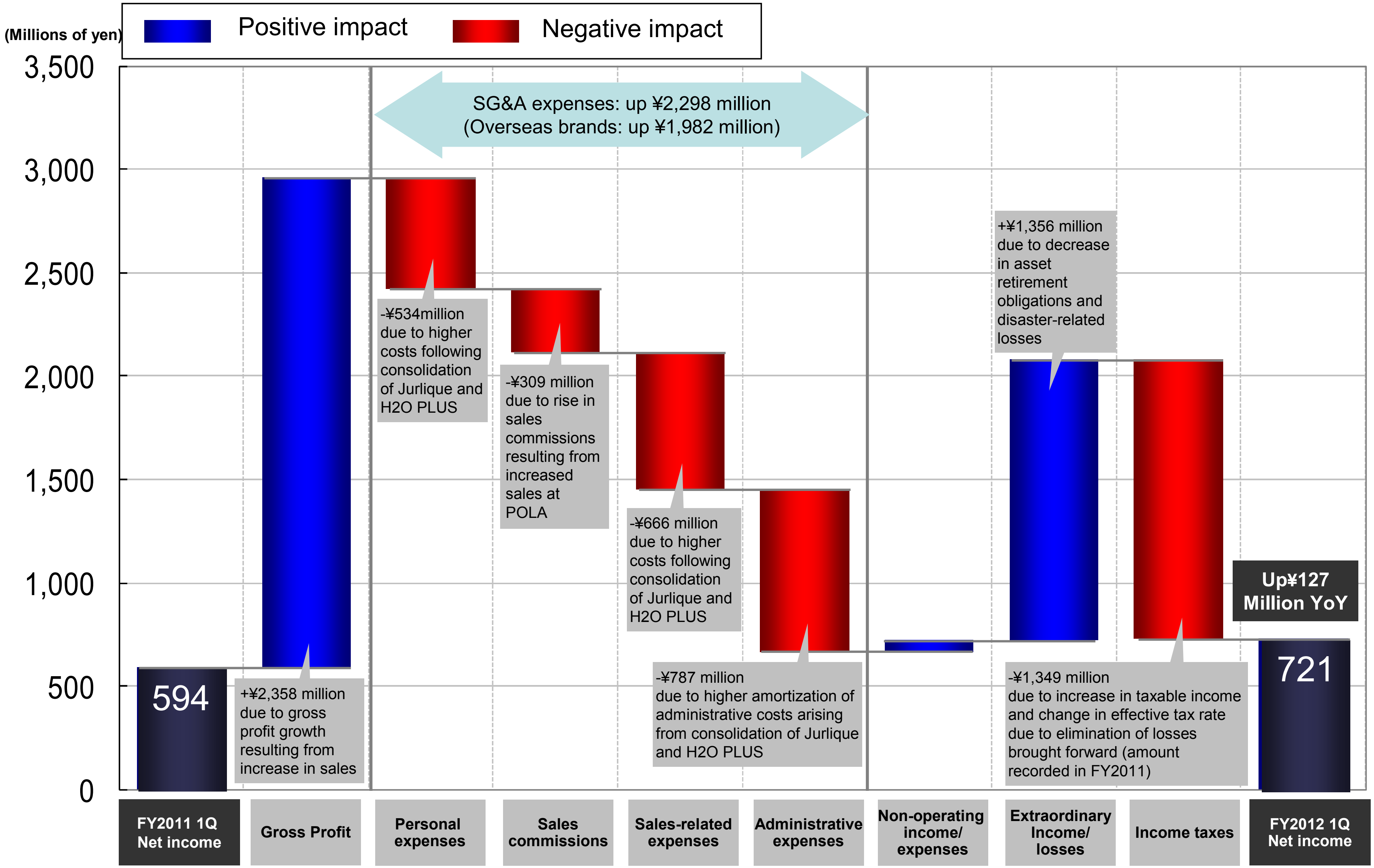
Consolidated net sales	•POLA ⇒ up ¥777 mil. •ORBIS ⇒ up ¥341 mil. •Jurlique ⇒ up ¥p1,550 mil. •H2O PLUS ⇒ up ¥599 mil. (year-on-year basis)
Cost of sales	•Cost of sales ratio: 1Q FY2011: 19.61% ⇒ 1Q FY2012: 20.72% •Inventory valuation differences following acquisition of Jurlique: ¥307mil. •Improvement in cost of sales ratio for flagship brands
SG&A	•Personal expense ⇒ up ¥534 mil. •Sales Commissions ⇒ up ¥309 mil. •Sales-related expenses ⇒ up ¥666 mil. •Administrative expenses ⇒ up ¥787 mil. (Overseas brands: up ¥1,982 mil.) (year-on-year basis)
Operating income	•up ¥60 mil. (up ¥191 mil. in the Beauty care segment) (year-on-year basis)

Analysis of Consolidated P&L Changes
Operating Income to Net Income

(Millions of yen)	FY2011 1Q Results	FY2012 1Q Results	YoY Change Amount	YoY Change Percentage (%)
Operating income	1,165	1,225	60	5.2%
Non-operating income	341	387	46	13.5%
Non-operating expenses	43	31	-12	-27.4%
Ordinary income	1,462	1,580	118	8.1%
Extraordinary income	3	121	118	3448.7%
Extraordinary losses	1,308	70	-1,238	-94.6%
Income before income taxes	157	1,632	1,475	938.5%
Income taxes	-435	914	1,349	—
Minority interests in net loss of consolidated subsidiaries	-2	-4	-1	—
Net income	594	721	127	21.4%

Non-operating income/expenses	•Increase in Foreign exchange gains due to yen depreciation: +¥60 mil. •Decrease in office transfer expenses: -¥7 mil. (year-on-year basis)
Extraordinary income/losses	•Reversal of provisions for directors' retirement benefits: ¥119 mil. •Loss on disaster: -¥277 mil. (amount recorded in FY2011) •Asset retirement obligations: -¥954 mil. (amount recorded in FY2011)
Income taxes	•Increase in income taxes due to higher taxable income: +¥670 mil. •Change in effective tax rate due to elimination of losses brought forward: +¥700 mil. (amount recorded in FY2011) (year-on-year basis)

Factors Impacting Net Income



1. Highlights of Consolidated Performance

2. Segment Analysis

3. Revisions to Fiscal 2012 Forecasts

Operating Results by Segment

(Millions of yen)	FY2011 1Q Results	FY2012 1Q Results	YoY Change Amount	YoY Change Percentage (%)
Consolidated net sales	35,477	38,945	3,468	9.8%
Beauty Care	32,807	36,320	3,513	10.7%
Real Estate	775	745	-30	-4.0%
Others	1,894	1,879	-14	-0.8%
Operating income	1,165	1,225	60	5.2%
Beauty Care	804	995	191	23.8%
Real Estate	319	354	35	11.2%
Others	-44	-216	-171	—
Reconciliations	86	91	4	5.2%

Beauty Care Segment Operating Results by Product Type

(Millions of yen)	FY2011 1Q Results	FY2012 1Q Results	YoY Change Amount	YoY Change Percentage (%)
Net sales	32,807	36,320	3,513	10.7%
Cosmetics	30,504	33,863	3,359	11.0%
Fashion	2,302	2,456	154	6.7%
Operating income	804	995	191	23.8%
Cosmetics	1,261	1,316	55	4.4%
Fashion	-457	-321	136	—

◆Cosmetics ⇒ Sharp increase due to steady performance in flagship brands, brands under development and contribution of overseas brands.
Increase slightly in operating income, partly due to depreciation and amortization costs relating to Jurlique's acquisition.

◆Fashion ⇒ Sales events held as planned this period, contrasting with 1Q FY2011 when the earthquake led to the cancelation of some events and caused other issues.
Improvement in operating income reflecting sales growth.

Note: Results for each product type are shown for reference purposes only (unaudited).

Beauty Care Segment Operating Results by Brand

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(Millions of yen)	FY2011 1Q Results	FY2012 1Q Results	YoY Change Amount	YoY Change Percentage (%)
Net sales	32,807	36,320	3,513	10.7%
POLA	20,613	21,391	777	3.8%
ORBIS	10,588	10,929	341	3.2%
Brands under development	1,605	1,850	244	15.3%
Overseas brands (Jurlique and H2O+)	0	2,148	2,148	
Operating income	804	995	191	23.8%
POLA	-97	356	453	–
ORBIS	1,411	1,746	335	23.7%
Brands under development	-509	-416	93	–
Overseas brands (Jurlique and H2O+)	0	-690	-690	

- POLA ⇒ PB still driving earnings. Sales growth and sharp profit increases reflecting lower cost of sales ratio and controls on SG&A expenses, which were held at previous year's level.
- ORBIS ⇒ Improved profitability due to skincare-centered product strategy, as well as streamlining of catalog-related and other sales costs.
- Brands under development ⇒ THREE maintaining over 50% year-on-year growth.
- Overseas brands ⇒ Jurlique was included in the scope of consolidation on February 4. Depreciation and amortization costs relating to Jurlique's acquisition of ¥448 million were recorded in 1Q.

Note: Consolidated operating income and losses are shown for each brand, for reference purpose only (unaudited).

Progress with Key Strategies During the First Quarter (1)

POLA ORBIS HOLDINGS

1 - Generate stable profits with flagship brands

POLA

Products	◆Launch of *WHITE SHOT CX* in February ◆Launch of *B.A THE MAKE SUMMER* in March
Sales Channels	◆ Number of POLA THE BEAUTY(PB) stores rose by 6 to 539 (±0 target) ◆ PB store 1Q sales: +13.2% Note: Reference: Esthe Inn +4.4%; Conventional door-to-door sales: -8.1% ◆ PB existing store1Q sales: +12.1% (year-on-year basis)
Customers	◆Amount spent per customer: -2.8% (year-on-year basis)

Note: Method for calculating sales growth rates at PB stores changed from FY2012 (Details on P.19)

WHITE SHOT CX,
Launched in February

ORBIS

Products	◆ *EXCELLENT ENRICH*, launched in December 2011, continuing to perform well ◆ Limited edition launch of *AQUA FORCE SHEET MASK* in March
Sales Channels	◆Online order ratio: +2.8 pt (year-on-year basis)
Customers	◆ Amount spent per customer: +8.6% ◆ Mail-order skincare purchaser ratio: +6.2pt ◆ Mail-order sales ratio for skincare products out of new customer sales: +12.9 pt (year-on-year basis)
Logistics	◆ ORBIS West Japan Distribution Center opened (Nishinomiya, Hyogo Prefecture)

AQUA FORCE SHEET MASK,
Launched in March

Progress with Key Strategies During the First Quarter (2)

POLA ORBIS HOLDINGS

2 – Accelerate growth of brands under development

THREE	◆Existing stores maintaining strong sales (year-on-year sales growth of approximately 50%)

CONDITIONINGLINE,
Launched in February

3 – Develop presence overseas by capitalizing on the Group's strengths

International brands	◆ Jurlique ⇒ Sales in China roughly double year-earlier level ◆ H2O PLUS ⇒ Revamp of corporate identity (increasing brand appeal)
Existing brands	◆ POLA ⇒ Completion of all procedures for obtaining direct sales license in China ◆ ORBIS ⇒ New product *CLEANSING LIQUID* launched in China.

Jurlique stores in China

New Oasis™ Series

4 – Reinforce R&D capabilities

POLA CHEMICAL INDUSTRIES	◆ First in the industry to win approval for new cosmetic ingredients in China following the introduction of more stringent inspection standards in 2009

[Ingredient name]
PML (poly-methacryloyl-L-lysine)

[Main products formulated from PML]
POLA: *B. A and WHITISSIMO;*
ORBIS: *CLEAR* and other brands

Real Estate/Others Segment Results

(Millions of yen)	FY2011 1Q Results	FY2012 1Q Results	YoY Change Amount	YoY Change Percentage (%)
Real estate segment net sales	775	745	-30	-4.0%
Operating income	319	354	35	11.2%

◆Revenues down year-on-year, affected by downward trend of rents in real estate market

(Millions of yen)	FY2011 1Q Results	FY2012 1Q Results	YoY Change Amount	YoY Change Percentage (%)
Others segment net sales	1,894	1,879	-14	-0.8%
Operating income	-44	-216	-171	–

◆ Pharmaceuticals: Sales on a par with a year earlier due to increase in medical institutions using *Lulicon*

◆ Building maintenance: Year-on-year growth due to strong performance in renovation/repairs and staffing services

Note: The commercial printing business was excluded from the scope of consolidation from 3Q of FY2011.
(FY2011 1Q results: Net sales: approx. ¥120 mil.; Operating income: approx. ¥110 mil.)

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Impact from consolidation of Jurlique

(Millions of yen)	Current Full-year forecast	Change from February 14 forecast	Impact from consolidation of Jurlique: Full year	Impact from consolidation of Jurlique: First half
Consolidated net sales	182,000	+10,000 (+5.8%)	+10,000（Annual forecast from February 14）	+4,200
Operating income	13,800	+100 (+0.7%)	◆ Operating income : +1,600 ◆ Depreciation and amortization costs relating to Jurlique's acquisition : -1,500–1,600 Inventory valuation differences (cost) ⇒ -700–800 (FY2012) Amortization cost of non-current asset (SG&A) ⇒ -200–300 (11-year weighted average) Goodwill (SG&A) ⇒ -600–700 (20-year amortization) Note: The figures above are based on current estimates and will be confirmed by the time of 2Q results.	◆ Operating income: +200–300 ◆ Depreciation and amortization costs relating to Jurlique's acquisition : -1,100–1,200
Ordinary income	14,300	+100 (+0.7%)	+100 (Due to increase in operating income)	-900
Net income	7,000	+0 (+0%)	Expecting slight growth, but any increase is likely to be minimal	-700

Revisions to Forecasts for FY2012

POLA ORBIS HOLDINGS

Revisions to consolidated forecasts factored by Jurlique acquisition

(Millions of yen)	FY2012 Initial plan	FY2012 full-year Revision plan	YoY Amount	YoY %	Change from initial plan Amount	Change from initial plan %
Consolidated net sales	172,000	182,000	15,342	9.2%	10,000	5.8%
Beauty Care	160,200	170,200	15,421	10.0%	10,000	6.2%
Real Estate	2,900	2,900	-189	-6.1%	0	0.0%
Others	8,900	8,900	109	1.2%	0	0.0%
Operating income	13,700	13,800	946	7.4%	100	0.7%
Beauty Care	12,000	12,100	1,312	12.2%	100	0.8%
Real Estate	1,100	1,100	-183	-14.3%	0	0.0%
Others	300	300	-201	-40.2%	0	0.0%
Reconciliations	300	300	19	7.1%	0	0.0%
Ordinary income	14,200	14,300	977	7.3%	100	0.7%
Net income	7,000	7,000	-1,039	-12.9%	0	0.0%

(Millions of yen)	FY2012 first half Initial plan	FY2012 first half Revision plan	YoY Amount	YoY %	Change from initial plan Amount	Change from initial plan %
Consolidated net sales	82,200	86,400	7,462	9.5%	4,200	5.1%
Beauty Care	76,800	81,000	7,728	10.5%	4,200	5.5%
Real Estate	1,400	1,400	-152	-9.8%	0	0.0%
Others	4,000	4,000	-113	-2.8%	0	0.0%
Operating income	5,500	4,700	-834	-15.1%	-800	-14.5%
Beauty Care	5,000	4,200	-320	-7.1%	-800	-16.0%
Real Estate	500	500	-159	-24.2%	0	0.0%
Others	-100	-100	-244	—	0	0.0%
Reconciliations	100	100	-109	-52.2%	0	0.0%
Ordinary income	5,800	4,900	-1,062	-17.8%	-900	-15.5%
Net income	2,700	2,000	-989	-33.1%	-700	-25.9%

Initiatives for the Second Quarter Onward (POLA and ORBIS)

POLA ORBIS HOLDINGS

Aiming steady strategies implementation in line with Medium-term Management Plan, centering on flagship brands

POLA

- ◆Launched in April the skincare cosmetics product *B. A SUMMER*, conceived as an anti-aging treatment for summer
- ◆Continue to open PB stores (30 stores per year) and ensure stable sales growth at existing stores

B.A THE MAKE SUMMER launched in March
B.A SUMMER (skincare cosmetics) launched in April

ORBIS

- ◆Conduct sales promotions and launch new products suited to specific seasons
- ◆Strengthen internet sales and continue to improve cost efficiency

LASTING FOUNDATION UV launched in April

Change in method for calculating sales growth rates at PB stores

To clarify the contributions of existing and new stores, the following changes have been made to the method for calculating sales growth rates at PB stores.

◆ **Taking FY2011 sales growth rates as an example (500 stores at the end of FY2010; 533 stores at the end of FY2011):**

$$\text{Sales growth rate at PB stores} = \frac{\langle\text{FY2011 sales}\rangle \quad \text{500 existing stores} + \text{33 new stores}}{\langle\text{FY2010 sales}\rangle \quad \text{500 existing stores}} - 1$$

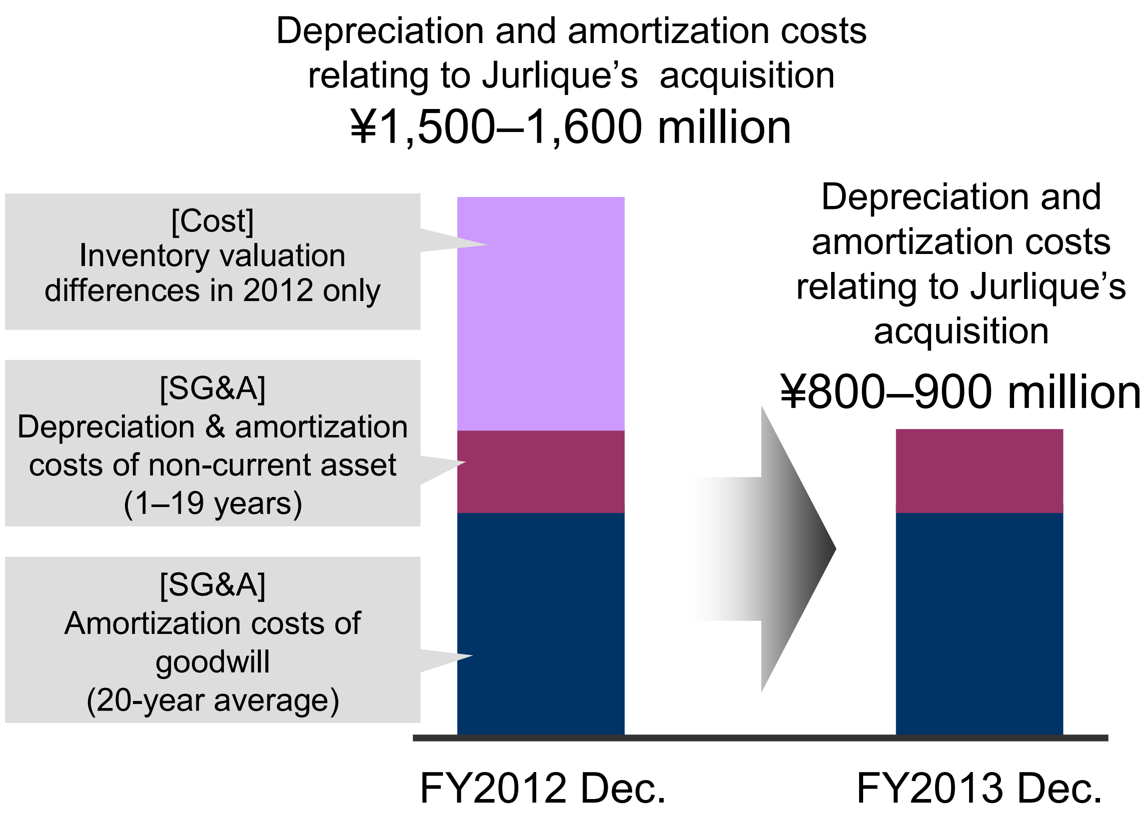
Sales growth rate at PB stores 11.8% = Sales growth rate at existing PB stores 8.8% + Sales contribution of new PB stores 3%

[Reference] Sales growth rates calculated on the same basis:
Esthe Inn: 0.9%; conventional door-to-door sales: -10.4%

Note: Prior to this change, the sales growth rate for PB stores (10.4% in FY2011) was calculated by including sales generated by the 33 new PB stores in FY2010 (under their previous formats as Esthe Inn stores or conventional door-to-door sales offices) within total FY2010 PB store sales.

Reference Materials

Depreciation and amortization costs relating to Jurlique's acquisition



Explanation of PPA

Amid increasing convergence with International Financial Reporting Standards (IFRS), companies accounting for business combinations have in principle been required to record identifiable intangible assets for business combinations implemented from April 1, 2010 onward.

PPA is an acronym for purchase price allocation, meaning the reallocation of the purchase price. PPA is a process for determining how to record assets acquired through M&A on the balance sheet.

[Examples of intangible assets subject to PPA]

Sales promotion related:	trademarks, internet domains
Customer related:	customer lists, customer contracts
Royalty related:	franchise contracts, sales licenses, licensing contracts
Technology related:	patents

The figures above are based on current estimates.
PPA amounts are currently being assessed and actual results may differ from the above estimates.

Impact of Jurlique Acquisition on Consolidated Balance Sheets

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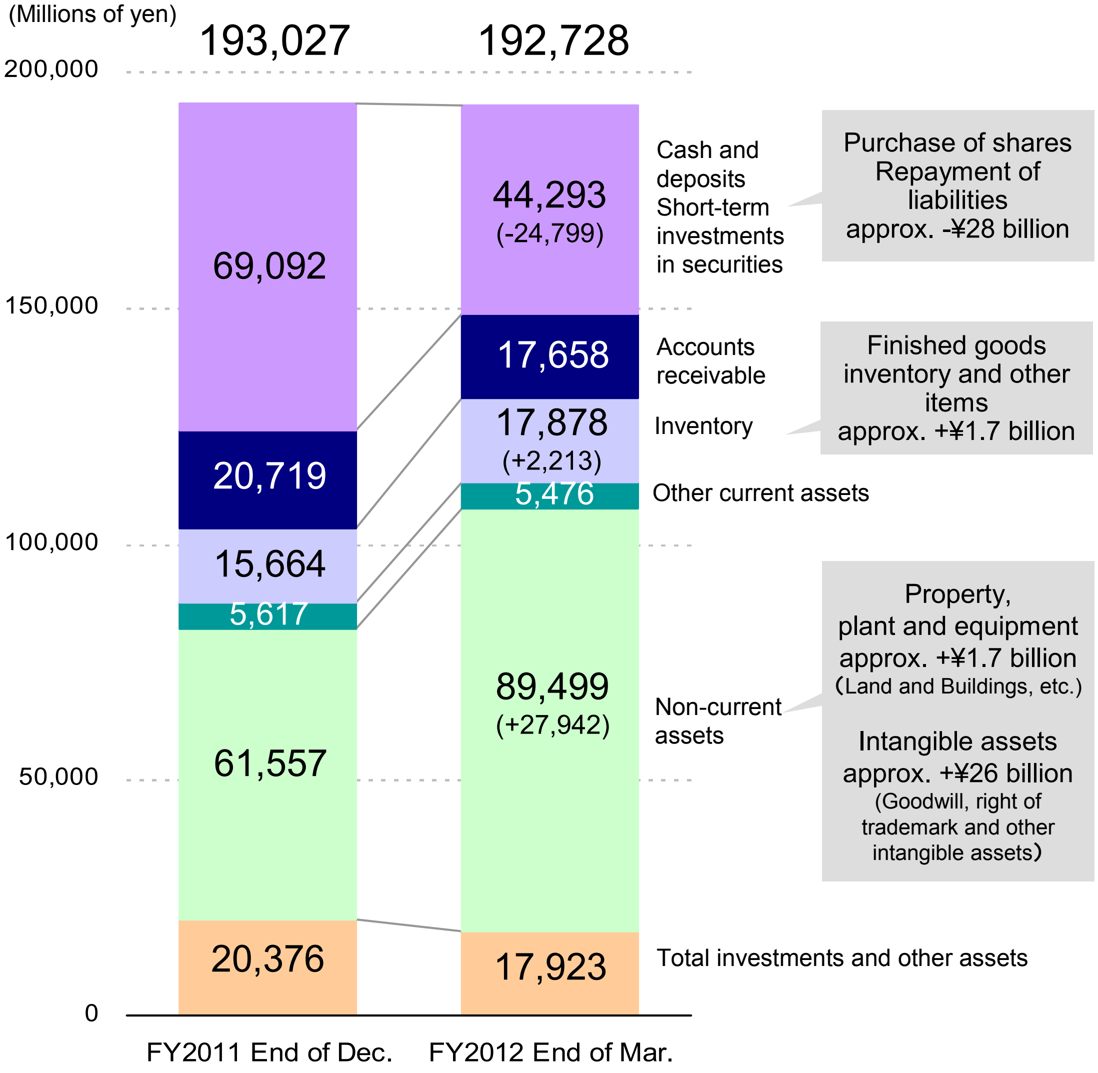
Assets



Liabilities and Net Assets