

First Half of Fiscal 2015 Supplementary Material

POLA ORBIS HOLDINGS INC.

President

Satoshi Suzuki

1. Highlights of Consolidated Performance
2. Segment Analysis
3. Forecasts for Fiscal 2015
4. Appendix

Cosmetic Market

- Japanese cosmetic market, showed moderate recovery trend mainly in the urban areas.
- Japanese department stores showed growth driven by the inbound tourists.*
- Overall Chinese market maintained growth, but department stores in coastal cities continued to decline. Consumer trend to scatter towards the rural area and online channel was notable.

*Source: Sales of Department Stores Outlook published by Japan Department Stores Association

Our Group

- In the same period last year, sales were strong due to the surge in demand prior to the tax hike in Q1. However, the Group achieved to increase consolidated sales and operating income, thanks to successful launches of new products at flagship brands, especially POLA.
- POLA exceeded the forecast with successful launch of the new skin-whitening series, “White Shot”.
- ORBIS launched new products such as “CLEAR” series and a new cleanser, but due to the surge in demand prior to the tax hike in the same period last year, sales were down year-on-year on actual basis.
- Jurlique had solid performance in Australia, but like-for-like sales trend slowed down in China.
- H2O PLUS made revisions to its distribution strategy which included close down of underperforming stores in China. As a result, sales and operating income were down year-on-year.
- THREE and decencia from brands under development category maintained strong performance and exceeded the forecast.
- Net income was significantly up due to increase in non-operating income as a result of favorable foreign exchange.

(mil. yen)	FY2014	FY2015	YoY change		Vs. April 30 Forecast	
	H1 Results	H1 Results	Amount	%	Amount	%
Consol. net sales	95,940	99,783	3,843	4.0%	83	0.1%
Operating income	8,331	9,239	907	10.9%	839	10.0%
Ordinary income	8,043	9,673	1,630	20.3%	1,273	15.2%
Net income	3,700	6,090	2,389	64.6%	1,690	38.4%

(mil. yen)	FY2014	FY2015	YoY change		Vs. FY2013H1	
	H1 Results	H1 Results	Amount	%	Amount	%
Consolidated net sales	95,940	99,783	3,843	4.0%	8,367	9.2%
Cost of sales	18,586	19,140	554	3.0%	859	4.7%
Gross profit	77,354	80,643	3,288	4.3%	7,508	10.3%
SG&A* expenses	69,022	71,403	2,381	3.4%	4,574	6.8%
Operating income	8,331	9,239	907	10.9%	2,934	46.5%

*Selling, General and Administrative Expenses

H1 Results shown above includes increase in sales and sales related expenses following switchover to the point system at ORBIS.

Key Factors

- Consol. nets sales** Domestic brands achieved increase in sales driven by successful launch of new skin-whitening products at POLA.
 As for overseas brands, Jurlique increased sales in Australia.
 Overseas sales ratio: 11.3%
- Cost of sales** Slightly decreased due to increase in sales from high-end products and boost in sales as a result of switchover to the point system at ORBIS.
 Cost of sales ratio: FY2014H1: 19.37% ⇒ FY2015H1: 19.18%
- SG&A expenses** Labor expenses: down ¥92 mil. YoY
 Sales commissions: down ¥401mil. YoY
 Sales related expenses: up ¥2,839 mil. (including point expense at ORBIS)
 Administrative expenses: up ¥35 mil.
- Operating income** Beauty care: up ¥902 mil.
- Operating margin** 9.3%, up 0.6pt YoY

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

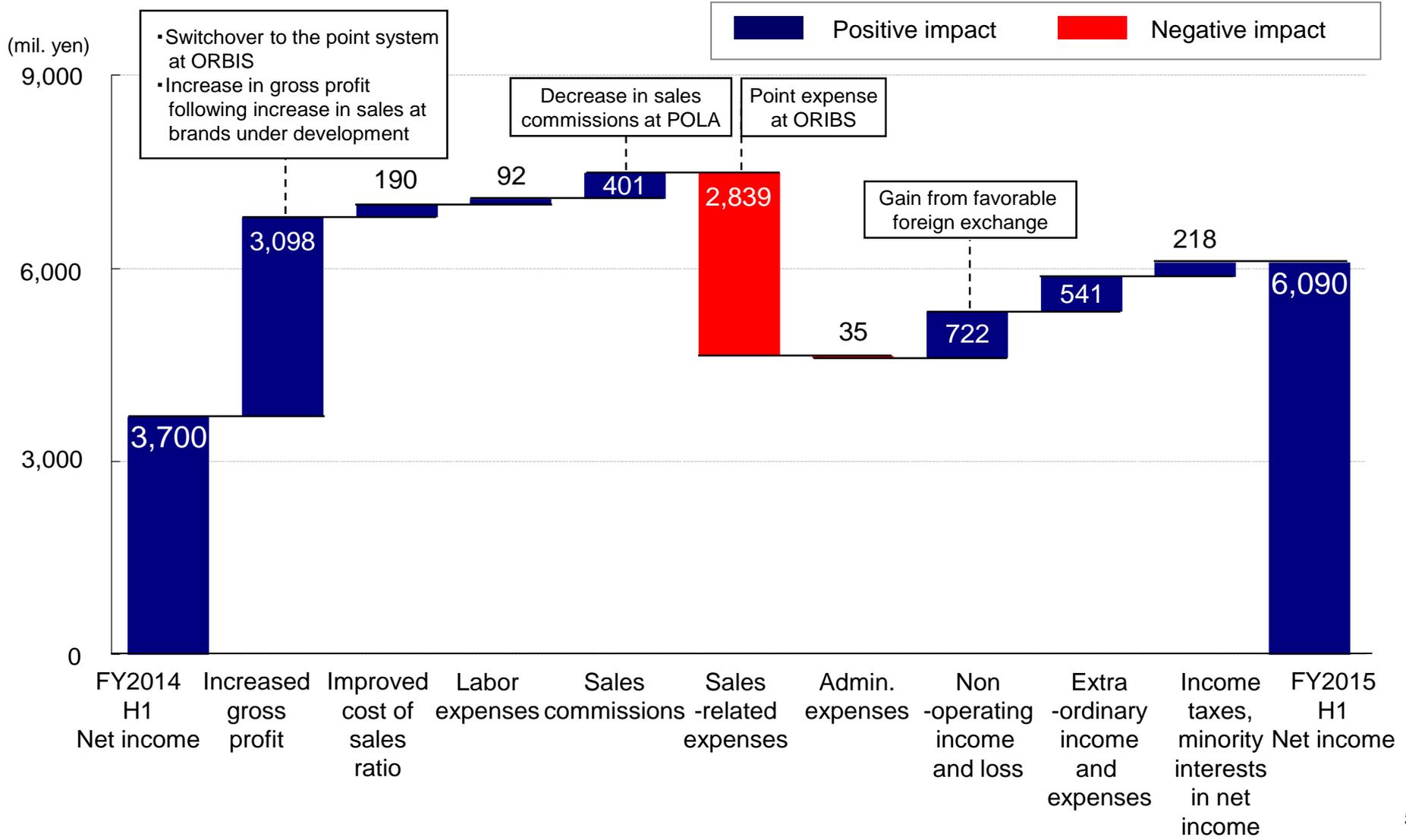
(mil. yen)	FY2014	FY2015	YoY change		Vs. FY2013H1	
	H1 Results	H1 Results	Amount	%	Amount	%
Operating income	8,331	9,239	907	10.9%	2,934	46.5%
Non-operating income	328	525	197	60.1%	(554)	(51.3%)
Non-operating expenses	616	91	(524)	(85.1%)	40	80.1%
Ordinary income	8,043	9,673	1,630	20.3%	2,338	31.9%
Extraordinary income	22	545	522	-	330	153.8%
Extraordinary loss	137	119	(18)	(13.6%)	(1,863)	(94.0%)
Income before income taxes	7,928	10,100	2,171	27.4%	4,532	81.4%
Income taxes	4,393	3,994	(398)	(9.1%)	1,793	81.5%
Minority interests in net income / loss of consol. subsidiaries	(165)	15	180	-	50	-
Net income	3,700	6,090	2,389	64.6%	2,688	79.0%

Key Factors

- Non-operating income FY2015H1: Gain from favorable foreign exchange up ¥708 mil. YoY and expenses
- Extraordinary income FY2015H1: Reversal of foreign currency translation adjustments following the completion of liquidating ORBIS Korea which pullout in FY2014 ¥538 mil.
- Income taxes FY2015H1: Decrease in income taxes due to change in tax rate etc. down ¥419 mil. YoY

Factors Impacting Net Income

Gross profit increased due to increase in sales at beauty care business.
Net income was significantly up by 64.6% due to increase in non-operating income following gain from favorable foreign exchange.



1. Highlights of Consolidated Performance
2. **Segment Analysis**
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Segment Results

(mil. yen)	FY2014	FY2015	YoY change		Vs. FY2013H1	
	H1 Results	H1 Results	Amount	%	Amount	%
Consolidated net sales	95,940	99,783	3,843	4.0%	8,367	9.2%
Beauty care	89,400	93,133	3,733	4.2%	7,797	9.1%
Real estate	1,571	1,451	(119)	(7.6%)	(41)	(2.8%)
Others	4,968	5,197	229	4.6%	611	13.3%
Operating income	8,331	9,239	907	10.9%	2,934	46.5%
Beauty care	7,772	8,675	902	11.6%	2,971	52.1%
Real estate	665	597	(67)	(10.2%)	(47)	(7.4%)
Others	191	72	(119)	(62.0%)	(25)	(26.0%)
Reconciliations	(298)	(106)	191	-	35	-

Segment Results Summary

- Beauty care** Flagship brands and brands under development achieved increase in sales and operating income.
 (Note: Excluding the impact of the point system, sales were down at ORBIS.)
- Real estate** Sustained high occupancy rate, but sales were down due to sales of property in FY2014.
- Others** Both pharmaceutical and building maintenance businesses had solid performances.

Beauty Care Business Results by Brands

(mil. yen)	FY2014	FY2015	YoY change		Vs. FY2013H1	
	H1 Results	H1 Results	Amount	%	Amount	%
Beauty care net sales	89,400	93,133	3,733	4.2%	7,797	9.1%
POLA	49,650	50,110	460	0.9%	1,221	2.5%
ORBIS	25,245	27,676	2,431	9.6%	4,029	17.0%
Jurlique	7,294	7,903	608	8.3%	1,666	26.7%
H2O PLUS	2,348	1,846	(502)	(21.4%)	(626)	(25.3%)
Brands under development	4,861	5,596	735	15.1%	1,506	36.8%
Beauty care operating income	7,772	8,675	902	11.6%	2,971	52.1%
POLA	4,512	5,434	921	20.4%	2,017	59.0%
ORBIS	5,730	5,425	(305)	(5.3%)	1,146	26.8%
Jurlique	(1,218)	(1,136)	81	-	(230)	-
H2O PLUS	(764)	(850)	(86)	-	(516)	-
Brands under development	(488)	(196)	291	-	554	-

Note: Consolidated operating income and loss for each brand are shown for reference purpose only (figures are unaudited)

H1 Result

- New skin-whitening products sold well, leading to favorable sales
- Operating income was significantly increased by increase in gross profit following increase in sales, and decrease in sales commission.
- Purchase per customer was up 5.5% YoY, driven by new high-end products.
- The overall POLA exceeded the forecast.

H1	Results (mil. yen)	YoY change
Net sales	50,110	0.9%
Operating income	5,434	20.4%
Key indicators		
Number of sales offices (vs. Dec. 2014)		4,770 (down 29)
Number of PB ⁽¹⁾ (vs. Dec. 2014)		615 (down 7)
Cosmetic sales ratio	PB ⁽¹⁾	40.6%
	Esthe-inn	40.0%
	D2D ⁽²⁾ and other	19.4%
Sales growth*	PB	up 9.9%
	PB (like-for-like)	up 9.9%
	Esthe-inn	down 5.1%
	D2D	down 16.1%
Purchase per customer*		up 5.5%
Number of new customers*		down 3.4%

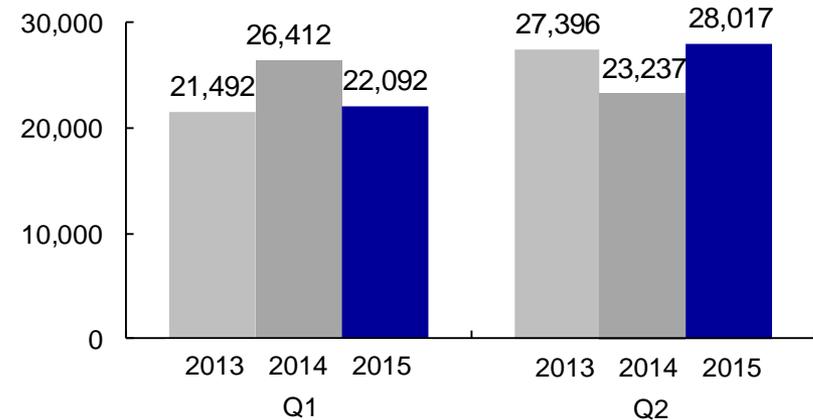
(1) PB: POLA THE BEAUTY stores (2) D2D: Conventional door-to-door
*YoY

Topics

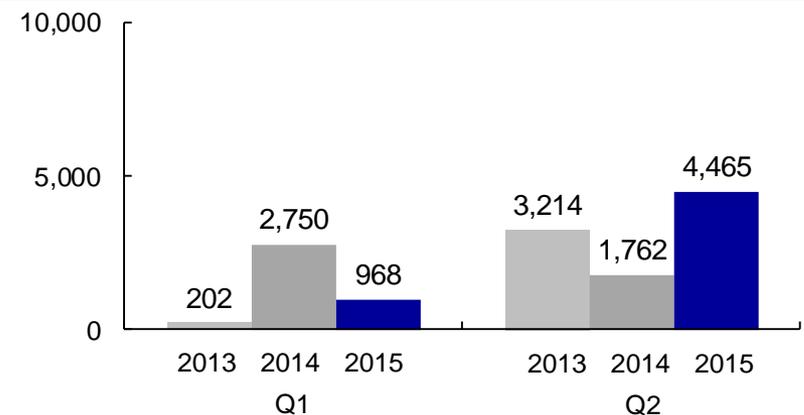
- “White Shot” series launched in February became a huge hit.
- “Inner Lock” became popular among the inbound tourists and boosted sales to exceed the forecast.



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



H1 Result

- On actual basis, sales did not exceed the same period last year which had surge in demand prior to the tax hike.
- In spite of decrease in actual sales, operating income was only down by 5.3%, thanks to the cost control efforts.
- “CLEAR” series launched in March is performing in-line with forecast.
- New customer acquisition through social media is still successful.

H1	Results (mil. yen)	YoY change
Net sales	27,676	9.6% Actual basis (down 3%)(1)
Operating income	5,425	(5.3%)
Key indicators		
Sales ratio	Online	44.0%
	Other mail-order	29.8%
	Store and overseas	26.2%
Sales increase*	Online	up 19.5%
	Other mail-order	up 5.3%
	Stores and overseas	up 0.5%
Mail-order(2) purchase per customer*		up 16.5%
Number of mail-order customers*		down 2.8%
Mail-order skincare purchase ratio*		down 3.9%

(1) Actual sale growth excluding the impact of the point system started on September 24th 2014.

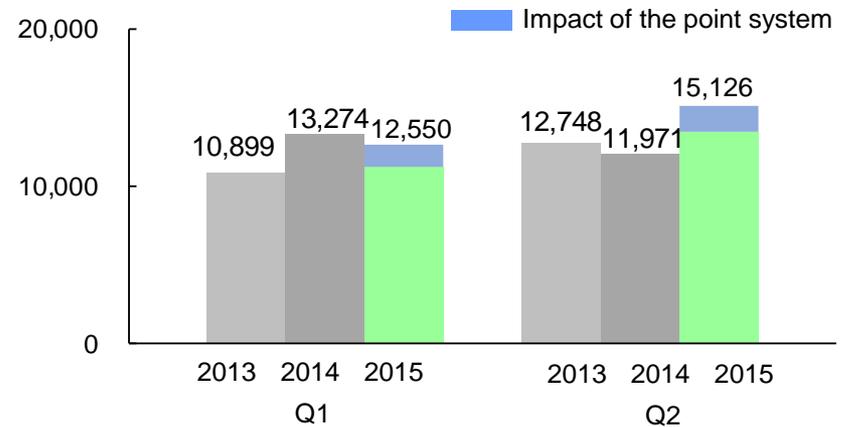
(2) Mail-order includes online and other mail-order *YoY

Topics

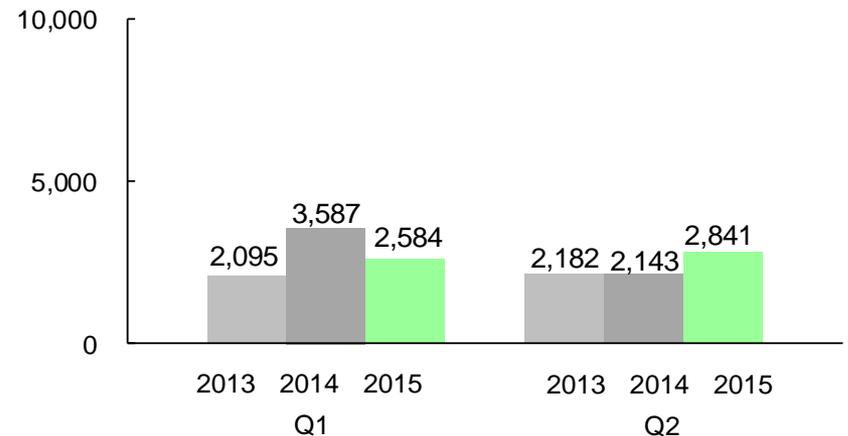
- Launched “ORBIS the Cleansing One” as a new high-end facial cleanser in May.



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



H1 Result

- Sales was up 8% YoY on AUD basis.
- Overall department stores in urban cities in China showed negative trend. At Jurlique, in addition to the sluggish market trend, there was a reactionary impact from the new product launch which happened in the same period last year. As a result, like-for-like sales growth in China were negative 10%.
- On the other hand, Australia continued to show solid performance.
- Operating loss remained flat YoY.

H1	Results (mil. yen)	YoY change ⁽¹⁾
Net sales	7,903	8.3%
Operating income (before goodwill amortization)	(741)	-
Operating income	(1,136)	81

Key indicators

Number of doors in China (vs. Dec. 2014)		111 (up 8)
Sales ratio	China	29%
	Hong Kong	13%
	Duty free stores	17%
Sales growth ⁽²⁾	Australia	24%
	China	up 15%
	Hong Kong	down 5%
	Duty free stores	up 10%
	Australia	up 16%

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

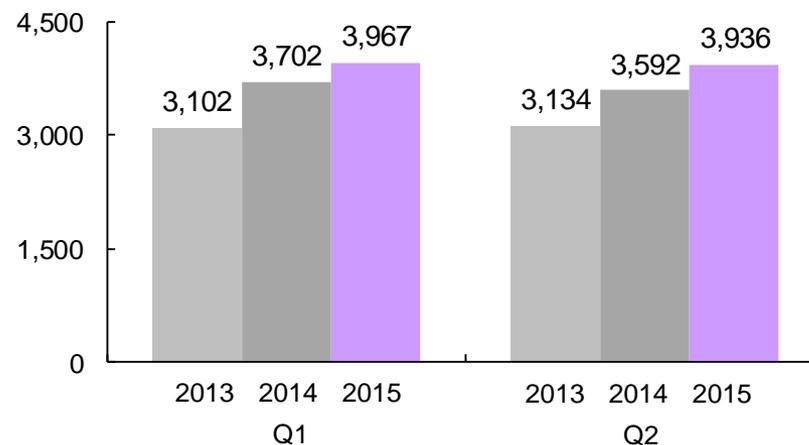
(2) AUD basis, YoY

Topics

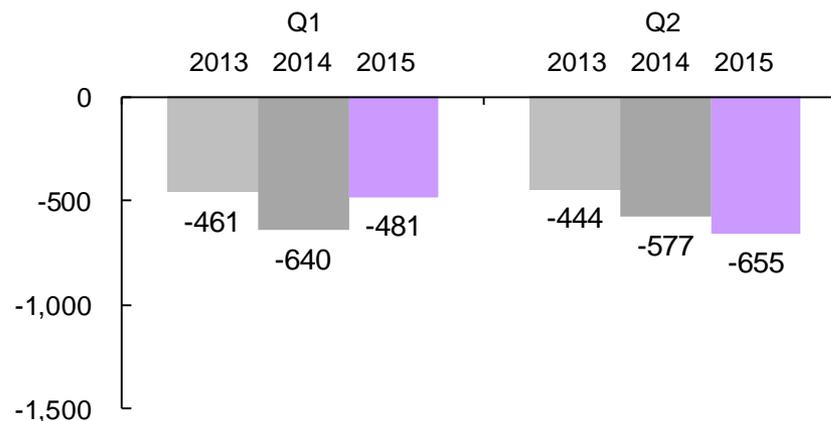
- Launched new night cream from the key “Purely White” series.
- Launched the first sunscreen series for the brand in April.



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



H1 Result

- Overall sales were down 33% on USD basis.
- Operating loss increased due to decrease in gross profit.
- The results were in-line with the forecast, resulting from strategic store closing in China and reduction of sales channels in North America.

H1	Results (mil. yen)	YoY change ⁽¹⁾
Net sales	1,846	(21.4%)
Operating income	(850)	(86)
Key indicators		
Number of doors in China (vs. Dec. 2014)		149 (down 233)
Sales ratio	China	20%
	North America	63%
Sales growth ⁽²⁾	China	down 53%
	North America	down 27%

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

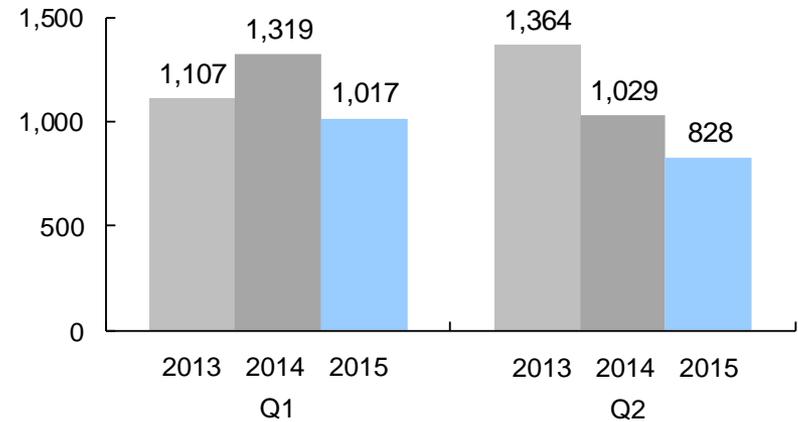
(2) USD basis, YoY

Topics

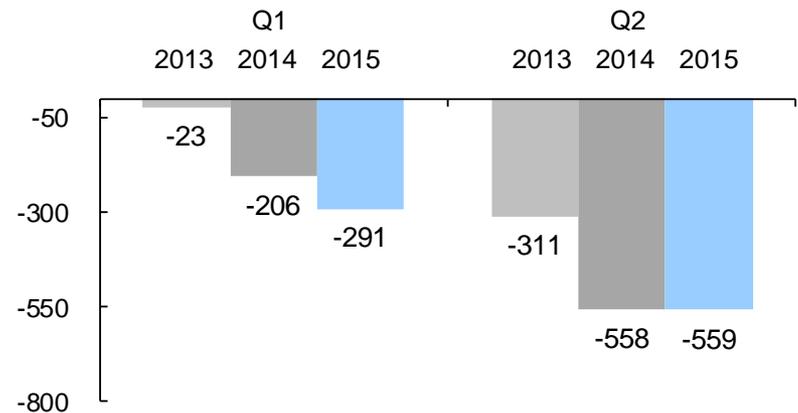
- Launched “Black Sea Spa Collection”



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



H1 Result

- THREE and decencia continued to lead growth.
- THREE increased sales by approx. 50% YoY with new store openings and strong performance of existing stores.
- decencia doubled its sales YoY with strong repeat purchase from both new and existing customers.
- pdc maintained sales level of the previous year by launching new products in Q2.

H1	Results (mil. yen)	YoY change*
Net sales	5,596	15.1%
Operating income	(196)	291
Key indicators		
THREE	Dept. store counters in Japan	29
	Other stores in Japan	34
	Overseas stores (Thailand, Taiwan and Indonesia)	15

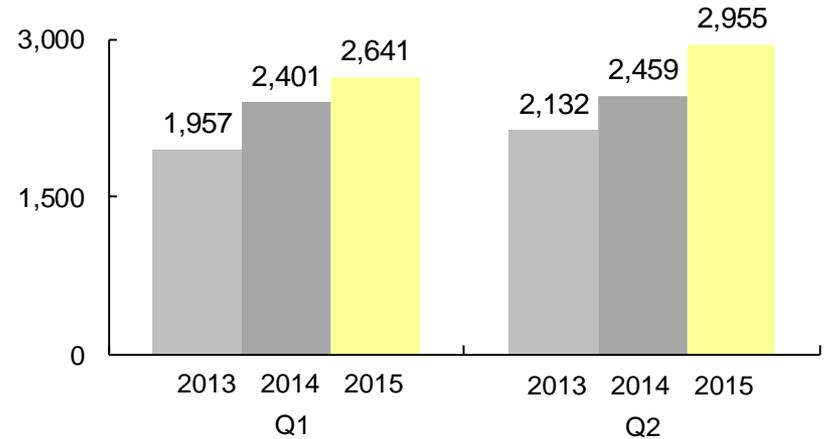
*For operating income YoY difference is shown in amount (mil. yen).

Topics

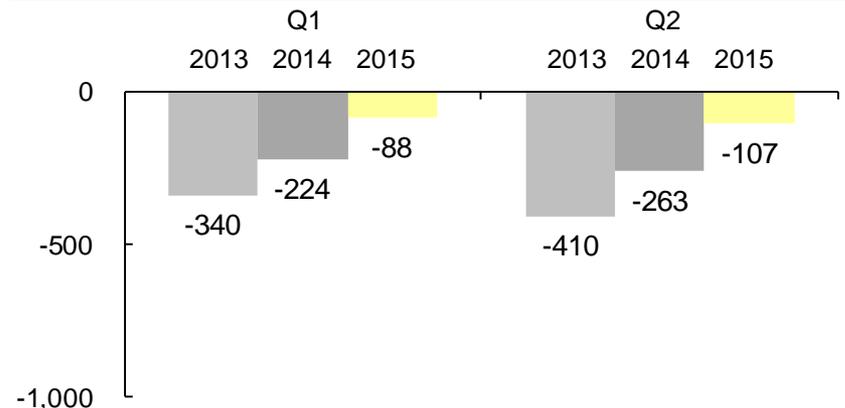
- THREE Shimmering Lip Jam 08 won best cosmetic awards from various beauty magazines.
- VOCE H1 No. 1 Lip gross category
- Biteki H1 No. 2 Lipstick category
- MAQUIA H1 No. 3 Lipstick category



Quarterly net sales (mil. yen)



Quarterly operating income (mil. yen)



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Forecasts for FY2015 (No change since April 30)

No change to the initial forecasts.

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

(mil. yen)	FY2015 Full Year Forecast	YoY change		FY2015 H1 Results	YoY change	
		Amount	%		Amount	%
Consol. net sales	207,500	9,405	4.7%	99,783	3,843	4.0%
Beauty care	193,600	9,124	4.9%	93,133	3,733	4.2%
Real estate	2,900	(279)	(8.8%)	1,451	(119)	(7.6%)
Others	11,000	559	5.4%	5,197	229	4.6%
Operating income	20,000	2,316	13.1%	9,239	907	10.9%
Beauty care	19,000	2,464	14.9%	8,675	902	11.6%
Real estate	1,100	(127)	(10.4%)	597	(67)	(10.2%)
Others	350	(122)	(25.9%)	72	(119)	(62.0%)
Reconciliations	(450)	101	—	(106)	191	—
Ordinary income	20,000	932	4.9%	9,673	1,630	20.3%
Net income	10,500	117	1.1%	6,090	2,389	64.6%

Assumed exchange rates: AUD = ¥96 USD = ¥118 CNY = ¥19

	FY2014	FY2015 (Plan)
Shareholder return	Year-end ¥87 Special Year-end ¥100 Consol. payout ratio 99.6%	Interim ¥70 Payout ratio Year-end ¥80 79.0%
Capital efficiency	ROE 5.9%	ROE 5.8%

Realizing 2014 - 2016 Medium-term Management Plan

Sustain stable growth of flagship brands to lead Group earnings

POLA

- Launch the new, fully remodeled and advanced “B.A” series in August. The “B.A” series celebrates its 30th anniversary this year.
- With the leading-edge technology, reinforce the consulting skills of POLA LADIES, increase unit price and expand market share in anti-aging skincare field.
- In addition, POLA plans to revisit its allocation of sales related expenses and strategically increase advertisement expenses. This is to establish strong brand awareness for the B.A series and penetrate further into the market over mid-long time period.
- In regards to the commission structure change which starts from 2016, announcement to the POLA LADIES has already started to take place. So far, the leading POLA LADIES are showing positive reaction to the change.



ORBIS

- Launch a new anti-aging skincare series “ORBIS=U encore” in September to acquire new customers in their 40s or 50s, revitalize non-active users, and maximize life time value (LTV) of existing customers.
- Continue to acquire new customers and promote repeat purchase through social media.
- Reinforce customer engagement by one-to-one marketing through the core system.



Realizing 2014 - 2016 Medium-term Management Plan

Overseas brands contributing to profitability through high sales growth

Jurlique

h2o+

- Jurlique plans to launch new products in August, celebrating its 30th anniversary.
- Launch additional products in “Nutri-Define” series to aim like-for-like sales growth and activate repeat customers.
- Aim to revitalize the brand by revising its marketing strategies for its brand restage. (see page 18)



Sales growth and monetization of brands under development

pdc

T H R E E

decencia

- Launch new products, such as facial masks or all-in-one gel to capture the trending consumer demand, and secure shelf spaces.
- Launch new sophisticated and fashion-forward products for the Fall/Winter, such as rich moisturizing foundation and 4D plus eye colors that create unique and different looks.
- In overseas, the brand will continue to open new stores, mainly in South East Asia, to increase brand awareness and sales.
- Launch essence-in-facial powder to cover up break outs on sensitive skin and revitalize existing customers.





- February 2015**
- Appointed a new CEO
 - Joy Chen assumed CEO position
 - Define business strategy which includes business model and product lineup

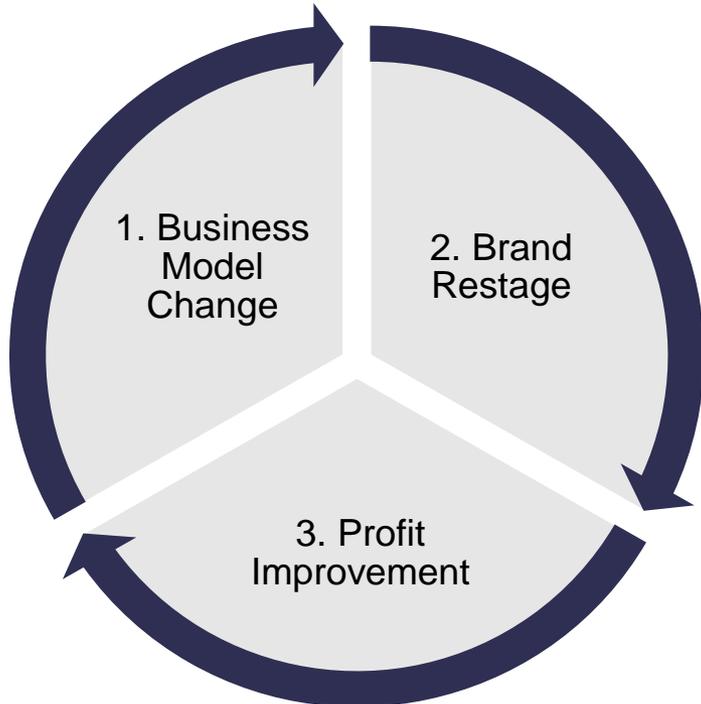
- July**
- Announced business model change
 - Change business model at global level to swiftly restore profitability
 - Create a lean organization structure

- October**
- Relocate HQ to San Francisco
 - Transition to the new lean organization
 - Aim to break even in 2017

- 2016**
- Product restage
 - Outsource all development and manufacturing
 - New products based on refocused brand concept to be shipped, starting in the U.S.
 - Chicago office is scheduled to close after completing transfer of business



Initiatives for the brand revitalization (at global level)

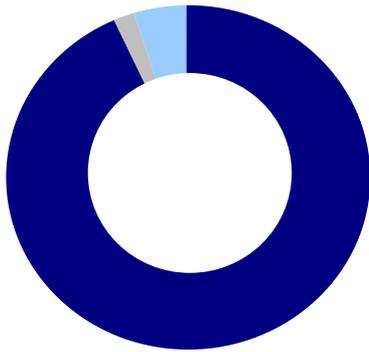


- 1. Business Model Change**
Shift from a manufacturing company to one that focuses on the product planning, marketing and sales.
 - Outsource all manufacturing
 - Create a lean organization structure
 - Move headquarters to San Francisco from Chicago
- 2. Brand Restage**
 - Clarify target customers
Women ages 26-35 who buy modern, premium skin care products
 - Refocused brand concept
Hydration power of water + the latest technology to improve skin
 - Reinforce key skincare lines
Change formulas and add clinical functions
- 3. Profit Improvement**
 - Scale-down organization structure along with the business model change
 - Variabilize fixed cost related to factories by outsourcing all manufacturing
 - Optimize product mix by minimizing product lineups
 - Withdraw from underperforming retail stores and sales channels

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

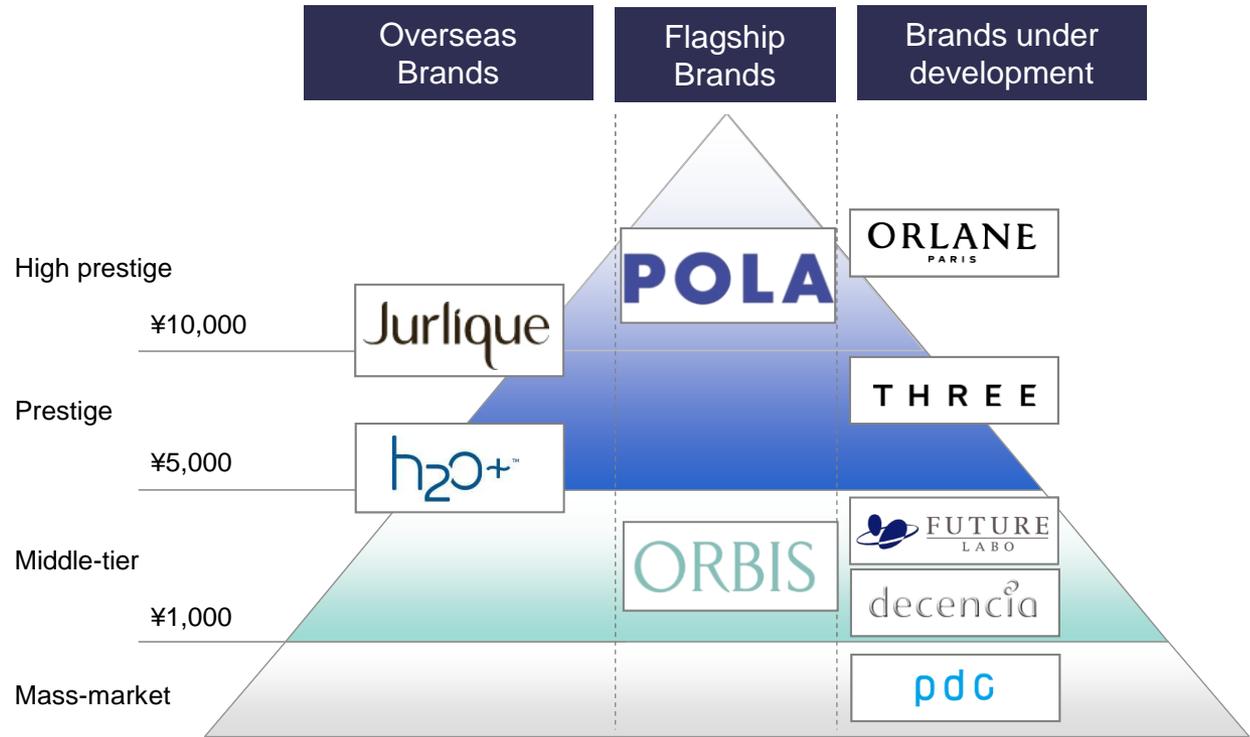
FY2014
Consol. Net Sales
¥198.1 bil.



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

	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

POLA



B.A

Anti-aging

The most prestige skincare and foundation make-up series at POLA.



APEX

Anti-aging

Launched in 1989 as the first tailor-made skincare and foundation make-up series in the industry.



WHITISSIMO



WHITE SHOT

Skin-whitening

Skin-whitening series infused with the latest research findings in the field.

ORBIS



CLEAR

Acne treatment

Renewal launch in March 2015
Acne treatment skincare products



AQUA FORCE

Moisturizing

One of the most famous product series at ORBIS. Skincare products focused on the moisturizing features of water.



ORBIS =U

Anti-aging

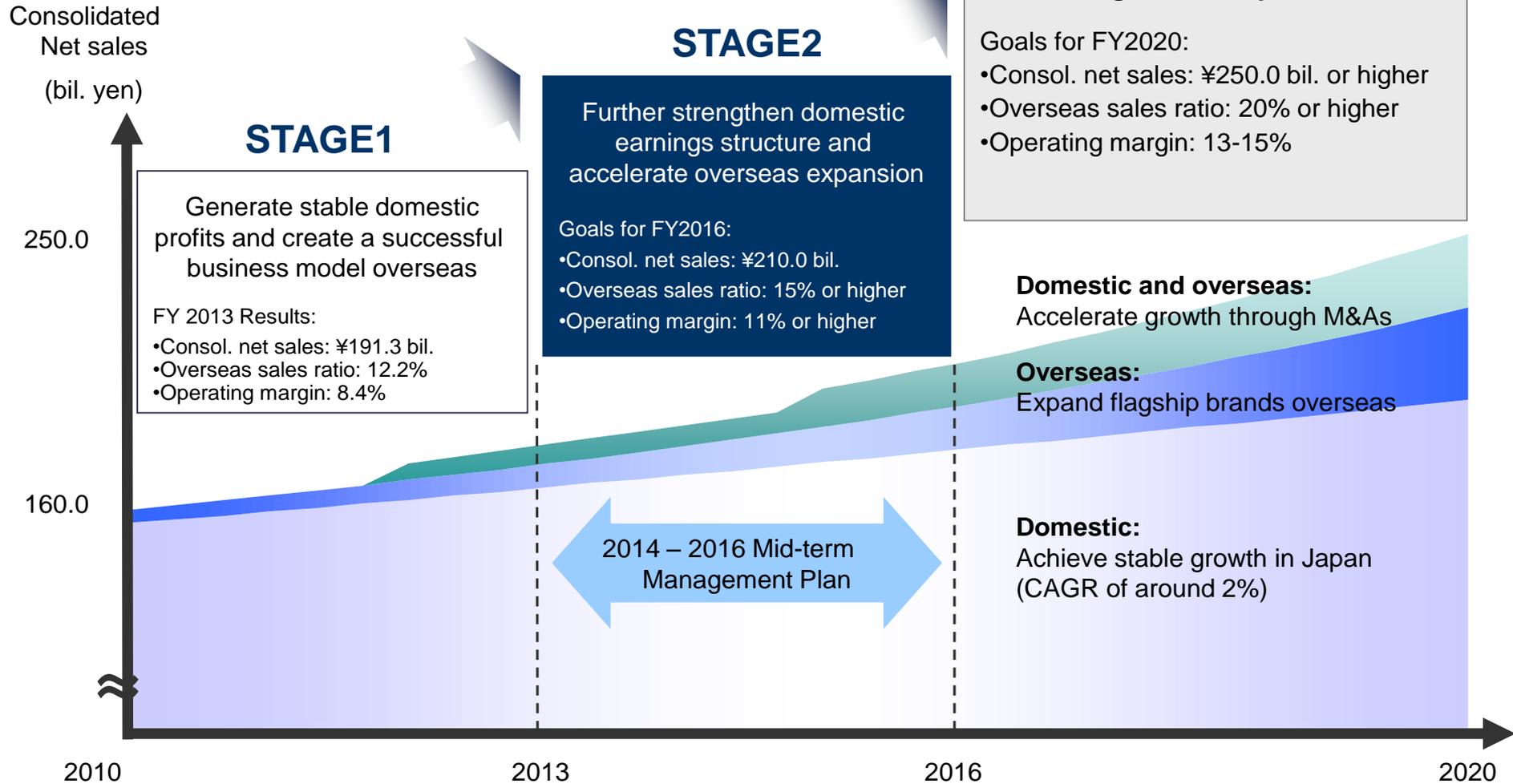
Launched in February 2014
Anti-aging skincare products

(mil. yen)	FY2013 Results	FY2014 Results	YoY change	
			Amount	%
Consol. net sales	191,355	198,094	6,738	3.5%
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%
Consol. operating income	16,017	17,683	1,665	10.4%
Beauty care operating 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: Consolidated operating income and loss for each brand are shown for reference purpose only (figures are unaudited)

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