Summary of Financial Results

For the Fiscal Year Ended December 31, 2012 (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.

February 14, 2013

POLA ORBIS HOLDINGS INC.

Listing: Tokyo Stock Exchange, First Section (Code No.: 4927)
URL: http://www.po-holdings.co.jp/
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Annual Shareholders' Meeting: March 28, 2013
Filing Date of Securities Report: March 28, 2013
Start of Cash Dividend Payment: March 29, 2013
Supplemental Materials Prepared for Yearly Financial Results: Yes
Conference Presentation for Yearly Financial Results: Yes (for analysts)

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the Fiscal Year Ended December 31, 2012

(January 1, 2012–December 31, 2012)

(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	%
FY2012	180,873	8.5	13,520	5.2	14,604	9.6	6,681	(16.9)
FY2011	166,657	0.8	12,853	4.8	13,322	8.8	8,039	13.5

Note: Comprehensive income: FY2012: ¥10,561 million (45.3%); FY2011: ¥7,270 million (12.8%)

	Net Income Per Share	Diluted Net Income Per Share	Return on Shareholders' Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2012	120.86	120.82	4.2	7.3	7.5
FY2011	145.43	—	5.2	7.0	7.7

Reference: Equity in losses (earnings) of affiliates: FY2012: ¥ (38) million; FY2011: ¥ (24) million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
At December 31	Millions of yen	Millions of yen	%	Yen
FY2012	209,140	164,896	78.8	2,980.48
FY2011	193,027	157,057	81.3	2,839.36

Reference: Equity capital: At December 31, 2012: ¥164,773 million; At December 31, 2011: ¥156,971 million

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2012	17,592	(39,625)	(3,280)	25,106
FY2011	14,401	(3,444)	(4,093)	50,246

2. Dividends

	Annual Cash Dividends Per Share					Total Dividends Paid (Annual)	Payout Ratio (Consolidated)	Dividends to Net Assets (Consolidated)
	Q1-end	Q2-end	Q3-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2011	—	20.00	—	25.00	45.00	2,487	30.9	1.6
FY2012	—	25.00	—	25.00	50.00	2,764	41.4	1.7
FY2013 (Forecast)	—	25.00	—	30.00	55.00		37.1	

3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2013
(January 1, 2013–December 31, 2013)

(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
First half	90,000	4.2	5,900	4.4	6,100	1.5	2,800	0.5	50.65
Full year	188,500	4.2	16,000	18.3	16,300	11.6	8,200	22.7	148.32

Notes to Summary Information

(1) Changes in significant subsidiaries during the current year (changes in specific subsidiaries resulting in changes in the scope of consolidation) : Yes

Newly established: Pola Orbis Jurlique Holdings Pty Ltd
Pola Orbis Jurlique Pty Ltd
Newly acquired: Jurlique International Pty Ltd

Note: Please refer to "Basis for Preparation of Consolidated Financial Statements" on page 17 for further detailed information.

(2) Changes in accounting policies, accounting estimates, and restatement

1) Changes in accounting policies associated with revision of accounting standards : None
2) Changes other than (2)-1) : None
3) Changes in accounting estimates : None
4) Restatements : None

(3) 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 December 31, 2012 57,284,039 shares
At December 31, 2011 57,284,039 shares

2) Number of shares of treasury stock at the end of each period
At December 31, 2012 2,000,000 shares
At December 31, 2011 2,000,000 shares

3) Average number of shares issued and outstanding in each period
Fiscal year ended December 31, 2012 55,284,039 shares
Fiscal year ended December 31, 2011 55,284,039 shares

Note: Please refer to "Per Share Information" on page 24 for the number of shares used as a basis for calculation of the consolidated net income per share.

(Reference) Summary of Non-consolidated Financial Performance

1. Non-consolidated Financial Performance for the Fiscal Year Ended December 31, 2012
(January 1, 2012–December 31, 2012)

(1) 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	%
FY2012	5,964	15.1	3,526	27.6	4,211	22.9	2,691	41.2
FY2011	5,180	(2.9)	2,764	(11.1)	3,425	(4.1)	1,905	(18.2)

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2012	48.69	48.67
FY2011	34.47	—

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
At December 31	Millions of yen	Millions of yen	%	Yen
FY2012	177,501	121,218	68.3	2,191.91
FY2011	168,774	120,892	71.6	2,186.75

Reference: Equity capital: At December 31, 2012: ¥121,177 million; At December 31, 2011: ¥120,892 million

Information Regarding Audit Procedures

At the time of disclosure of this report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange 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. Operating Performance (1) Analysis of Consolidated Operating Results (Outlook for Fiscal 2013)" on page 4.

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1. Operating Performance

(1) Analysis of Consolidated Operating Results

Operating results for fiscal 2012

In the fiscal year ended December 31, 2012, the Japanese economy was recovering gradually, supported by the special reconstruction-related demand after the Great East Japan Earthquake, but due to the impact of the overseas economic slowdown caused by the European fiscal crisis, the recovery showed signs of losing momentum. Recently, however, the trend of rising stock prices and a weakening yen has progressed on improvement of the overseas economy and on expectations placed in the new government. Thus, in the future, despite some lingering concerns, economic recovery on factors such as monetary easing policies is expected.

In the domestic cosmetics market, notwithstanding signs of a swing toward a business pickup, Pola Orbis Holdings Inc. (the "Company") recognizes that the situation is unpredictable. In the overseas cosmetics market, the expansion trend is expected to continue due to the growth in income supported by ongoing growth in internal demand in Asia, especially in China and India, as well as the recovery trend in the United States.

Within this market environment, Pola Orbis Group (the "Group") entered the second year of its three-year management plan launched in 2011, and persisted in its efforts to improve the profitability of domestic flagship brands while accelerating the growth of the brands under development. At the same time, the Group aggressively expanded into overseas markets, completing the acquisition of Jurlique International Pty Ltd., an Australian cosmetics company in February 2012.

As a result of the above, the Group achieved the following consolidated operating results for fiscal 2012.

Consolidated net sales for fiscal 2012 grew 8.5% year on year, to ¥180,873 million, partly reflecting firm domestic sales centering on the POLA-brand business and the inclusion of earnings from Jurlique International Pty Ltd., which was acquired in February 2012. On the profit front, although the Company recorded goodwill-related expenses and other acquisition costs arising from its purchase of Jurlique International Pty Ltd, due to the aforementioned increase in POLA sales and to improved profitability from the Orbis rebranding, operating income rose 5.2% year on year to ¥13,520 million, and ordinary income rose 9.6% year on year to ¥14,604 million. Net income shrank 16.9% year on year to ¥6,681 million, due to higher income taxes caused by an increase in taxable domestic income offsetting a large reduction in extraordinary losses from the corresponding period of the previous year (for losses relating to the Great East Japan Earthquake, asset retirement obligations and other costs).

Operating Results Overview (Millions of yen)

	Twelve Months Ended December 31			
	2011	**2012**	Year-on-Year Amount Change	Year-on-Year Percent Change (%)
Net Sales	¥166,657	**¥180,873**	¥14,215	8.5
Operating Income	12,853	**13,520**	666	5.2
Ordinary Income	13,322	**14,604**	1,281	9.6
Net Income	¥ 8,039	**¥ 6,681**	¥(1,358)	(16.9)

Operating Results by Segment

Net Sales (Segment Sales to External Customers) (Millions of yen)

	Twelve Months Ended December 31			
	2011	**2012**	Year-on-Year Amount Change	Year-on-Year Percent Change (%)
Beauty Care	¥154,778	**¥168,811**	¥14,033	9.1
Real Estate	3,089	**2,841**	(247)	(8.0)
Others	8,790	**9,220**	430	4.9
Total	¥166,657	**¥180,873**	¥14,215	8.5

Segment Income (Operating Income) (Millions of yen)

	Twelve Months Ended December 31			
	2011	**2012**	Year-on-Year Amount Change	Year-on-Year Percent Change (%)
Beauty Care	¥10,787	**¥11,812**	¥1,025	9.5
Real Estate	1,283	**1,139**	(144)	(11.3)
Others	501	**335**	(166)	(33.2)
Reconciliations of Segment Income (Note)	280	**232**	(47)	(16.9)
Total	¥12,853	**¥13,520**	¥666	5.2

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 "3. Information about Net Sales, Profit (Loss), Assets and Other Items by Reportable Segment" on page 20 for the fiscal 2012 details of reconciliations of segment income.

Beauty Care

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

In the POLA-brand business, the Group is not only aggressively developing sales channels through department store outlets and customer-attracting POLA THE BEAUTY stores, which integrate cosmetics, consulting and esthetic treatments, but also endeavoring to increase contacts with customers through expansion of the door-to-door sales system. In addition, the Group is striving to further enhance its sales techniques and consulting skills in order to boost customer satisfaction. In the domestic market, the Group introduced the ***B.A SUMMER*** series in March and April and ***B.A THE EYE CREAM*** in October, as new products featuring POLA's anti-aging technologies. Furthermore, the Group utilized its skin analysis technology and rolled out a campaign using its ***APEX-i*** Custom-Tailored Skincare Cosmetics. In overseas markets, the Group implemented measures to promote business growth, including the expansion of its sales organization in Thailand. As a result of the above, the performance of the POLA-brand business surpassed that in the corresponding period a year earlier.

In the ORBIS-brand business, the Group strove to improve profitability through various efforts that included increasing the rate of repeat purchases, renewing skincare cosmetics products, bolstering internet sales, and streamlining sales costs. Within the domestic market, the company introduced the "*Oil-free ha-da*" (oil-free brand) declaration as its new brand statement, and in September launched the new ***AQUA FORCE EXTRA*** line appealing to customers with new added value due to its oil free properties. Furthermore, the Group worked to strengthen its delivery services by launching uniform nationwide next-day delivery using a dual-site logistics system with distribution centers in both East and West Japan. In the overseas market, the Group focused on promotional activities in China and implemented other measures to increase brand awareness. As a reflection of the above, the ORBIS-brand business generated results on a par with those in the previous year.

Sales of brands under development and overseas brands exceeded the last fiscal year figures. This reflected expanding domestic sales of ***THREE*** and ***decencia***, an Asia-centered expansion of the ***H2O PLUS*** brand acquired in July 2011, and the inclusion of earnings from the ***Jurlique*** brand, purchased in February 2012.

As a result of the above, net sales—sales to external customers—generated by the Beauty Care segment for fiscal 2012 reached ¥168,811 million, edging up 9.1%, while operating income totaled ¥11,812 million, up 9.5% 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 fiscal 2012, performance slowed year on year, reflecting the downward trend of rents within the overall leasing market, which offset an intensified sales drive to maintain rents and attract tenants.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment for fiscal 2012 totaled ¥2,841 million, down 8.0%, while operating income reached ¥1,139 million, down 11.3% year on year.

Others

The Others segment comprises the pharmaceuticals and building maintenance businesses. Note that the Group withdrew from the printing businesses from the third quarter of fiscal 2011.

The pharmaceuticals business draws on results accumulated by Group companies in research related to cosmetics and quasi-pharmaceuticals to develop and sell new drugs. Thus far, two products—***Lulicon***, an antifungal agent for topical application, and ***DIVIGEL***, a treatment for menopausal symptoms—have successfully been brought to market. In addition, existing ethical pharmaceuticals, such as the laxative ***Alosenn*** and dermatological drugs have been supplied to medical institutions, including university hospitals throughout Japan. During fiscal 2012, the Group continued sales activities, including visits to medical institutions, with a special focus on the field of dermatology. This led to a steady expansion of ***Lulicon***'s market share, and results surpassed the year-earlier level.

The building maintenance business caters primarily to the needs of Group companies. In fiscal 2012, the Group engaged in sales activities to sign up new customers and expand orders from outside the Group, ensuring an increase in orders received and a year-on-year improvement in performance.

As a reflection of the above, net sales—sales to external customers—generated by the Others segment totaled ¥9,220 million, up 4.9%, while operating income amounted to ¥335 million, down 33.2% year on year.

Outlook for Fiscal 2013

While some uncertainty still remains, bright signs for the Japanese economic situation are apparent. These include the improvement in the overseas economy, which has been due to the economic recoveries in China and the United States, and the expectations of an escape from the prolonged deflation, which have arisen from monetary easing policies at the initiative of the new government.

In this situation, based on its corporate philosophy of "Inspire all people and touch their hearts," the Group will continue to work on its main strategic goals in its medium-term management plan, which are to "improve the profitability of flagship brands and further promote the multi-brand strategy," to "increase growth potential through global business expansion (overseas expansion by leveraging the Group's strengths)," and to "reinforce the operating structure." Through these activities, the Group will aim to achieve its consolidated earnings targets.

For the fiscal year ending December 31, 2013, the Group forecasts, on a consolidated basis, net sales of ¥188,500 million, up 4.2% year on year, operating income of ¥16,000 million, up 18.3%, ordinary income of ¥16,300 million, up 11.6%, and net income of ¥8,200 million, up 22.7% year on year.

(2) Analysis of Financial Position

1) Assets, liabilities, and net assets

As of December 31, 2012, total assets stood at ¥209,140 million, up 8.3%, or ¥16,113 million, from December 31, 2011, the end of the previous fiscal year. The principal items of increase or decrease were as follows. There were increases of ¥14,672 million in goodwill arising mainly from the acquisition of Jurlique International Pty Ltd, ¥9,412 million in right of trademark, ¥3,455 million in other intangible assets, and ¥1,219 million in merchandise and finished goods. Meanwhile, there was a decrease of ¥28,127 million in cash and deposits used to fund the acquisition of Jurlique International Pty Ltd. Furthermore, there were increases of ¥1,389 million in short-term investments in securities due to the investment of surplus capital, ¥4,989 million in investments in securities, ¥2,011 million in construction in progress mainly for residential properties for lease, and ¥1,686 million in land arising mainly from the purchase of a plot adjacent to the Group's building in Aoyama.

Total liabilities amounted to ¥44,244 million, up 23.0%, or ¥8,274 million, from December 31, 2011. As for the principal items of increase or decrease, there was an increase of ¥4,475 million in income taxes payable arising from an increase in taxable domestic income.

Net assets amounted to ¥164,896 million, up 5.0%, or ¥7,838 million, from December 31, 2011. The principal items of increase or decrease were as follows. While ¥6,681 million was recorded in net income and there was an increase of ¥3,526 million in foreign currency translation adjustments as a result of the weakening yen, there was a decrease due to dividends from retained earnings of ¥2,764 million.

2) Cash flows

The balance of cash and cash equivalents as of December 31, 2012 was ¥25,106 million, down ¥25,140 million, from the end of the previous fiscal year.

The status of cash flows from operating activities, investing activities and financing activities for fiscal 2012, and noteworthy increases and decreases to these cash flows, are described below.

Cash flows from operating activities

Net cash provided by operating activities rose 22.2% from the corresponding period a year ago, to ¥17,592 million. The primary components contributing to an increase in net cash were ¥14,311 million in income before income taxes, and ¥6,466 million in depreciation and amortization. Major components leading to a decrease in net cash were ¥3,687 million in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥39,625 million, whereas ¥3,444 million in the corresponding period a year ago. The main factors were as follows. There was a decrease in cash resulting from outflows of ¥27,952 million due to acquisition of subsidiaries' stocks arising from the acquisition of Jurlique International Pty Ltd, ¥15,707 million due to purchase of short-term investments in securities for investing surplus capital in line with investment plans, ¥15,565 million due to purchase of investment securities, and ¥6,742 million due to purchase of property, plant and equipment arising mainly from construction of residential properties for lease. Meanwhile, there was an increase in cash resulting from ¥28,224 million in proceeds from sales and redemption of short-term investments in securities.

Cash flows from financing activities

Net cash used in financing activities decreased 19.9% from the corresponding period a year ago, to ¥3,280 million. The increase was primarily attributable to the application of ¥2,749 million in cash dividends paid.

(Reference) Cash flow related indicators

	FY2008	FY2009	FY2010	FY2011	FY2012
Equity ratio (%)	76.0	77.4	81.3	81.3	78.8
Equity ratio based on market value (%)	—	—	49.6	59.6	65.5
Cash flow/Interest-bearing debt ratio (years)	0.6	0.9	0.2	0.2	0.2
Interest coverage ratio (times)	114.7	128.5	173.5	392.8	214.6

Equity ratio = Shareholders' equity/Total assets

Equity ratio based on market value = Market capitalization/Total assets

Cash flow/Interest-bearing debt ratio = Interest-bearing debt/Cash flow

Interest coverage ratio = Cash flow/Interest payments

Notes:
1. All indicators were calculated using consolidated financial figures.
2. Market capitalization was calculated based on the number of shares issued and outstanding, excluding treasury stock.
3. Market capitalization for fiscal 2008 and fiscal 2009 was not calculated, as no stock market prices were available.
4. Cash flow refers to cash flows from operating activities.
5. Interest-bearing debt includes all debts on which we pay interest among the debts shown on the consolidated balance sheets.

(3) Basic Policy on Profit Distribution and Dividends for Fiscal Years 2012 and 2013

Profit distribution is an underlying principle of the Company's management. As such, the Company's basic policy is to pay stable and ongoing dividends to all of its shareholders.

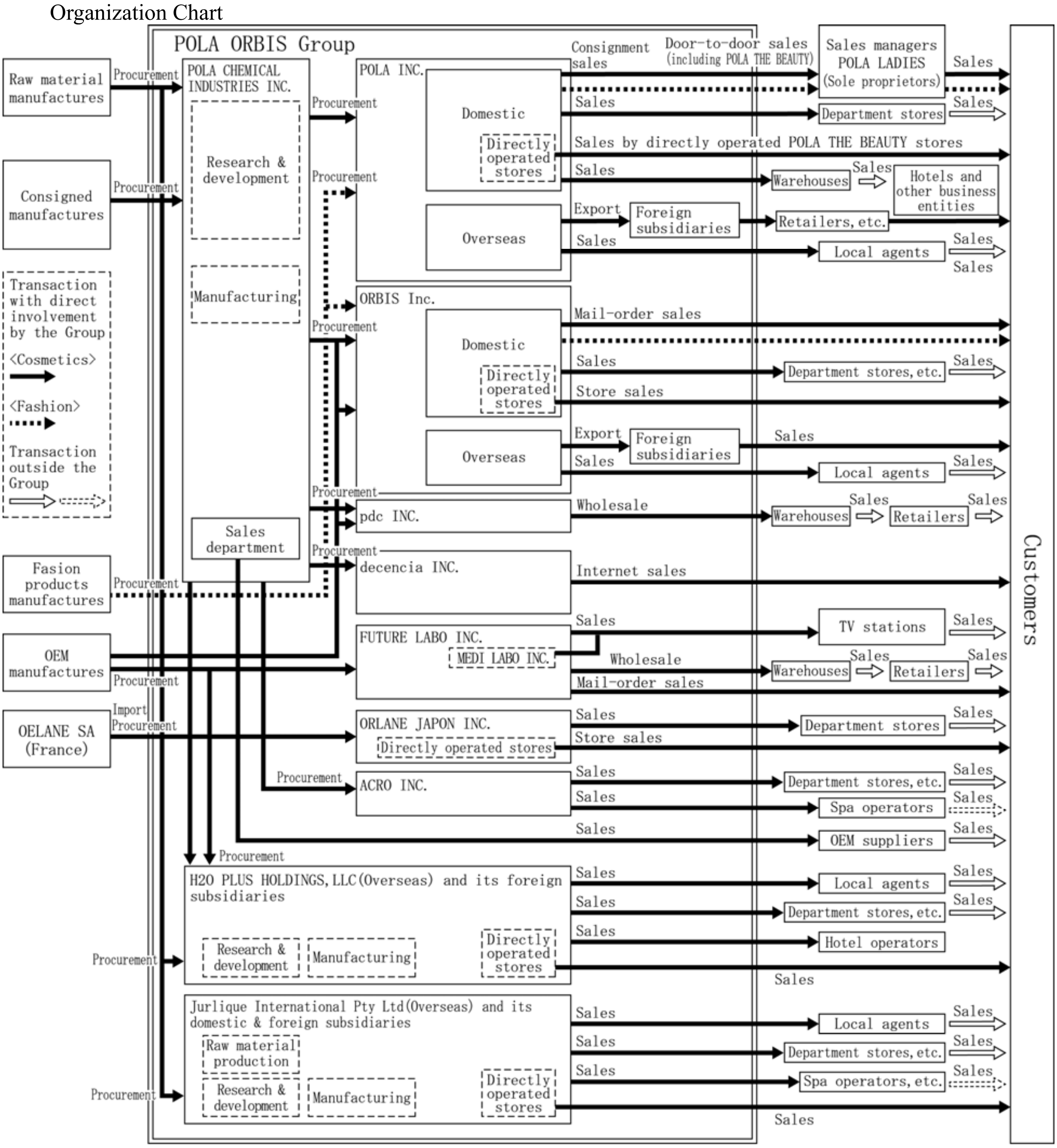
The Company distributes retained earnings twice a year, through an interim dividend and a year-end dividend. Based on Article 454-5 of Japan's Companies Act and the Company's Articles of Incorporation, The general meeting of shareholders is responsible for approving the year-end dividend, while the Board of Directors is responsible for approving the interim dividend.

Based on the abovementioned policy, the Company plans to use retained earnings to pay an annual dividend per common share of ¥50.00, comprising an interim dividend of ¥25.00 and a year-end dividend of ¥25.00 for fiscal 2012. Internal reserves shall be invested to reinforce the Group's operating structure and support future business development. For fiscal 2013, taking into account consolidated earnings targets and other factors, the Company plans to pay an interim dividend of ¥25.00 per share, increase its year-end dividend by ¥5.00 per share to ¥30.00 per share, and thereby pay an annual dividend of ¥55.00 per share.

2. Corporate Group

The new organization chart below relates to the Beauty Care segment. The new chart reflects material changes that have been made with regard to the Business Details section of the segment since the submission of the securities report on March 29, 2012.

Organization Chart



For "Status of Subsidiaries and Affiliates," please refer to "1. Items related to scope of consolidation." Within "(6) Bases for Preparation of Consolidated Financial Statements" on page 17, which provides details on changes in significant subsidiaries during the current fiscal year. The rest of this section has been truncated as no other material changes were made to the Organization Chart with regard to the Business Details section or the Status of Subsidiaries and Affiliates section in the securities report, submitted on March 29, 2012.

3. Management Policies

(1) Basic Management Policy

Although the independent and autonomous management of each Group company is fully recognized, the Company sets out a shared management policy for these companies to underpin their operations. Conforming to the policy, Group companies develop their business plans, which are approved by the Board of Directors of the Company following deliberation within the Group. The approved plans will be disclosed to the entire Group.

(2) Management Indicators

Increasing net income per share is a key management indicator for the Group.

(3) Medium- to Long-term Management Strategy and Issues to be Addressed

Guided by POLA ORBIS group's long-term vision of "becoming a Group with a global presence," the main strategic goals of the Group are to "improve the profitability of flagship brands and further promote the multi-brand strategy" in Japan and "increase profits along with steady expansion and revenue growth in both domestic and overseas markets." In order to realize this vision and these strategies, and to achieve sustained business development, the Group has been addressing the following issues.

1) Improve the profitability of flagship brands (steadily expand the Group's earning base) and further promote the multi-brand strategy (increase the market share of brands under development) in Japan.

In fiscal 2012, the domestic cosmetics market, which is the heart of the Group's operational presence, experienced a gradual recovery in comparison to the previous year. While some uncertainty still remains, for the time being, the market is expected to see gradual growth with the recovery in the domestic economy. However, since the domestic cosmetics market is a mature market, the Group thinks that high growth cannot be expected in the long run. Aggregate cosmetics shipments increased by 0.4% year on year, while total skincare cosmetics shipments rose 1.4%, from January through November 2012, according to the Office of Current Survey for Mining and Manufacturing within the Ministry of Economy, Trade and Industry (METI). In fact, trends show that shipments of skincare cosmetics, a key focus area for the Group, have continued to increase, more strongly than in the previous year.

Based on this awareness of the market environment, the Group is executing its multi-brand, multi-channel strategy with the aim to acquire further market share. To respond to the diversifying values of its customers and to provide products and services that cherish the relationships with each customer, the Group has a number of unique brands, and it considers marketing through sales channels suited to each brand to be the most effective way to acquire market share. To execute this strategy, the Group is confident that the best course of action is to make optimum use of its pure holding company structure to achieve profitability improvements by expanding its market share of skincare cosmetics through its flagship brands, i.e., the POLA and ORBIS brands, and to use the obtained profits for investing in growth of brands under development and in overseas business expansion, including M&A.

The primary measures to improve the profitability of flagship brands and strengthen the multi-brand strategy are as follows:

- Shift to a business model that matches the lifestyle needs of ***POLA*** brand customers.
  Increase the number of customer-attracting POLA THE BEAUTY stores and outlets in department stores, in addition to maintaining the traditional door-to-door sales channel.
- Rebuild ***ORBIS*** brands.
  Increase the annual purchase amount per customer and enhance profitability by clarifying, based on the new brand statement, the value that the brand provides, by strengthening communication with customers, improving service quality, and renewing skincare cosmetics.
- Expand the market share of brands under development that are expected to have more customer loyalty.
  Expand the market share of five brands under development ***(pdc, FUTURE LABO, ORLANE, decencia***, and ***THREE***) and engage in M&A activity.

Based on these measures, the Group aims to achieve stable sales growth and increased profitability in the domestic market.

2) Increase growth potential through global business expansion (overseas expansion by leveraging the Group's strengths)

The domestic cosmetics market is mature, and conditions are expected to be challenging in the long run. The Group believes that maintaining and reinforcing its competitiveness in the domestic market while expanding its business overseas are essential for achieving high rates of growth. In recent years, the cosmetics markets in Asia, particularly China, have seen significant expansion. The success or failure of efforts to expand in China now has a major impact in terms of developing a business presence in the global cosmetics market.

The Group's main strategies for overseas expansion are as follows:

- Actively roll out the flagship ***POLA*** and ***ORBIS*** brands overseas, primarily in China, other markets in Asia, and Russia (create business models underpinned by direct marketing and tailoring to the characteristics of each country).
- Reinforce Asian operations and further expand into emerging markets by leveraging the ***H2O PLUS*** and ***Jurlique*** brands acquired through an M&A.
- Support growth and expansion through new M&A, corporate alliances, and other initiatives.
- Promote overseas expansion by leveraging R&D technologies and the results of such research (through corporate alliances and M&A).
- Under the initiative of the Global Business Strategy Division, which was newly established in January 2013, the Company formulates marketing strategies tailored to each country and region, and harnesses synergies in the overseas expansion of Group company brands.

Based on these initiatives, the Group aims to expand its overseas business.

3) Reinforce the operating structure

The Group needs to increase brand recognition for all offerings and further enhance its accumulated strengths and utilize them in its operations to support global business development and a multi-brand strategy. From an organizational perspective, it is also important to build an operating structure to support healthy business expansion based on independent and autonomous management for each Group company. The Group aims to actively invest to establish this type of operating structure.

The Group's key strategies for reinforcing the operating structure are as follows:

- Enhance R&D technologies.
  Leverage material development capabilities accumulated through R&D efforts to focus on such R&D activities as anti-aging skincare and whitening, a key strength.
- Actively engage in selection and concentration.
  Establish criteria for withdrawing from unprofitable businesses and conduct regular monitoring of investments to prevent decreases in investment efficiency.
- Implement process management.
  Establish evaluation measures such as key performance indicators (KPIs) for each business/company of the Group, and thoroughly implement a framework and evaluation system focused on improving business processes.
- Develop human resources through training.
  Continue Group-wide human resources development, both domestically and overseas, including actively assigning personnel to ***H2O PLUS*** and ***Jurlique***, to cultivate personnel who will enable global business development and personnel who will become future managerial candidates.

Through these strategies, the Group aims to enhance customer perceptions of each brand, while reinforcing its operating structure and developing businesses with more efficient and streamlined operations.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2011 December 31, 2011	**FY2012 December 31, 2012**
Assets		
Current assets		
Cash and deposits	¥ 50,679	**¥ 22,551**
Notes and accounts receivable – trade	20,719	**22,684**
Short-term investments in securities	18,412	**19,801**
Merchandise and finished goods	9,664	**10,883**
Work in process	1,648	**1,493**
Raw materials and supplies	4,351	**4,901**
Deferred tax assets	3,478	**3,579**
Other	2,208	**3,073**
Allowance for doubtful accounts	(69)	**(125)**
Total current assets	111,093	**88,844**
Non-current assets		
Property, plant and equipment		
Buildings and structures	57,120	**59,680**
Accumulated depreciation	(40,985)	**(42,432)**
Buildings and structures, net	16,134	**17,248**
Machinery, equipment and vehicles	11,834	**12,449**
Accumulated depreciation	(10,349)	**(10,446)**
Machinery, equipment and vehicles, net	1,484	**2,003**
Land	20,761	**22,448**
Leased assets	2,893	**4,303**
Accumulated depreciation	(1,188)	**(2,082)**
Leased assets, net	1,704	**2,221**
Construction in progress	317	**2,328**
Other	19,172	**19,636**
Accumulated depreciation	(10,155)	**(10,476)**
Other, net	9,016	**9,159**
Total property, plant and equipment	49,420	**55,408**
Intangible assets		
Goodwill	3,583	**18,256**
Right of trademark	2,429	**11,841**
Other	6,124	**9,579**
Total intangible assets	12,137	**39,677**
Investments and other assets		
Investments in securities	13,582	**18,572**
Long-term loans receivable	57	**60**
Deferred tax assets	3,415	**3,137**
Other	3,486	**3,603**
Allowance for doubtful accounts	(165)	**(163)**
Total investments and other assets	20,376	**25,209**
Total non-current assets	81,933	**120,296**
Total assets	¥193,027	**¥209,140**

(Millions of yen)

	FY2011 December 31, 2011	**FY2012** **December 31, 2012**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 2,894	**¥ 3,630**
Short-term loans payable	1,500	**1,733**
Lease obligations	623	**676**
Accounts payable – other	11,391	**12,077**
Income taxes payable	1,806	**6,282**
Provision for bonuses	1,561	**1,504**
Provision for directors’ bonuses	45	**42**
Provision for sales returns	76	**76**
Provision for point program	1,605	**1,629**
Other	2,283	**3,432**
Total current liabilities	23,788	**31,086**
Non-current liabilities		
Lease obligations	939	**1,071**
Provision for retirement benefits	6,795	**6,394**
Provision for directors’ retirement benefits	367	—
Provision for environmental measures	132	**133**
Deferred tax liabilities	317	**1,305**
Other	3,627	**4,253**
Total non-current liabilities	12,180	**13,157**
Total liabilities	35,969	**44,244**
Net assets		
Shareholders’ equity		
Common stock	10,000	**10,000**
Capital surplus	90,718	**90,718**
Retained earnings	59,469	**63,386**
Treasury stock	(2,199)	**(2,199)**
Total shareholders’ equity	157,988	**161,905**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(35)	**331**
Deferred gains or losses on hedges	9	—
Foreign currency translation adjustments	(991)	**2,535**
Total accumulated other comprehensive income	(1,017)	**2,867**
Subscription rights to shares	—	**40**
Minority interests	86	**82**
Total net assets	157,057	**164,896**
Total liabilities and net assets	¥193,027	**¥209,140**

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

(Millions of yen)

	Twelve Months Ended December 31	
	FY2011 (January 1, 2011– December 31, 2011)	**FY2012 (January 1, 2012– December 31, 2012)**
Net sales	¥166,657	**¥180,873**
Cost of sales	33,461	**36,946**
Gross profit	133,196	**143,927**
Selling, general and administrative expenses		
Sales commission	43,477	**45,240**
Promotion expenses	16,676	**17,491**
Packing and transportation expenses	4,438	**4,845**
Advertising expenses	7,373	**7,293**
Salaries, allowances and bonuses	17,882	**20,763**
Welfare expenses	2,869	**3,220**
Retirement benefit expenses	733	**692**
Provision for bonuses	1,331	**1,306**
Provision for point program	1,602	**1,622**
Depreciation and amortization	3,345	**4,546**
Amortization of goodwill	91	**829**
Other	20,521	**22,554**
Total selling, general and administrative expenses	120,342	**130,407**
Operating income	12,853	**13,520**
Non-operating income		
Interest income	524	**468**
Dividend income	40	**41**
Foreign exchange gains	—	**544**
Other	264	**189**
Total non-operating income	829	**1,243**
Non-operating expenses		
Interest expense	53	**73**
Equity in losses of affiliates	24	**38**
Foreign exchange losses	121	—
Taxes and dues	46	—
Other	114	**46**
Total non-operating expenses	359	**158**
Ordinary income	¥ 13,322	**¥ 14,604**

(Millions of yen)

	Twelve Months Ended December 31	
	FY2011 (January 1, 2011– December 31, 2011)	**FY2012 (January 1, 2012– December 31, 2012)**
Extraordinary income		
Gain on sales of subsidiaries' stocks	¥ 529	—
Reversal of provision for directors' retirement benefits	—	**¥ 119**
Other	40	**16**
Total extraordinary income	569	**136**
Extraordinary losses		
Loss on disposal of non-current assets	389	**222**
Impairment loss	754	**194**
Loss on disaster	467	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	954	—
Other	71	**12**
Total extraordinary losses	2,636	**429**
Income before income taxes	11,255	**14,311**
Income taxes – current	3,492	**7,358**
Income taxes – deferred	(266)	**287**
Total income taxes	3,226	**7,646**
Income before minority interests	8,029	**6,665**
Minority interests in net loss of consolidated subsidiaries	(10)	**(16)**
Net income	¥8,039	**¥6,681**

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Twelve Months Ended December 31	
	FY2011 (January 1, 2011– December 31, 2011)	**FY2012 (January 1, 2012– December 31, 2012)**
Income before minority interests	¥8,029	**¥6,665**
Other comprehensive income		
Valuation difference on available-for-sale securities	(246)	**367**
Deferred gain or loss on hedges	9	**(9)**
Foreign currency translation adjustments	(521)	**3,540**
Share of other comprehensive income of associates accounted for using equity method	—	**(1)**
Total other comprehensive income	(758)	**3,896**
Comprehensive income	7,270	**10,561**
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	7,287	**10,565**
Comprehensive income attributable to minority interests	¥ (16)	**¥ (4)**

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Twelve Months Ended December 31	
	FY2011 (January 1, 2011– December 31, 2011)	**FY2012 (January 1, 2012– December 31, 2012)**
Shareholders' equity		
Common stock		
Balance at the beginning of the period	¥10,000	**¥10,000**
Balance at the end of the period	10,000	**10,000**
Capital surplus		
Balance at the beginning of the period	90,718	**90,718**
Balance at the end of the period	90,718	**90,718**
Retained earnings		
Balance at the beginning of the period	54,746	**59,469**
Changes of items during the period		
Dividends from retained earnings	(3,317)	**(2,764)**
Net income	8,039	**6,681**
Total changes of items during the period	4,722	**3,917**
Balance at the end of the period	59,469	**63,386**
Treasury stock		
Balance at the beginning of the period	(2,199)	**(2,199)**
Balance at the end of the period	(2,199)	**(2,199)**
Total shareholders' equity		
Balance at the beginning of the period	153,265	**157,988**
Changes of items during the period		
Dividends from retained earnings	(3,317)	**(2,764)**
Net income	8,039	**6,681**
Total changes of items during the period	4,722	**3,917**
Balance at the end of the period	157,988	**161,905**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of the period	210	**(35)**
Changes of items during the period		
Net changes of items other than shareholders' equity	(246)	**367**
Total changes of items during the period	(246)	**367**
Balance at the end of the period	(35)	**331**
Deferred gains or losses on hedges		
Balance at the beginning of the period	—	**9**
Changes of items during the period		
Net changes of items other than shareholders' equity	9	**(9)**
Total changes of items during the period	9	**¥ (9)**
Balance at the end of the period	¥ 9	—

(Millions of yen)

	Twelve Months Ended December 31	
	FY2011 (January 1, 2011– December 31, 2011)	**FY2012 (January 1, 2012– December 31, 2012)**
Foreign currency translation adjustments		
Balance at the beginning of the period	¥ (475)	**¥ (991)**
Changes of items during the period		
Net changes of items other than shareholders' equity	(515)	**3,526**
Total changes of items during the period	(515)	**3,526**
Balance at the end of the period	(991)	**2,535**
Total accumulated other comprehensive income		
Balance at the beginning of the period	(264)	**(1,017)**
Changes of items during the period		
Net changes of items other than shareholders' equity	(752)	**3,884**
Total changes of items during the period	(752)	**3,884**
Balance at the end of the period	(1,017)	**2,867**
Subscription rights to shares		
Balance at the beginning of the period	—	—
Changes of items during the period		
Net changes of items other than shareholders' equity	—	**40**
Total changes of items during the period	—	**40**
Balance at the end of the period	—	**40**
Minority interests		
Balance at the beginning of the period	103	**86**
Changes of items during the period		
Net changes of items other than shareholders' equity	(16)	**(4)**
Total changes of items during the period	(16)	**(4)**
Balance at the end of the period	86	**82**
Total net assets		
Balance at the beginning of the period	153,104	**157,057**
Changes of items during the period		
Dividends from retained earnings	(3,317)	**(2,764)**
Net income	8,039	**6,681**
Net changes of items other than shareholders' equity	(769)	**3,921**
Total changes of items during the period	3,953	**7,838**
Balance at the end of the period	¥157,057	**¥164,896**

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Twelve Months Ended December 31	
	FY2011 (January 1, 2011– December 31, 2011)	**FY2012 (January 1, 2012– December 31, 2012)**
Cash flows from operating activities		
Income before income taxes	¥11,255	**¥14,311**
Depreciation and amortization	5,359	**6,466**
Impairment loss	754	**194**
Amortization of goodwill	91	**829**
Gain on sales of subsidiaries' stocks	(529)	—
Gain on sales of non-current assets	(3)	**(2)**
Loss on disposal of non-current assets	389	**222**
Loss on disaster	467	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	954	—
Increase in allowance for doubtful accounts	5	**15**
Decrease in provision for retirement benefits	(425)	**(402)**
Decrease in other provision	(168)	**(413)**
Interest and dividend income	(565)	**(510)**
Interest expense	53	**73**
Foreign exchange loss (gain)	95	**(660)**
Equity in losses of affiliates	24	**38**
Increase in notes and accounts receivable – trade	(1,215)	**(1,007)**
Decrease in inventories	62	**571**
Increase (decrease) in notes and accounts payable – trade	(388)	**359**
Decrease in consumption taxes payable	(210)	**(78)**
Increase (decrease) in other assets	(47)	**184**
Increase in other liabilities	476	**471**
Other	112	**132**
Subtotal	16,547	**20,796**
Interest and dividends received	637	**565**
Interest paid	(36)	**(81)**
Income taxes paid	(2,339)	**(3,687)**
Payments for loss on disaster	(407)	—
Net cash provided by operating activities	¥14,401	**¥17,592**

(Millions of yen)

	Twelve Months Ended December 31	
	FY2011 (January 1, 2011– December 31, 2011)	**FY2012 (January 1, 2012– December 31, 2012)**
Cash flows from investing activities		
Payments into time deposits	¥ (1,281)	**¥ (2,231)**
Proceeds from withdrawal of time deposits	989	**2,415**
Purchase of short-term investments in securities	(30,897)	**(15,707)**
Proceeds from sales and redemption of short-term investments in securities	48,800	**28,224**
Purchase of property, plant and equipment	(2,421)	**(6,742)**
Proceeds from sales of property, plant and equipment	1,310	**34**
Purchase of intangible assets	(1,641)	**(1,785)**
Purchase of investment securities	(9,476)	**(15,565)**
Proceeds from sales of investment securities	19	**17**
Payments for disposal of non-current assets	(448)	**(191)**
Purchase of long-term prepaid expenses	(76)	**(77)**
Payments for lease and guarantee deposits	(171)	**(226)**
Proceeds from collection of lease and guarantee deposits	162	**198**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(8,923)	**(27,952)**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	629	—
Other	(17)	**(35)**
Net cash used in investing activities	(3,444)	**(39,625)**
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(254)	**215**
Cash dividends paid	(3,300)	**(2,749)**
Repayments of lease obligations	(538)	**(746)**
Net cash used in financing activities	(4,093)	**(3,280)**
Effect of exchange rate change on cash and cash equivalents	(124)	**172**
Net increase (decrease) in cash and cash equivalents	6,738	**(25,140)**
Cash and cash equivalents at beginning of period	43,507	**50,246**
Cash and cash equivalents at end of period	¥50,246	**¥25,106**

(5) Going Concern Assumptions

None

(6) Basis for Preparation of Consolidated Financial Statements

1. Items Related to Scope of Consolidation

(1) Consolidated Subsidiaries: **43**

Principal subsidiaries:

POLA INC.
ORBIS Inc.
POLA CHEMICAL INDUSTIRES INC.
P.O. REAL ESTATE INC.
and 39 other subsidiaries

(Newly Included: 14)

In fiscal 2012, the procedure for investing in Pola Orbis Jurlique Holdings Pty Ltd and Pola Orbis Jurlique Pty Ltd was finalized. As a result, the two companies were included in the scope of consolidation. Jurlique International Pty Ltd and its 11 consolidated subsidiaries were also included in the scope of consolidation following the acquisition of its all outstanding shares.

(2) Non-consolidated Subsidiaries: None

2. Items Related to Application of Equity Method

(1) Equity Method Affiliates: **1**

Affiliates:

B2O IMPORT AND TRADE OF COSMETICS AND PERFUMES LIMITED

(2) Non-consolidated Subsidiaries not Accounted for by the Equity Method: None

(7) Changes in Presentation Method

(Consolidated Balance Sheets)

In fiscal 2011, “Right of trademark” was included in “Other” under “Intangible assets.” In fiscal 2012, however, it is presented as a separate item as “Right of trademark” due to an increase in materiality. As a result, ¥8,553 million recorded as “Other” under “Intangible assets” in fiscal 2011 is reclassified as ¥2,429 million in “Right of trademark” and ¥6,124 million in “Other” in fiscal 2012.

(Consolidated Statements of Cash Flows)

In fiscal 2011, “Non-recurring depreciation on non-current assets” was presented as a separate item under “Cash flows from operating activities.” In fiscal 2012, however, it is reclassified and included in “Other” due to a decrease in materiality (¥15 million).

In fiscal 2011, “Decrease in provision for loss on business liquidation” was presented as a separate item under “Cash flows from operating activities.” In fiscal 2012, however, it is reclassified and included in “Decrease in other provision” due to a decrease in materiality (¥(28) million).

(8) Supplementary Information

“Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued on December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009) were adopted by the Group to account for the accounting changes and error corrections that occurred after the beginning of the fiscal year ended December 31, 2012.

(9) Notes to Consolidated Financial Statements

(Segment Information)

1. General Information about Reportable Segments

A reportable segment is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group primarily develops, manufactures and markets cosmetics products and related products. It promotes a multi-brand strategy of holding a range of brands and winning market shares for each of its high-profile brands in order to satisfy the diversifying needs of its customers based on their values. Comprehensive strategies are planned and products are marketed by each brand name in Japan and overseas. In addition to its cosmetics business, a variety of businesses is conducted to contribute to the Group's profits.

Therefore, reportable segments consist of the Beauty Care business, the Group's core business, and the Real Estate business, which indirectly supports the Group's core business.

The Beauty Care business manufactures and markets cosmetics and health foods and sells fashion items (women's underwear, women's apparel and jewelry) under the following brand names: ***POLA, ORBIS, pdc, FUTURE LABO, ORLANE, decencia, THREE, H2O PLUS, and Jurlique***. The Real Estate business is engaged in the leasing of office buildings and residential properties.

2. Calculation Method for Net Sales, Profit (Loss), Assets, Liabilities and Other Items by Reportable Segment

The accounting method for the Group's reportable business segments is generally the same as described in "Basis for Preparation of Consolidated Financial Statements."

Segment income is based on operating income. The amounts of inter-segment unrealized profits and transfers are calculated based on prevailing market prices.

3. Information about Net Sales, Profit (Loss), Assets and Other Items by Reportable Segment
Fiscal Year Ended December 31, 2011 (January 1, 2011–December 31, 2011)

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥154,778	¥3,089	¥157,867	¥8,790	¥166,657	—	¥166,657
Intersegment Sales or Transfers	100	659	759	5,781	6,541	¥(6,541)	—
Total	154,878	3,748	158,627	14,571	173,199	(6,541)	166,657
Segment Income	10,787	1,283	12,071	501	12,573	280	12,853
Segment Assets	111,405	28,512	139,917	10,367	150,285	42,742	193,027
Other Items							
Depreciation and Amortization	4,339	637	4,977	282	5,260	113	5,374
Amortization of Goodwill	91	—	91	—	91	—	91
Increase in property, plant and equipment and intangible assets	¥ 4,516	¥ 273	¥ 4,790	¥ 193	¥ 4,983	¥ 64	¥ 5,048

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

2. Reconciliations consist of the following:

(1) The segment income reconciliation of ¥280 million includes intersegment transaction eliminations of ¥2,351 million minus corporate expenses of ¥2,071 million, not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

(2) The segment assets reconciliation of ¥42,742 million includes corporate assets of ¥88,517 million, not allocated to each segment, minus intersegment eliminations of ¥45,775 million. Corporate assets are primarily the Company's financial assets and assets in the administrative division not allocated to reportable segments.

(3) Reconciliations of depreciation and amortization, and increases in property, plant and equipment, and intangible assets are those related to corporate assets and intersegment eliminations.

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

4. Amortization and increase in long-term prepaid expenses are included in depreciation and amortization, and increases in property, plant and equipment, and intangible assets, respectively.

5. Depreciation and amortization in the Beauty Care segment includes non-recurring depreciation on non-current assets of ¥15 million.

Fiscal Year Ended December 31, 2012 (January 1, 2012–December 31, 2012)

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	**¥168,811**	**¥2,841**	**¥171,653**	**¥9,220**	**¥180,873**	—	**¥180,873**
Intersegment Sales or Transfers	**76**	**628**	**705**	**3,277**	**3,983**	**¥(3,983)**	—
Total	**168,888**	**3,470**	**172,358**	**12,498**	**184,857**	**(3,983)**	**180,873**
Segment Income	**11,812**	**1,139**	**12,952**	**335**	**13,287**	**232**	**13,520**
Segment Assets	**163,165**	**29,838**	**193,003**	**10,742**	**203,746**	**5,393**	**209,140**
Other Items							
Depreciation and Amortization	**5,364**	**593**	**5,957**	**265**	**6,223**	**242**	**6,466**
Amortization of Goodwill	**829**	—	**829**	—	**829**	—	**829**
Increase in property, plant and equipment and intangible assets	**¥ 5,683**	**¥3,736**	**¥ 9,419**	**¥ 228**	**¥ 9,648**	**¥ (38)**	**¥ 9,609**

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

2. Reconciliations consist of the following:

(1) The segment income reconciliation of ¥232 million includes intersegment transaction eliminations of ¥2,378 million minus corporate expenses of ¥2,145 million, not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

(2) The segment assets reconciliation of ¥5,393 million includes corporate assets of ¥56,666 million, not allocated to each segment, minus intersegment eliminations of ¥51,272 million. Corporate assets are primarily the Company's financial assets and assets in the administrative division not allocated to reportable segments.

(3) Reconciliations of depreciation and amortization, and increases in property, plant and equipment, and intangible assets are those related to corporate assets and intersegment eliminations.

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

4. Amortization and increase in long-term prepaid expenses are included in depreciation and amortization, and increases in property, plant and equipment, and intangible assets, respectively.

(Business Combination)

Business Combination by acquisition

On November 30, 2011, the Company's Board of Directors approved a definitive agreement to acquire all outstanding shares in Jurlique International Pty Ltd ("Jurlique"), an Australia-based leading developer, manufacturer and marketer of natural organic skin and body care products, mainly operating in Asia, the United States and Europe. In addition, the Board also approved a resolution to establish two special purpose companies (SPCs) in Australia for acquiring all outstanding shares in Jurlique. The two SPCs were established on December 19, 2011. Following their establishment, the procedure for investing in the two SPCs was finalized on January 31, 2012. The acquisition of shares in Jurlique was completed on February 3, 2012.

1. Outline of Business Combination

1) Name and Main Business of Acquired Company

a. Name:	Jurlique International Pty Ltd
b. Business:	Manufacturing and marketing of cosmetics products
c. Capital:	A$72,133 thousand (At February 3, 2012)

2) Names of Selling Investor Groups and Individuals

a. JJHP, LLC
b. CPH Products Pty Limited
c. Ulrike Klein Investments Pty Limited
d. Other entities and directors of Jurlique

3) Reason for Business Combination

To become a highly profitable global company—the Company's long-term strategic goal—by strengthening its global business base through the acquisition of Jurlique, which has 11 subsidiaries in five countries, and has developed retail points of distribution in 20 countries and regions, mainly in Asia, the United States and Europe. (The figures are as of February 3, 2012.)

4) Date of Business Combination

February 3, 2012

5) Legal Method Used for Business Combination

Purchase of Shares in Cash

6) Names of Companies and Percentage of Voting Rights after Business Combination

Jurlique International Pty Ltd 100%

7) Main Evidence for Recognizing Acquiring Company

By acquisition of shares in Jurlique, Pola Orbis Holdings Inc. retains 100% voting rights of Jurlique and its 11 subsidiaries.

2. Operating Period of Acquired Company Included in Consolidated Financial Statements

February 4, 2012–December 31, 2012

3. Breakdown of Acquisition Cost

Purchase consideration	Cash	¥23,763 million
Expenses directly related to acquisition	Advisory fees	¥721 million
Acquisition cost		¥24,484 million

4. Items Related to Purchase Price Allocation

1) Breakdown and Amounts of Assets Received and Liabilities Assumed on the Combination Date

Current assets	A$36,027 thousand
Non-current assets	A$340,461 thousand
Total assets	A$376,489 thousand

Current liabilities	A$40,439 thousand
Non-current liabilities	A$34,574 thousand
Total liabilities	A$75,013 thousand

Main Intangible assets other than Goodwill distributed by Purchase Price Allocation are stated as below.

Right of trademark (non-amortization)	A$102,000 thousand
Customer-related intangible assets (weighted average amortization over 12 years)	A$39,008 thousand

2) Reason for and Amount of Goodwill Incurred, and Amortization Method and Period

a. Amount of Goodwill	¥15,177 million
b. Reason for Goodwill	Due to excess earning power, including synergies expected in future business development
c. Amortization Method and Period	Straight-line method over 20 years

5. Estimated Impact on the Consolidated Results for FY2012 Assuming the Business Combination Had Been Completed as of the beginning of FY2012 and its Calculation Method

Net sales	¥821 million
Operating loss	¥(70) million

(Calculation Method and Significant Assumptions for the Estimated Amounts)

1) The estimated impact is the difference between the net sales and operating income (loss) of the acquired companies assuming the business combination had been completed as of the beginning of fiscal 2012 and the net sales and operating income (loss) included in the consolidated statements of income. The advisory fees relating to the combination paid by Jurlique and 11 other companies have not been included in the difference.

2) The estimated amounts in Japanese yen shown above are converted using the average exchange rate from January 1, 2012 to January 31, 2012, ¥80.21 to A$1.

3) The estimated amounts above are not audited.

(Investment and Rental Property)

The Group owns office buildings and residential properties for lease in Tokyo and other areas.

In fiscal 2011, net rental income from investment and rental properties was ¥1,504 million (rental income is recorded under net sales and non-operating income, while rental expenses are recorded under cost of sales, selling, general and administrative expenses, and non-operating expenses). Impairment loss of ¥606 million and loss on disaster of ¥83 million from investment and rental properties are recorded under extraordinary losses.

In fiscal 2012, net rental income from investment and rental properties is ¥1,377 million (rental income is recorded under net sales and non-operating income, while rental expenses are recorded under cost of sales, selling, general and administrative expenses, and non-operating expenses).

The carrying amounts on the consolidated balance sheet, net change during fiscal 2011 and fiscal 2012 and the fair value of those properties are stated below.

(Millions of yen)

		FY2011 (January 1, 2011–December 31, 2011)	**FY2012 (January 1, 2012–December 31, 2012)**
Carrying Amounts on the Consolidated Balance Sheet	Balance at Beginning of Period	¥24,067	**¥21,980**
	Change	¥(2,087)	**¥3,319**
	Balance at End of Period	¥21,980	**¥25,299**
Fair Value at End of Period		¥41,381	**¥42,812**

Notes: 1. The carrying amounts present acquisition cost less accumulated depreciation and accumulated impairment loss.

2. Main change

(Fiscal 2011)

Increase: Refurbishment of office building for lease: ¥185 million

Transfer due to changes in the use of properties: ¥146 million

Decrease: Sales of office building and idle assets: ¥1,222 million

Impairment loss and non-recurring depreciation on office buildings and idle assets: ¥621 million

Depreciation on office buildings and residential properties for lease: ¥571 million

(Fiscal 2012)

Increase: Acquisition of office buildings and residential properties for lease: ¥3,355 million

Refurbishment of office buildings for lease: ¥277 million

Decrease: Depreciation on office buildings and residential properties and other properties for lease: ¥438 million

3. Method for calculating fair values

The fair values of the major properties are determined at the amounts using appraisal certificates provided by outside real estate assessors. For the other properties, however, the fair value of land is determined at the amount adjusted using the indices that are considered to properly reflect market price. The fair values of depreciable assets such as buildings are determined at the carrying amounts. For the properties acquired in fiscal 2012, the fair values are determined at the carrying amounts due to minimal fluctuation on fair values.

(Per Share Information)

	FY2011 (January 1, 2011–December 31, 2011)	**FY2012 (January 1, 2012–December 31, 2012)**
Net assets per share	¥2,839.36	**¥2,980.48**
Net income per share	¥145.43	**¥120.86**
Diluted net income per share	—	**¥120.82**

Note 1: Basis for calculation of net income per share is stated below:

Item	FY2011 (January 1, 2011–December 31, 2011)	**FY2012 (January 1, 2012–December 31, 2012)**
Net income per share		
Net income (millions of yen)	¥8,039	**¥6,681**
Amounts not attributable to shareholders of common stock (millions of yen)	—	—
Net income associated with common stock (millions of yen)	¥8,039	**¥6,681**
Weighted average number of shares of common stock during the fiscal year	55,284,039	**55,284,039**
Diluted net income per share		
Adjustment of net income (millions of yen)	—	—
Number of shares of common stock increased	—	**16,968**
[Of which, subscription rights to shares]	(—)	**(16,968)**
Outline of the dilutive shares not included in the calculation of diluted net income per share due to their antidilutive effects	—	

Note 2: Basis for calculation of net assets per share is stated below:

Item	FY2011 (At December 31, 2011)	**FY2012 (At December 31, 2012)**
Total net assets (millions of yen)	¥157,057	**¥164,896**
Amount deducted from total net assets (millions of yen)	¥86	**¥123**
[Of which, subscription rights to shares (millions of yen)]	(—)	**¥(40)**
[Of which, minority interests (millions of yen)]	¥(86)	**¥(82)**
Net assets associated with common stock (millions of yen)	¥156,971	**¥164,773**
Number of shares of common stock used in the calculation of net assets per share	55,284,039	**55,284,039**

(Significant Subsequent Events)

According to the resolution by the Board of Directors' meeting on February 13, 2013, two plants of POLA CHEMICAL INDUSTIRES INC. (one of the consolidated subsidiaries) are to be integrated.

1. Reasons for Integration

To be in line with the Group's consideration of establishing the optimal production systems to radically enhancing productivity, manufacturing in Shizuoka Plant will be terminated and its functions are to be transferred to Fukuroi Plant.

2. Overview of Shizuoka Plant

1) Location:	Suruga-ku, Shizuoka-shi, Shizuoka
2) Business:	Cosmetics manufacturing
3) Site area:	44,953 m^2
4) Book value of property, plant and equipment:	¥1,953 million (At December 31,2012)
5) Number of employees (including temporary staffs):	336 (At February 1,2013)

3. Schedules (appointed)

Manufacturing in Shizuoka Plant will be terminated in fiscal 2014, with its functions being transferred to Fukuroi Plant.

4. Impacts on Performances

Its impacts on future performances are being carefully examined.

(Omission of Disclosure)

Notes related to Lease, Information of Related Party, Financial Instruments, Tax Effect Accounting, Asset Retirement Obligations, Securities and Retirement Benefits are omitted because they are not considered significantly sufficient to be included in the disclosure of "Summary of Financial Results."