

Results for 1Q-3Q of Fiscal 2013 Supplementary Material

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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. Forecasts for Fiscal 2013

Highlights of Consolidated Performance

Thanks to the growth of overseas brands and positive impact from foreign exchange, consolidated net sales exceeded from the same period last year. Profitability improved mainly at domestic brands, resulting significantly improved operating income.

(Millions of yen)	FY2012	FY2013	YoY Change	
	3Q Results	3Q Results	Amount	%
Net Sales	129,724	137,346	7,621	5.9%
Cost of Sales	26,449	27,536	1,086	4.1%
Gross Profit	103,274	109,810	6,535	6.3%
Selling, General and Administrative Expenses	95,261	100,000	4,739	5.0%
Operating Income	8,013	9,809	1,796	22.4%
Ordinary Income	8,425	10,852	2,426	28.8%
Income before Income Taxes	8,382	9,073	691	8.3%
Net Income	3,687	4,905	1,218	33.0%

Analysis of Consolidated P&L Changes

Net Sales to Operating Income

(Millions of yen)	FY2012 3Q Results	FY2013 3Q Results	YoY Change	
			Amount	%
Net Sales	129,724	137,346	7,621	5.9%
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Consolidated Net Sales

Overseas brands performed well, especially in Asia, on local currency basis. With the positive impact from foreign exchange, consolidated net sales significantly outperformed from the same period last year on Japanese yen basis.

Domestic brands ⇒ +¥1,696 mil. YoY Overseas brands ⇒ +¥5,175 mil. YoY

Cost of Sales

Elimination of one-time expenses paralleling acquisition of Jurlique led to improvement in cost of sales ratio.

• Cost of sales ratio: FY2012 3Q 20.39% ⇒ FY2013 3Q 20.05%

(FY2012 1Q - 3Q: Recorded ¥729 mil. from inventory valuation differences accompanying acquisition of Jurlique)

SG&A

- Personnel Expense ⇒ +¥1,547 mil. YoY
- Sales commissions ⇒ +¥1,057 mil. YoY
- Sales related expense ⇒ +¥907 mil. YoY
- Administrative expense ⇒ +¥1,227 mil. YoY

Operating Income

- +¥1,796 mil. (includes +¥1,989 mil. in Beauty Care)

Analysis of Consolidated P&L Changes

Operating Income to Net Income

(Millions of yen)	FY2012	FY2013	YoY Change	
	3Q Results	3Q Results	Amount	%
Operating Income	8,013	9,809	1,796	22.4%
Non-operating Income	520	1,126	605	116.3%
Non-operating Expenses	108	83	-24	-22.7%
Ordinary Income	8,425	10,852	2,426	28.8%
Extraordinary Income	134	321	187	139.5%
Extraordinary Loss	177	2,099	1,921	1081.1%
Income before Income Taxes	8,382	9,073	691	8.3%
Income Taxes	4,709	4,241	-468	-10.0%
Minority Interests in Net Loss of Consolidated Subsidiaries	-14	-72	-57	-
Net Income	3,687	4,905	1,218	33.0%

Non-operating Income/Expenses

- Increase due to foreign exchange: +¥627 mil.
(FY2012 1Q - 3Q: ¥3mil. ⇒ FY2013 1Q - 3Q: ¥631mil.)

Extraordinary Income/Loss

- 【Extraordinary Income】 Gain on sales of property: ¥319 mil.
- 【Extraordinary Loss】 Loss on business liquidation following POLA USA pullout: ¥1,026 mil.
Loss related to the plant integration: ¥894 mil.

Income Taxes

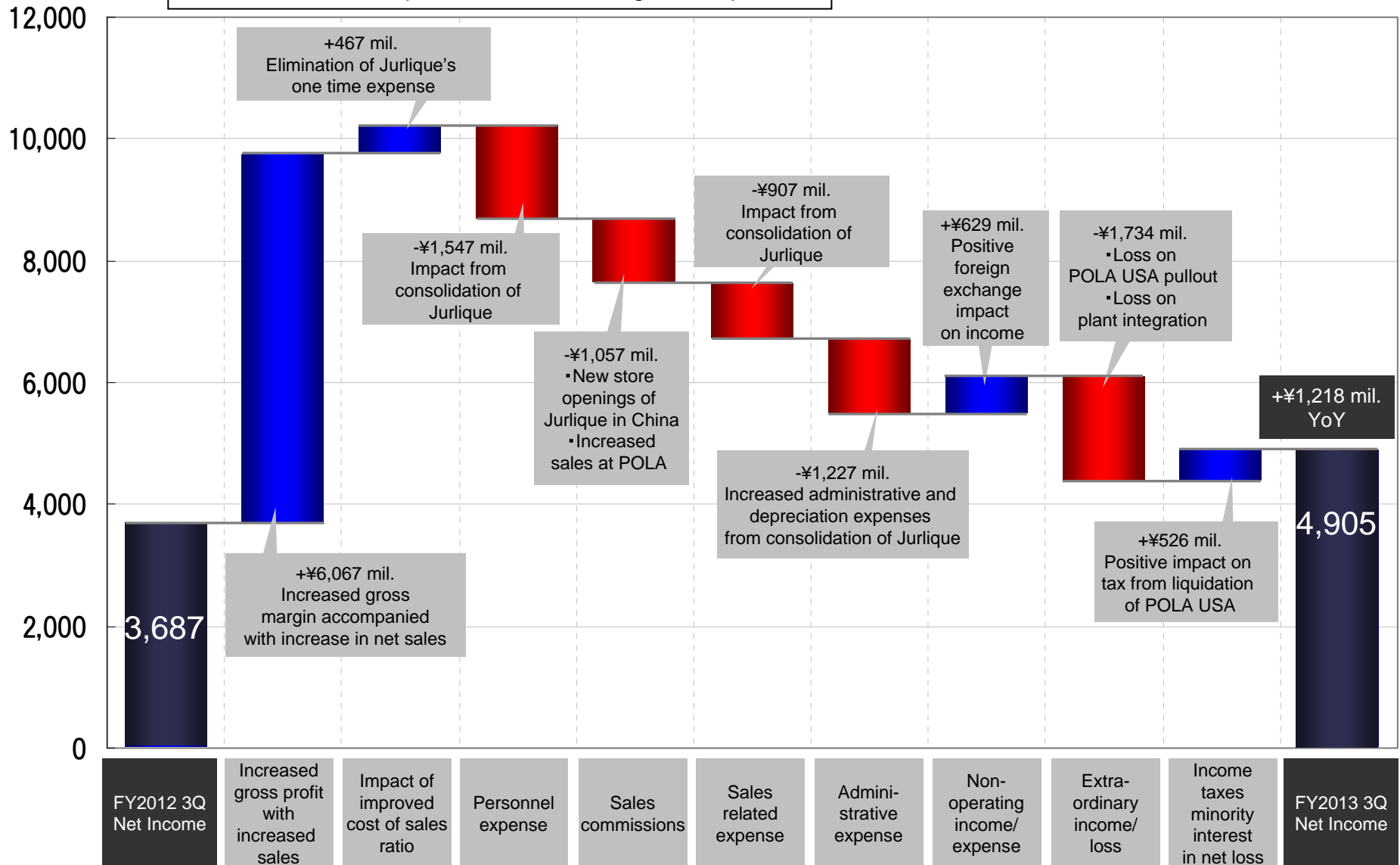
- Decrease in tax expenses following POLA USA pullout: -¥1,196 mil. YoY
- Increase in tax expenses at overseas brands: +¥420 mil. YoY

Factors Impacting Net Income

(Millions of yen)



Note: In FY2012, Jurlique was consolidated from February 4th.



1. Highlights of Consolidated Performance
- 2. Segment Analysis**
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Operating Results by Segment

(Millions of yen)	FY2012	FY2013	YoY Change	
	3Q Results	3Q Results	Amount	%
Consolidated Net Sales	129,724	137,346	7,621	5.9%
Beauty Care	120,847	127,720	6,872	5.7%
Real Estate	2,143	2,266	122	5.7%
Others	6,732	7,359	627	9.3%
Operating Income	8,013	9,809	1,796	22.4%
Beauty Care	6,687	8,676	1,989	29.7%
Real Estate	917	1,011	93	10.2%
Others	214	351	137	63.9%
Reconciliations	193	-229	-423	-

Beauty Care Segment Operating Results by Product Type

(Millions of yen)	FY2012	FY2013	YoY Change	
	3Q Results	3Q Results	Amount	%
Net Sales	120,847	127,720	6,872	5.7%
Cosmetics	111,955	119,139	7,183	6.4%
Fashion	8,892	8,581	-311	-3.5%
Operating Income	6,687	8,676	1,989	29.7%
Cosmetics	6,892	8,906	2,013	29.2%
Fashion	-205	-229	-23	-

- ◆ Cosmetics ⇒ Flagship brands performed well, resulting net sales and significantly improved operating income.
- ◆ Fashion ⇒ As a part of its brand re-building process, ORBIS strengthened promotion of cosmetic products which resulted in weaker fashion sales. Operating loss remained in line with the same period last year.

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

Beauty Care Segment Operating Results by Brand

(Millions of yen)	FY2012	FY2013	YoY Change	
	3Q Results	3Q Results	Amount	%
Net Sales	120,847	127,720	6,872	5.7%
POLA	71,160	72,421	1,261	1.8%
ORBIS	35,471	35,467	-3	-0.0%
Brands under development	5,956	6,395	438	7.4%
Overseas brands(Jurlique+H2O+)	8,259	13,435	5,175	62.7%
Operating Income	6,687	8,676	1,989	29.7%
POLA	4,123	4,785	662	16.1%
ORBIS	5,677	6,681	1,003	17.7%
Brands under development	-1,040	-969	70	-
Overseas brands(Jurlique+H2O+)	-2,072	-1,820	252	-

- ◆ POLA ⇒ • PB was the sales driver. Continued to strengthen *B.A* series, mainly focusing on the newly launched "*B.A GRAND LUXE II*".
- ◆ ORBIS ⇒ • Brand rebuilding process on track, with profitability improving and achieved double digit increase in operating income.
- ◆ Brands under Development ⇒ • Growth continued, but some brands underperformed and operating loss remained in line with the same period last year.
- ◆ Overseas Brands ⇒ • On local currency basis, sales was in line with expectations. On yen basis, positive impact from foreign exchange caused higher than expected sales. Due to increased expenses related to China and HK, operating income was lower than expected on both local currency and yen basis.

Local Currency Basis

Approx. +40% YoY
Jurlique FY'12 Feb-Sep
H2O+ FY'12 Jan-Sep

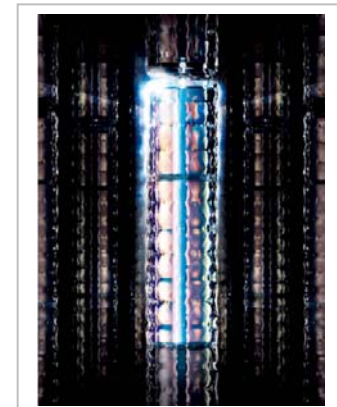
Approx. +25% YoY
Jurlique FY'12 Jan-Sep
H2O+ FY'12 Jan-Sep

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

1 —Generate stable profits with flagship brands



Product	◆ Launched “ <i>B.A GRANDLUXE II</i> ” in September
Channel	◆ Number of PB stores: 593 (21 new stores since Dec. 2012) ◆ PB stores 3Q cosmetics sales: +7.6% YoY (Like for like: +7.1% YoY) Reference: Esthe-inn +1.1% Conventional door-to-door -7.8%
Customer	◆ Amount spent per customer: -0.5% YoY ◆ Number of new customers: +2.2% YoY



POLA
“*B.A GRANDLUXE II*”
launched in September



Product	◆ Seasonal products such as UV care product performed well
Channel	◆ Online order ratio: +0.6pt YoY
Customer	◆ Amount spent per customer: +4.0% YoY ◆ Mail-order ⁽¹⁾ skincare purchaser ratio: -0.9pt YoY ◆ Ranked no.1 in three consecutive years by JCSI ⁽²⁾ (online retail category)
Logistics	◆ Enhanced cost efficiency in delivery through two-point logistics structure with one distribution center in eastern Japan and another in western Japan



ORBIS
“*Sunscreen Super*”
launched at the end of May

(1) Mail-order includes online and catalog orders (2) One of the largest consumer satisfaction indexes in Japan

2 — Accelerate growth of brands under development

T H R E E

- ◆ Hair care series, *Scalp & Hair*, launched in July



THREE
“*Scalp & Hair*”
launched in July

3 — Develop presence overseas by capitalizing on the Group’s strengths

Overseas
brands

- ◆ Jurlique ⇒ Opened new stores in China
17 new stores since Dec. 2012
Total of 86 stores in China
- ◆ H2O PLUS ⇒ Shipping to the new agent in China went well
and sales exceeded from the same period last
year



Jurlique
“*Herbal Recovery
Advanced Serum*”
launched in September

Existing
brands

- ◆ POLA ⇒ Good sales performance in perfumeries in
Russia and department stores in China
- ◆ ORBIS ⇒ Established a local corporation in Singapore
for ASEAN expansion
- ◆ THREE ⇒ Started operation in Thailand. Roll out going
smoothly

Real Estate/Others Segment Results

(Millions of yen)	FY2012 3Q Results	FY2013 3Q Results	YoY Change	
			Amount	%
Real Estate Net Sales	2,143	2,266	122	5.7%
Operating Income	917	1,011	93	10.2%

◆ With improved occupancy rate, both sales and operating income exceeded from the same period last year.

(Millions of yen)	FY2012 3Q Results	FY2013 3Q Results	YoY Change	
			Amount	%
Others Net Sales	6,732	7,359	627	9.3%
Operating Income	214	351	137	63.9%

◆ Pharmaceuticals ⇒ Number of facilities ordering *Lulicon* increased and pharmaceuticals business significantly exceeded from the same period last year.

◆ Building maintenance ⇒ With steady number of construction orders received, performance was in line with the same period last year.

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Aim to achieve the targets with stable growth of domestic brands and expansion of overseas brands.

(Millions of yen)	FY2012	FY2013	YoY Change	
	Results	Full Year Forecasts	Amount	%
Consolidated Net Sales	180,873	188,500	7,626	4.2%
Beauty Care	168,811	175,800	6,988	4.1%
Real Estate	2,841	3,000	158	5.6%
Others	9,220	9,700	479	5.2%
Operating Income	13,520	16,000	2,479	18.3%
Beauty Care	11,812	15,000	3,187	27.0%
Real Estate	1,139	1,200	60	5.3%
Others	335	300	-35	-10.5%
Reconciliations	232	-500	-732	—
Ordinary Income	14,604	16,300	1,695	11.6%
Net Income	6,681	8,200	1,518	22.7%

Initiatives for the Fourth Quarter

POLA

- ◆ Plans to expand the sales organization and promote new openings of PB stores to bring total number of PB stores to 600 by the end of the year
- ◆ Strengthen high-value-added products, especially *B.A* series

ORBIS

- ◆ Strengthen One to One approach to customers by renewing the core system of mail-orders
- ◆ Open directly operated store in Singapore

Jurlique

- ◆ Continue to open new stores in China to bring total number of stores to 100
- ◆ Strengthen merchandising aimed at Christmas shopping

h2o+

- ◆ Launch two new products that are co-developed with POLA Chemical Industries Inc.
- ◆ Increase shipping in China and Russia

Brands under development

- ◆ THREE opened “THREE AOYAMA”, its first road side store in Aoyama, Tokyo



POLA
“*B.A Premium Collection*”
will be launched in November



H2O+
“*totalSource Optimum Cleanser & Optimum Toner*”
launched in October

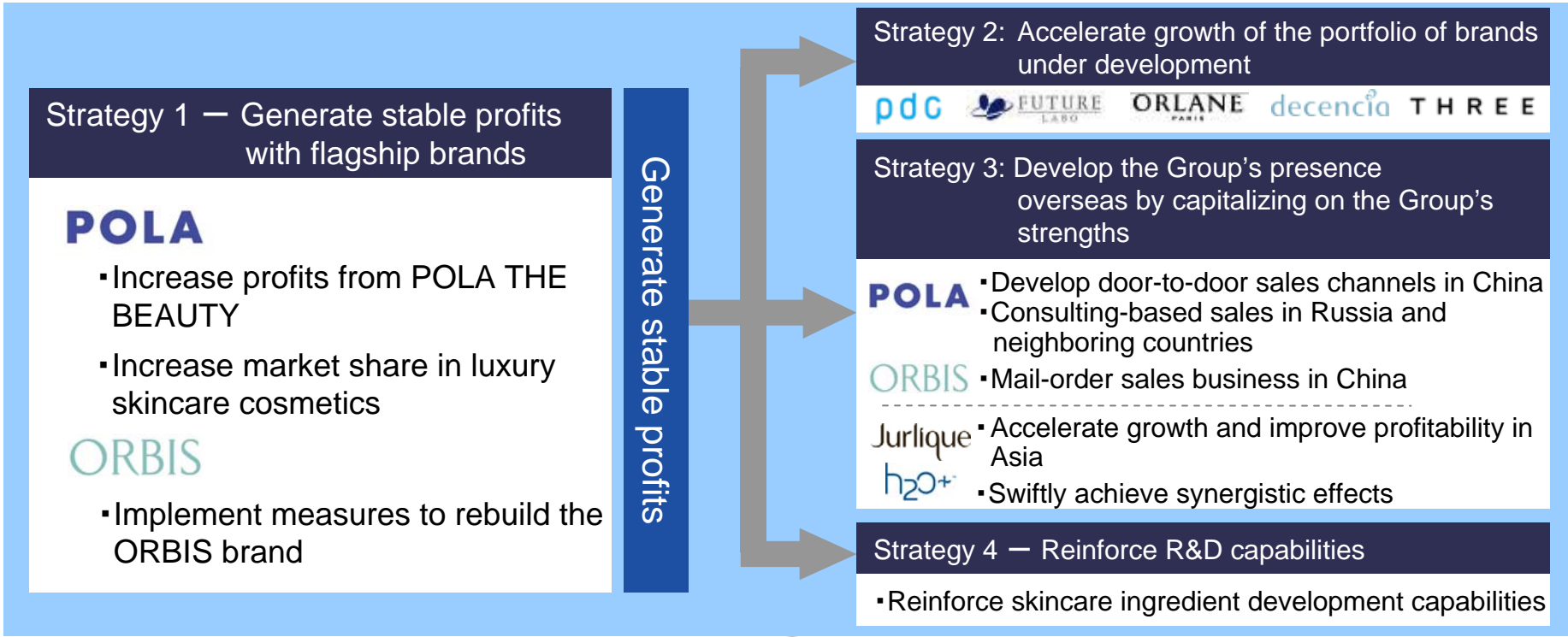


“THREE AOYAMA” opened on October 3rd.

Generate stable profits with flagship brands and invest funds to implement growth strategy



- ◆ Consolidated Net Sales ⇒ CAGR* 2~3% *CAGR: Compound annual growth rate
- ◆ Operating Income ⇒ CAGR 10% or higher
- ◆ Operating Margin ⇒ 9% (10% in Japan) in FY2013



- Strategy 5 — Reinforce the operating base**
- | | | | |
|---|-------------------------------------|--------------------------------|-------------------------------|
| 1. Enhance brand recognition (unaided recall) | 2. Concentration on core competence | 3. Business process management | 4. Step up personnel training |
|---|-------------------------------------|--------------------------------|-------------------------------|

Corporate Philosophy

“Inspire all people and touch their hearts”

Management Indicators

Net sales: ¥250.0 billion or more
 Overseas sales ratio: 20% or more
 Operating margin: Top level in the industry (13-15%)

