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POLA ORBIS Group 2011-2013 Medium-term Management Plan

POLA ORBIS HOLDINGS INC. (the Company) today announced the POLA ORBIS Group (the Group)'s medium-term management plan for the period from the fiscal year ending December 31, 2011 (fiscal 2011) to the fiscal year ending December 31, 2013 (fiscal 2013).

The POLA ORBIS Group, guided by its corporate philosophy—"Inspire all people and touch their hearts"—is engaged in the Cosmetics business and other businesses related to "beauty and health" and "culture." Taking the opportunity of the listing on the first section of the Tokyo Stock Exchange in December 2010, the Company intends to publicize not only the company name and brands but also the Group's businesses, business strategies and goals to customers, shareholders and investors. In this context, the Company formulated and announced the medium-term management plan and the long-term vision on which the plan is based. The Group will make a concerted effort to achieve growth.

1. Long-term vision (Goal for 2020)

(1) Strategic orientation

Capitalizing on its strengths in direct marketing and R&D, the Group intends to enhance customer satisfaction. At the same time, the Group will accelerate development of the Group's presence overseas centering on flagship brands with the aim of becoming a global enterprise in the field of "beauty and health."

- Achieve stable growth in Japan (compound annual growth rate of around 2%)
- Sell flagship brands overseas centering on Asia
- Accelerate growth through M&A and alliances in Japan and overseas.

(2) Three stages

The 10 years from fiscal 2011 to fiscal 2020 are divided into three stages toward achievement of the goal.

- Stage 1 (fiscal 2011-2013)

Generate stable profits with flagship brands in Japan and create a successful business model overseas

- Stage 2 (fiscal 2014-2016)

Accelerate development of the Group's presence overseas

- Stage 3 (fiscal 2017-2020)

Become a highly profitable global enterprise

(3) Management indicators

- Net sales: ¥250 billion or more
- Ratio of international sales: 20% or more
- Operating income to net sales: Top level in the industry (13-15%)

2. 2011-2013 Medium-term Management Plan (Stage 1)

(1) Fundamental policy

Fundamental policy for fiscal 2011-2013: Generate stable profits with flagship brands and invest in growth strategies

(2) Five key strategies

i. Generate stable profits with flagship brands

POLA: Increase profits of **POLA THE BEAUTY**

Increase the share of the luxury skincare cosmetics market

ORBIS: Implement measures to rebuild **ORBIS** brands

ii. Accelerate growth of the portfolio of brands under development

Develop five brands (**pdc**, **Future Labo**, **ORLANE JAPON**, **decencia**, and **ACRO**) and reinforce the portfolio

iii. Develop the Group's presence overseas by capitalizing on the Group's strengths

POLA: Develop door-to-door sales channels in China

Counseling-based sales in Russia and neighboring regions

ORBIS: Mail-order sales business in China

iv. Reinforce R&D capabilities

Reinforce material development capabilities in whitening and anti-aging skincare

v. Reinforce the operating structure

Enhance brand recognition (unaided recall) and step up personnel training

(3) Management indicators

- Consolidated net sales: Growth rate outperforming the market in Japan (CAGR of 2-3%)
- Operating income: Great increase accompanying increased sales (CAGR of 10% or higher)
- Operating income to net sales: Top level in the industry (9% (10% in Japan) in fiscal 2013)